

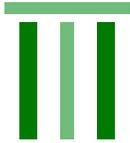
TOWN OF TROPHY CLUB, TEXAS

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements	
Governmental Funds	
Balance Sheet	12
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Assets	13
Statement of Revenues, Expenditures and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Agency Fund	
Statement of Fiduciary Net Assets	16
Combining Financial Statements – Discretely Presented Component Units	
Combining Statement of Net Assets – Discretely Presented Component Units	17
Combining Statement of Activities – Discretely Presented Component Units	18
Notes to Basic Financial Statements	19
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	37
Notes to Required Supplementary Information	38
SUPPLEMENTARY INFORMATION	
Combining Financial Statements	
Non-major Governmental Funds:	
Combining Balance Sheet	39
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	40
Budgetary Comparison Schedules:	
Budgetary Comparison Schedule – Debt Service Fund	41
Budgetary Comparison Schedule – Trophy Club Park Fund	42
Budgetary Comparison Schedule – 4A Economic Development Fund	43
Budgetary Comparison Schedule – 4B Economic Development Fund	44



**WEAVER
AND
TIDWELL**

L.L.P.

CERTIFIED PUBLIC
ACCOUNTANTS
AND CONSULTANTS

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 discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Trophy Club, Texas (the "Town"), as of and for the year ended September 30, 2008, 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 basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the Town as of September 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule on pages 3 through 9 and pages 37 through 38, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have issued a report dated March 13, 2009, on our consideration of the Town's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Three Forest Plaza
12221 Merit Drive
Suite 1400
Dallas, Texas 75251-2280
972.490.1970
F 972.702.8321*

WWW.WEAVERANDTIDWELL.COM

AN INDEPENDENT MEMBER OF
BAKER TILLY
INTERNATIONAL

OFFICES IN

DALLAS

FORT WORTH

HOUSTON

SAN ANTONIO

Town of Trophy Club, Texas
March 13, 2009

Page 2

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Trophy Club, Texas' basic financial statements. The combining statements on pages 39 through 40 and the budgetary comparison schedules on pages 41 through 44 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material aspects in relation to the basic financial statements taken as a whole.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 13, 2009

**TOWN OF TROPHY CLUB, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

The Town of Trophy Club, Texas (the "Town") Management's Discussion and Analysis is a narrative overview and analysis designed to provide the reader a means to identify and understand the financial activity of the Town and changes in the Town's financial position during the fiscal year ended September 30, 2008.

The Management's Discussion and Analysis (MD&A) is supplemental to, and should be considered along with the Town's financial statements.

FINANCIAL HIGHLIGHTS

At the close of the fiscal year, the assets of the Town exceeded its liabilities by \$35,713,164. Of this amount, \$11,115,277 is unrestricted net assets and may be used to meet the Town's ongoing commitments to its citizens and creditors.

The Town's net assets increased by \$21,383,458 as a result of operations and contributions from the Public Improvement District #1.

At the end of the fiscal year, the Town's governmental funds reported a combined fund balance of \$12,291,940.

For the year ended September 30, 2008, the unreserved fund balance for the General Fund was \$1,830,233, 29.22% of the total expenditures for the General Fund for 2008.

The governmental long-term debt obligations of the Town decreased by \$330,036. This decrease was comprised of debt service, note and capital lease payments, as well as an increase in compensated absences during the fiscal year of \$12,789; and the addition of \$256,836 in new capital lease obligations.

OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to introduce the reader to the Town's basic financial statements, which are comprised of three components: 1. Government-Wide Financial Statements, 2. Fund Financial Statements, and 3. Notes to Basic Financial Statements. The report also contains other required supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements – the government-wide financial statements are designed to provide the reader with a general overview of the Town's finances in a way that is comparable with financial statements from the private sector. The government-wide financial statements consist of two statements:

1. **The Statement of Net Assets** – (Page 10) this statement presents information on all of the Town's assets and liabilities; the difference between the two is reported as net assets. Over an extended period, the increase or decrease in net assets will serve as a good indicator of whether the financial position of the Town is improving or deteriorating.

**TOWN OF TROPHY CLUB, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

OVERVIEW OF THE FINANCIAL STATEMENTS – CONTINUED

2. **The Statement of Activities** – (Page 11) gives information showing how the Town's net assets have changed during the fiscal year. All revenues and expenses are reported on the full accrual basis so certain revenue and expense items will result in cash flows in future fiscal periods (such as uncollected taxes or unused vacation leave).

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 - A fund is a grouping of related accounts that is used to maintain control over resources that have been set aside for specific activities or objectives. Fund financial statements provide detailed information about the most important funds and not about the Town as a whole as in the government-wide financial statements.

The Town uses fund accounting to demonstrate compliance with finance related legal requirements which can be categorized into two activities – governmental funds and fiduciary funds.

Governmental Funds – All of the Town's activities are reported in governmental funds. They are used to account for those functions known as government activities. But unlike government-wide financial statements, governmental funds financial statements focus on how monies flow into and out of those funds and their resulting balances at the end of the fiscal year. Statements of governmental funds provide a detailed short-term view of the Town's general government operations and the basic services it provides. Such information can be useful in evaluating a government's short-term financing requirements.

The Town maintains seven governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Debt Service Fund, and Capital Projects Fund, all of which are considered to be major funds. Data for the other governmental 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.

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 - Discretely Presented Component Units and the Statement of Activities – Discretely Presented Component Units.

**TOWN OF TROPHY CLUB, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

OVERVIEW OF THE FINANCIAL STATEMENTS – CONTINUED

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 - 36.

Government-wide Financial Analysis

This statement highlights the information provided in both the Statement of Net Assets and Statement of Activities in the government-wide financial statements. It may serve over an extended period of time, as a useful indicator of the Town's financial position. At the end of the fiscal year, the Town's assets exceeded liabilities by \$35,713,164. Of this amount \$24,467,178 68.5% reflects the Town's investment in capital assets (e.g., land, buildings, machinery and equipment, net of accumulated depreciation), less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to the community, therefore these assets are not available for future spending.

Table 1
Condensed Statement of Net Assets

	Governmental Activities 2008	Governmental Activities 2007
	<hr/>	<hr/>
Current and other	\$ 14,926,206	\$ 5,723,120
Capital assets	32,056,003	18,749,018
	<hr/>	<hr/>
Total assets	<u>\$46,982,209</u>	<u>\$24,472,138</u>
Long-term liabilities	9,035,142	9,365,178
Other liabilities	2,233,903	777,254
	<hr/>	<hr/>
Total liabilities	<u>11,269,045</u>	<u>10,142,432</u>
Net assets:		
Invested in capital		
Net of related debt	24,467,178	18,482,623
Restricted	130,709	663
Unrestricted	11,115,277	(4,334,834)
	<hr/>	<hr/>
Total net assets	<u>\$ 35,713,164</u>	<u>\$ 14,148,452</u>

**TOWN OF TROPHY CLUB, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

OVERVIEW OF THE FINANCIAL STATEMENTS – CONTINUED

City Operational Analysis – The following table provides a summary analysis of the Town's operations for the fiscal year ended September 30, 2008. Governmental activities have increased the Town's net assets by \$21,383,458 which amounts to a 149.22% increase in total net assets for the year.

Table 2
Changes in Net Assets

	Governmental Activities 2008	Governmental Activities 2007
Revenues:		
Program revenue		
Charges for services	\$ 1,284,324	\$ 931,685
Operating grants and contributions	977,774	909,784
Capital grants and contributions	27,776,510	-
General revenues:		
Ad valorem taxes	3,217,051	2,906,229
Sales and mixed beverage taxes	608,218	605,776
Franchise taxes	489,500	455,944
Occupancy taxes	25,705	-
Intergovernmental revenue	254,572	280,086
Unrestricted investment earnings	465,064	176,939
Miscellaneous	629,225	168,604
Total revenue	<u>\$ 35,727,943</u>	<u>\$ 6,435,047</u>
Expenses and transfers:		
General government	250,774	765,975
Storm drainage	132,283	131,922
Emergency medical services	741,240	422,078
Manager's office	446,175	-
Human resources	28,702	-
Finance	225,825	-
Information systems	186,733	70,659
Legal	165,219	120,733
Police	1,406,860	1,188,357
Court	69,170	68,796
Recreation	422,486	-
Facilities management	94,511	-
Parks	1,507,619	1,539,859
Community development	289,714	906,079
Planning and zoning	125,838	76,327
Fire	893,653	701,883
Streets	394,338	-
Water and sewer	8,600	-
Transfers	4,422,288	-
Interest on long term debt	<u>2,532,457</u>	<u>261,125</u>
Total expenses and transfers	<u>14,344,485</u>	<u>6,253,793</u>
Increase in net assets	<u>\$ 21,383,458</u>	<u>\$ 181,254</u>

**TOWN OF TROPHY CLUB, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

OVERVIEW OF THE FINANCIAL STATEMENTS – CONTINUED

Financial Analysis of the Town's Funds

Governmental Funds - the main focus of the Town's governmental funds is to provide information on the flow of monies to and from the funds; and to note the unreserved fund balance, which is a good indicator of resources available for spending in the near term. The information derived from these funds is highly useful in assessing the Town's financial requirements. The unreserved fund balance may serve as a useful measure of the governments net resources available for use at the fiscal year end.

At the end of the fiscal year, the Town's governmental funds reported combined ending fund balances of \$12,291,940 of which 97.97%, or \$12,042,332, is unreserved and available to the Town for future spending. The remaining fund balance is not available for spending and is committed to pay debt service and other items.

General Fund Budgetary Highlights

Revenue: During the year ended September 30, 2008 there were several budget amendments. Revenue budgets were decreased by \$26,385. Significant variances between budgeted and actual revenues were: licenses and permits were \$316,120 under budget; charges for services were \$614,436 under budget, fines were \$25,908 over budget; miscellaneous income was over budget by \$320,900.

Expenses: All departments with the exception of Streets were under budget at the end of 2008. Streets were over budget \$50,666. Community development was under budget by \$320,145. Police was under budget \$51,259. The largest savings was \$33,674 from the salaries & personnel area. Parks & recreation was under budget \$31,649. Overall: The Town had a net positive savings of \$448,073. The Debt Service Fund increased reserves in the amount of \$78,193.

Capital Asset and Debt Administration

The Town's investments in capital assets for its governmental activities as of September 30, 2008 amounted to \$32,056,003 net of accumulated depreciation. They represent a broad range of capital assets including, but not limited to land, buildings, police and fire, and EMS equipment, park facilities, streets, water lines and a storm water drainage system. Significant increases came from contributions from Trophy Club Public Improvement District #1.

**TOWN OF TROPHY CLUB, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

OVERVIEW OF THE FINANCIAL STATEMENTS – CONTINUED

Table 3
Capital Assets at Year-End

	Governmental Activities 2008	Governmental Activities 2007
Land	\$ 3,334,724	\$ 3,334,724
Buildings	1,934,264	1,934,264
Improvements other than buildings	19,823,012	18,633,567
Machinery and equipment	1,017,279	945,162
Vehicles	943,196	684,269
Water System	43,600	43,600
Infrastructure	5,330,030	5,330,030
Construction in progress	13,502,996	728,321
Totals	<u>\$ 45,929,101</u>	<u>\$ 31,633,937</u>

Major additions to capital assets for the fiscal year include the following:

Description	Amount
Harmony Park Lighting	185,136
New transportation vehicles	111,995
New Ambulance	146,932
Median irrigation system	100,326
Fire Station improvements	63,689
Construction in progress - streets/PID	13,502,996

Additional information about capital assets may be found in Note 3 in the notes to basic financial statements on page 28 – 29 of this report.

Debt Administration

Long-Term Debt- at the end of the current fiscal year the Town had \$9,035,142 in bonded debt, notes payable, capital lease obligations, and compensated absences, a decrease of 3.5% from the previous fiscal year. Of this amount, \$8,677,000 is backed by the full faith and credit of the government. The Town's general obligation debt maintains an "A2" rating from Moody's investor services.

**TOWN OF TROPHY CLUB, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

OVERVIEW OF THE FINANCIAL STATEMENTS – CONTINUED

Table 4
Outstanding Debt at Year-End

	Governmental Activities 2008	Governmental Activities 2007
General obligation bonds	\$ 7,755,000	\$ 8,135,000
Contractual obligations	922,000	989,000
Notes payable	8,000	37,420
Capital leases	295,306	161,711
Compensated absences	54,836	42,047
Total	<u>\$ 9,035,142</u>	<u>\$ 9,365,178</u>

Economic Factors and Next Year's Budgets and Rates

In the budget for the next fiscal year, revenues have been projected to increase by 3 %. The two largest sources of revenue: sales tax receipts and property tax receipts were budgeted to increase 3.2%, and 8.9%, respectively. Due to the volatility in sales tax receipts, the Town has been conservative in projecting sales tax revenue, and actual receipts have generally met requirements. Property tax rates will not change for the next fiscal year, resulting in a small increase in tax revenues. Expenditures are expected to increase by 5.46%. This increase is not the result of one or two significant increases, but rather from a spreading of increases and decreases across the board.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all interested parties. Questions concerning any of the information in this report or requests for additional information should be directed to the Town of Trophy Club, Director of Finance, 100 Municipal Drive, Trophy Club, Texas 76262.

BASIC FINANCIAL STATEMENTS

**TOWN OF TROPHY CLUB, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008**

	<u>Primary Governmental Activities</u>	<u>Component Units</u>
ASSETS		
Cash and cash equivalents	\$ 14,224,016	\$ 514,571
Receivables:		
Sales taxes	98,613	59,168
Ad valorem taxes	46,457	-
Franchise fees	282,279	-
Accounts, net of allowance	64,007	-
Other	82,635	-
Due from other governments	76,785	-
Prepaid items	4,230	-
Bond issuance costs	47,184	-
Capital assets:		
Land	3,334,724	-
Construction in progress	13,502,996	-
Buildings	1,934,264	-
Improvements other than buildings	19,823,012	-
Machinery and equipment	1,017,279	-
Vehicles	943,196	-
Water system	43,600	-
Infrastructure	5,330,030	-
Accumulated depreciation	<u>(13,873,098)</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 46,982,209</u>	<u>\$ 573,739</u>
LIABILITIES		
Accounts payable	\$ 2,084,118	\$ 17,767
Accrued liabilities	120,399	-
Interest payable	29,386	-
Noncurrent liabilities:		
Debt due within one year	689,370	-
Debt due in more than one year	<u>8,345,772</u>	<u>-</u>
TOTAL LIABILITIES	<u>11,269,045</u>	<u>17,767</u>
NET ASSETS		
Invested in capital assets, net of related debt	24,467,178	-
Restricted for debt service	130,709	-
Unrestricted	<u>11,115,277</u>	<u>555,972</u>
TOTAL NET ASSETS	<u>\$ 35,713,164</u>	<u>\$ 555,972</u>

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

**TOWN OF TROPHY CLUB, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2008**

Program Activities	Expenses	Program Revenues			Net (Expenses) Revenues and	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Units
Governmental activities:						
General government	\$ 250,774	\$ 132,984	\$ -	\$ 27,415,006	\$ 27,297,216	\$ -
Storm drainage	132,283	112,857	-	-	(19,426)	-
Emergency medical services	741,240	143,556	9,552	750	(587,382)	-
Manager's office	446,175	-	-	-	(446,175)	-
Human resources	28,702	-	-	-	(28,702)	-
Finance	225,825	-	-	-	(225,825)	-
Information systems	186,733	-	-	-	(186,733)	-
Legal	165,219	-	-	-	(165,219)	-
Police	1,406,860	-	823	89,552	(1,316,485)	-
Court	69,170	106,092	-	-	36,922	-
Recreation	422,486	-	-	-	(422,486)	-
Facilities management	94,511	-	-	-	(94,511)	-
Parks	1,507,619	64,995	-	19,655	(1,422,969)	-
Community development	289,714	701,244	-	191,042	602,572	-
Planning and zoning	125,838	11,594	-	-	(114,244)	-
Fire	893,653	-	967,399	60,505	134,251	-
Streets	394,338	-	-	-	(394,338)	-
Water and sewer	0	11,002	-	-	11,002	-
Interest on long-term debt	2,071,716	-	-	-	(2,071,716)	-
Total governmental activities	<u>9,452,856</u>	<u>1,284,324</u>	<u>977,774</u>	<u>27,776,510</u>	<u>20,585,752</u>	<u>-</u>
Component units:						
4A Economic Development Corporation	182,410	-	-	-	-	(182,410)
4B Economic Development Corporation	82,915	-	-	-	-	(82,915)
Total component units	<u>\$ 265,325</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(265,325)</u>
General Revenues and Transfers:						
Taxes:						
Ad valorem					3,217,051	-
Sales and mixed beverage					608,218	357,072
Franchise taxes					489,500	-
Occupancy taxes					25,705	-
Intergovernmental revenue					254,572	-
Investment income					465,064	15,212
Miscellaneous revenues					629,225	-
Transfers					(4,422,288)	-
Total general revenues and transfers					<u>1,267,047</u>	<u>372,284</u>
Change in net assets					21,852,799	106,959
Net Assets - beginning of year					14,329,706	449,013
Net Assets - end of year					<u>\$ 36,182,505</u>	<u>\$ 555,972</u>

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

**TOWN OF TROPHY CLUB, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 2,029,660	\$ 153,561	\$ 11,936,178	\$ 104,617	\$ 14,224,016
Receivables					
Sales taxes	98,613	-	-	-	98,613
Ad valorem taxes	38,615	7,842	-	-	46,457
Franchise fees	282,279	-	-	-	282,279
Accounts (net of allowance for uncollectible accounts)	53,829	-	-	10,178	64,007
Miscellaneous	82,635	-	-	-	82,635
Due from other governments	76,785	-	-	-	76,785
Due from other funds	89,258	-	-	3,974	93,232
Prepays	3,526	-	-	704	4,230
	<u>\$ 2,755,200</u>	<u>\$ 161,403</u>	<u>\$ 11,936,178</u>	<u>\$ 119,473</u>	<u>\$ 14,972,254</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 336,984	\$ -	\$ 1,742,686	\$ 4,448	\$ 2,084,118
Accrued liabilities	115,905	1,308	-	3,186	120,399
Due to other funds	-	-	-	93,232	93,232
Deferred revenue	374,723	7,842	-	-	382,565
	<u>827,612</u>	<u>9,150</u>	<u>1,742,686</u>	<u>100,866</u>	<u>2,680,314</u>
Fund balances					
Reserved for debt service	-	152,253	-	-	152,253
Reserved for parks	74,780	-	-	-	74,780
Reserved for prepaids	3,526	-	-	-	3,526
Reserved for others	19,049	-	-	-	19,049
Unreserved and undesignated reported in:					
General fund	1,830,233	-	-	-	1,830,233
Special revenue fund	-	-	-	18,607	18,607
Capital projects funds	-	-	10,193,492	-	10,193,492
	<u>1,927,588</u>	<u>152,253</u>	<u>10,193,492</u>	<u>18,607</u>	<u>12,291,940</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,755,200</u>	<u>\$ 161,403</u>	<u>\$ 11,936,178</u>	<u>\$ 119,473</u>	<u>\$ 14,972,254</u>

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

**TOWN OF TROPHY CLUB, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008**

Total fund balances - governmental funds	\$ 12,291,940
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.	32,056,003
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	47,184
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.	(29,386)
Revenues earned but not available within sixty days of year-end are not recognized as revenue in the fund financial statements.	382,565
Compensated absences are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	(54,836)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	<u>(8,980,306)</u>
Net assets of governmental activities	<u><u>\$ 35,713,164</u></u>

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

**TOWN OF TROPHY CLUB, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Ad valorem taxes	\$ 2,626,237	\$ 592,824	\$ -	\$ -	\$ 3,219,061
Sales and mixed beverage taxes	608,218	-	-	-	608,218
Franchise taxes	481,459	-	-	-	481,459
Occupancy taxes	-	-	-	25,705	25,705
Licenses and permits	376,628	-	-	-	376,628
Intergovernmental	1,041,270	161,076	-	30,000	1,232,346
Charges for services	727,111	-	-	48,977	776,088
Fines	106,092	-	-	-	106,092
Investment income	66,805	12,731	384,767	761	465,064
Miscellaneous	527,892	131,341	-	21	659,254
Grant revenue	33	-	-	361,471	361,504
Contributions	-	-	27,415,006	-	27,415,006
	<u>6,561,745</u>	<u>897,972</u>	<u>27,799,773</u>	<u>466,935</u>	<u>35,726,425</u>
Total revenues					
Expenditures:					
Current:					
General government	-	-	39,977	218,970	258,947
Emergency medical services	742,890	-	-	-	742,890
Manager's office	438,520	-	-	-	438,520
Human resources	28,015	-	-	-	28,015
Finance	223,095	-	-	-	223,095
Information systems	180,881	-	-	-	180,881
Legal	165,219	-	-	-	165,219
Police	1,380,548	-	-	89,555	1,470,103
Court	69,286	-	-	-	69,286
Parks	738,658	-	-	138,272	876,930
Recreation	419,822	-	-	-	419,822
Facilities management	94,511	-	-	-	94,511
Community development	192,886	-	-	-	192,886
Planning and zoning	125,087	-	-	-	125,087
Fire	869,804	-	-	-	869,804
Streets	593,444	-	-	-	593,444
Water	-	-	-	-	-
Capital outlay	-	-	14,078,557	-	14,078,557
Debt service:					
Principal retirement	-	447,000	-	-	447,000
Interest and fiscal charges	-	460,741	-	-	460,741
Bond issuance costs	-	-	2,078,496	-	2,078,496
	<u>6,262,666</u>	<u>907,741</u>	<u>16,197,030</u>	<u>446,797</u>	<u>23,814,234</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>299,079</u>	<u>(9,769)</u>	<u>11,602,743</u>	<u>20,138</u>	<u>11,912,191</u>
Other financing sources (uses):					
Transfer in	-	87,962	35,318	-	123,280
Transfer out	(35,318)	-	(4,510,250)	-	(4,545,568)
Capital lease proceeds	256,836	-	-	-	256,836
	<u>221,518</u>	<u>87,962</u>	<u>(4,474,932)</u>	<u>-</u>	<u>(4,165,452)</u>
Total other financing sources (uses)					
Net change in fund balances	520,597	78,193	7,127,811	20,138	7,746,739
Fund Balances (deficits) - beginning of year	<u>1,406,991</u>	<u>74,060</u>	<u>3,065,681</u>	<u>(1,531)</u>	<u>4,545,201</u>
Fund Balances - end of year	<u>\$ 1,927,588</u>	<u>\$ 152,253</u>	<u>\$ 10,193,492</u>	<u>\$ 18,607</u>	<u>\$ 12,291,940</u>

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

**TOWN OF TROPHY CLUB, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Net change in fund balances - total governmental funds	\$ 7,746,739
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.	14,295,164
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.	(988,179)
Payments on long-term debt, including capital leases, are recorded as expenditures in the Governmental Fund Financial Statements, but are reflected as reductions in the liability for long-term debt in the government-wide statements.	599,661
Costs associated with the issuance of governmental long-term debt are expensed when incurred in the fund financial statements and capitalized and amortized over the life of the debt in the government-wide financial statements. This amount represents \$2,927 of amortization of issuance costs.	2,927
Governmental funds reflect the proceeds from the issuance of bonds, contractual obligations, and capital leases as other financing sources; however, in the government-wide financial statements the proceeds are reflected as increases in liabilities.	(256,836)
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.	(12,789)
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.	(9,707)
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.	6,478
Change in net assets of governmental activities	\$ 21,383,458

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, 2008**

	<u>Agency Fund</u>
	<u>PID NO. 1</u>
	<u>Debt Service</u>
ASSETS	
Cash and cash equivalents	\$ 3,867,448
Total assets	<u>\$ 3,867,448</u>
LIABILITIES	
Due to debt holders	\$ 3,867,448
Total liabilities	<u>\$ 3,867,448</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, 2008**

	<u>4A</u> <u>Economic</u> <u>Development</u> <u>Corporation</u>	<u>4B</u> <u>Economic</u> <u>Development</u> <u>Corporation</u>	<u>Totals</u> <u>September 30,</u> <u>2008</u>
ASSETS			
Cash and cash equivalents	\$ 301,000	\$ 213,571	\$ 514,571
Receivables, net:			
Sales taxes	<u>39,445</u>	<u>19,723</u>	<u>59,168</u>
TOTAL ASSETS	<u>\$ 340,445</u>	<u>\$ 233,294</u>	<u>\$ 573,739</u>
LIABILITIES			
Accounts payable	<u>\$ -</u>	<u>\$ 17,767</u>	<u>\$ 17,767</u>
TOTAL LIABILITIES	<u>-</u>	<u>17,767</u>	<u>17,767</u>
NET ASSETS			
Unrestricted	<u>340,445</u>	<u>215,527</u>	<u>555,972</u>
TOTAL NET ASSETS	<u>\$ 340,445</u>	<u>\$ 215,527</u>	<u>\$ 555,972</u>

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, 2008**

	<u>Expenses</u>	<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
		<u>4A Economic Development Corporation</u>	<u>4B Economic Development Corporation</u>	<u>Total</u>
4A Economic Development Corporation				
General government	\$ 182,410	\$ (182,410)	\$ -	\$ (182,410)
4B Economic Development Corporation				
General government	82,915	-	(82,915)	(82,915)
Total component units	<u>\$ 265,325</u>	<u>(182,410)</u>	<u>(82,915)</u>	<u>(265,325)</u>
General Revenues:				
Sales taxes		238,048	119,024	357,072
Investment income		9,893	5,319	15,212
Total general revenues		<u>247,941</u>	<u>124,343</u>	<u>372,284</u>
Change in net assets		65,531	41,428	106,959
Net Assets - beginning of year		<u>274,914</u>	<u>174,099</u>	<u>449,013</u>
Net Assets - end of year		<u>\$ 340,445</u>	<u>\$ 215,527</u>	<u>\$ 555,972</u>

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

TOWN OF TROPHY CLUB, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

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

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

B. Financial Reporting Entity

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Financial Reporting Entity – Continued

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the primary government. Separate financial statements for the individual component units are not prepared.

The following entities were found to be 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.

C. Government-Wide and Fund 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. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported as a single column in the government-wide financial statements.

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 and fiduciary activities. The governmental fund financial statements present each major fund as a separate column on the fund financial statements. A separate financial statement is provided for the agency fund even though it is excluded from the government-wide statements.

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 reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Capital Projects Funds

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

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

Grant Fund

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

Hotel/Motel Fund

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

Town Utility Fund

This fund is used to account for water usage receipts from PID properties and for expenses related to the cost of providing the water service.

Trophy Club Park Fund

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

**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

The Town reports the following fiduciary fund:

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. Cash and Investments – Continued

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

F. Prepaid Items

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

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

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

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

H. Accumulated Vacation, Compensated Time and Sick Leave

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

I. Long-Term Obligations

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

TOWN OF TROPHY CLUB, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. Long-Term Obligations – Continued

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

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by parties for use for a specific purpose. In the governmental funds balance sheet, the balance reported as Reserved for Others consists of the remaining balances of the TCLEOSE Training and Vehicle Registration Child Safety programs.

K. Net Assets

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, 2008, the carrying amount of the Town's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$14,172,044 (including \$6,259 of Component Unit deposits) and the bank balance was \$14,358,571 (including \$6,264 of Component Unit deposits). The Town's cash deposits at September 30, 2008 and during the year ended September 30, 2008 were entirely covered by FDIC insurance or by pledged collateral held by the Town's agent bank in the Town's name.

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

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Legal and contractual provisions governing deposits and investments

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

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

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

Cash and investments as of September 30, 2008 are classified in the accompanying financial statements as follows:

Statement of Net Assets

Primary Government:

Cash and cash equivalents	\$ 10,298,337
Current investments	3,925,679

Fiduciary Fund:

Cash and cash equivalents	3,867,448
---------------------------	-----------

Component Unit:

Cash and cash equivalents	6,259
Current investments	<u>508,312</u>

Total cash and investments	<u><u>\$ 18,606,035</u></u>
----------------------------	-----------------------------

**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

Cash and investments as of September 30, 2008 consist of the following:

Deposits with financial institutions		\$ 14,172,044
Investments		<u>4,433,991</u>
Total cash and investments		<u><u>\$ 18,606,035</u></u>

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, 2008, the Town had the following investments:

Investment Type	Amount	Weighted Average Maturity
Texpool	<u>\$ 4,433,991</u>	42 days
Total Investments	<u><u>\$ 4,433,991</u></u>	

As of September 30, 2008, the Town did not invest in any securities which are highly sensitive to interest rate fluctuations.

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

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Disclosures relating to credit risk – Continued

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	\$ 4,433,991	N/A	AAAm
Total Investments	<u>\$ 4,433,991</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, 2008, other than external investment pools, the Town did not have 5% or more of its investment with one issuer.

Custodial credit risk

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

As of September 30, 2008 the Town deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

TOWN OF TROPHY CLUB, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS – CONTINUED

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. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital assets not depreciated:				
Land	\$ 3,334,724	\$ -	\$ -	\$ 3,334,724
Construction in progress	<u>728,321</u>	<u>13,502,996</u>	<u>(728,321)</u>	<u>13,502,996</u>
Total capital assets not depreciated	<u>4,063,045</u>	<u>13,502,996</u>	<u>(728,321)</u>	<u>16,837,720</u>
Capital assets being depreciated:				
Buildings	1,934,264	-	-	1,934,264
Improvements other than buildings	18,633,567	461,124	728,321	19,823,012
Machinery and equipment	945,162	72,117	-	1,017,279
Vehicles	684,269	258,927	-	943,196
Water system	43,600	-	-	43,600
Infrastructure	<u>5,330,030</u>	<u>-</u>	<u>-</u>	<u>5,330,030</u>
Total capital assets being depreciated	<u>27,570,892</u>	<u>792,168</u>	<u>728,321</u>	<u>29,091,381</u>
Less accumulated depreciation for:				
Buildings	(333,503)	(46,134)	-	(379,637)
Improvements other than buildings	(9,460,954)	(643,045)	-	(10,103,999)
Machinery and equipment	(372,592)	(90,562)	-	(463,154)
Vehicles	(509,017)	(74,406)	-	(583,423)
Water system	(8,285)	(1,749)	-	(10,034)
Infrastructure	<u>(2,200,568)</u>	<u>(132,283)</u>	<u>-</u>	<u>(2,332,851)</u>
Total accumulated depreciation	<u>(12,884,919)</u>	<u>(988,179)</u>	<u>-</u>	<u>(13,873,098)</u>
Total capital assets being depreciated, net	<u>14,685,973</u>	<u>(196,011)</u>	<u>728,321</u>	<u>15,218,283</u>
Governmental activities capital assets, net	<u>\$ 18,749,018</u>	<u>\$13,306,985</u>	<u>\$ -</u>	<u>\$ 32,056,003</u>

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

NOTE 3. CAPITAL ASSETS – CONTINUED

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

General government	\$ 18,000
Storm drainage	132,283
Emergency medical services	16,012
Information systems	5,042
Police	65,334
Parks	631,440
Community development	98,128
Fire	<u>21,940</u>
Total depreciation expense	<u>\$ 988,179</u>

NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of interfund receivables and payables balances at September 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Trophy Club Park	\$ 84,542	To fund payroll and payables
General Fund	Grant Fund	4,505	Reimbursable expenditures moved to the Grant fund
Trophy Club Park	Grant Fund	3,974	Reimbursable expenditures moved to the Grant fund
General Fund	Town Utility Fund	<u>211</u>	Storm drainage fees
	Total	<u>\$ 93,232</u>	

Transfers between funds during the year are as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
Capital Projects	General Fund	\$ 35,318	To purchase equipment
Debt Service	Capital Projects	87,962	To pay debt service on general obligation debt
(1)	Capital Projects	<u>4,422,288</u>	To pay debt service on special assessment debt
	Total	<u>\$ 4,545,568</u>	

(1) Represents a transfer of proceeds from the issuance of special assessment debt from the Capital Projects Fund to the PID Agency Fund. Agency funds are custodial in nature and do not involve measurement of results of operations; accordingly, there is no transfer recorded in the PID Agency Fund.

TOWN OF TROPHY CLUB, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5. 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, 2008, the Town's long-term debt consisted of the following:

Description	Interest Rate	Year of Issue	Final Maturity	Average Annual Payment	Original Amount	Balance 9/30/2008
Contractual Obligations:						
Combination Tax and Revenue-Series 2004	3.50-4.75 %	2004	2024	\$ 46,183	\$ 650,000	\$ 528,000
Combination Tax and Revenue-Series 2007	4.20 %	2007	2017	\$ 53,452	\$ 474,000	<u>394,000</u>
						<u>\$ 922,000</u>
General Obligation Bonds:						
Improvements	4.25-5.625 %	2002	2022	170,357	3,000,000	\$ 2,385,000
Refunding	3.50-4.50 %	2002	2014	175,000	1,580,000	1,050,000
Improvements	4.00-4.90 %	2002	2022	80,000	1,400,000	1,120,000
Improvements	4.00-5.00 %	2007	2027	168,421	3,260,000	<u>3,200,000</u>
						<u>\$ 7,755,000</u>
Notes Payable:						<u>Balance</u>
\$125,000 note payable to Town of Westlake, Texas, with annual payments of \$20,731 including interest accruing at 6.75%, due June 1, 2009.						<u>\$ 8,000</u>
Capital Lease Obligations:						
Vehicle	4.50%	2006	2009	\$ 7,847	\$ 21,544	\$ 7,783
Vehicle	5.70%	2005	2008	7,589	27,755	6,922
Vehicle	4.29%	2007	2010	21,047	75,729	57,995
Vehicle	6.50%	2007	2010	15,573	43,732	30,089
Vehicle	4.00%	2008	2012	74,205	256,836	<u>192,517</u>
						<u>\$ 295,306</u>

TOWN OF TROPHY CLUB, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT – CONTINUED

The following is a summary of long-term debt transactions of the Town for the year ended September 30, 2008:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 8,135,000	\$ -	\$ (380,000)	\$ 7,755,000	\$ 445,000
Contractual Obligations	989,000	-	(67,000)	922,000	70,000
Notes Payable	37,420	-	(29,420)	8,000	8,000
Capital Leases	161,711	256,836	(123,241)	295,306	112,091
Compensated Absences	42,047	12,789	-	54,836	54,279
Total Governmental Activities					
Long-term Liabilities	<u>\$ 9,365,178</u>	<u>\$ 269,625</u>	<u>\$ (599,661)</u>	<u>\$ 9,035,142</u>	<u>\$ 689,370</u>

The annual requirements to amortize all debts outstanding as of September 30, 2008, are as follows:

Year Ended September 30,	General Obligation Bonds		Total Requirements
	Principal	Interest	
2009	\$ 445,000	\$ 352,633	\$ 797,633
2010	470,000	330,895	800,895
2011	485,000	309,593	794,593
2012	510,000	287,266	797,266
2013	535,000	263,473	798,473
2014-2018	2,205,000	985,976	3,190,976
2019-2023	2,190,000	479,960	2,669,960
2024-2027	915,000	102,635	1,017,635
	<u>\$ 7,755,000</u>	<u>\$ 3,112,431</u>	<u>\$ 10,867,431</u>

Year Ended September 30,	Contractual Obligations		Total Requirements
	Principal	Interest	
2009	\$ 70,000	\$ 35,285	\$ 105,285
2010	70,000	38,833	108,833
2011	73,000	35,702	108,702
2012	75,000	32,490	107,490
2013	77,000	29,080	106,080
2014-2018	357,000	92,617	449,617
2019-2023	165,000	32,289	197,289
2024	35,000	1,690	36,690
	<u>\$ 922,000</u>	<u>\$ 297,986</u>	<u>\$ 1,219,986</u>

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

NOTE 5. LONG-TERM DEBT – CONTINUED

Year Ended September 30,	Notes Payable		Total Requirements
	Principal	Interest	
2009	\$ 8,000	\$ 447	\$ 8,447
	<u>\$ 8,000</u>	<u>\$ 447</u>	<u>\$ 8,447</u>
Year Ended September 30,			Capital Leases
2009			\$ 125,117
2010			107,136
2011			58,130
2012			30,583
			<u>320,966</u>
Less: interest			(25,660)
Present value			<u>\$ 295,306</u>

The general fund has been used to liquidate notes payable and capital lease liabilities.

NOTE 6. PROPERTY TAX

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

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

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

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

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

NOTE 7. 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), one of 827 administered by 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 percent (100%, 150%, 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.

Contributions

Under the state law governing TMRS, the actuary annually determines the Town contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the Town matching percent, which are the obligation of the Town as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the Town to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The projected unit credit actuarial cost method is used for determining the Town contribution rate. Both the employees and the Town make contributions monthly.

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

NOTE 7. PENSION PLAN – CONTINUED

Texas Municipal Retirement System – Continued

Contributions – Continued

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, 2006 valuation is effective for rates beginning January 2008)

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

Actuarial valuation date	<u>12/31/2007</u>	<u>12/31/2006</u>	<u>12/31/2005</u>
Actuarial value of assets	\$ 4,131,103	\$ 3,388,657	\$ 2,981,705
Actuarial accrued liability	6,909,211	4,935,961	4,393,078
Percentage funded	59.8%	68.7%	67.9%
Unfunded actuarial accrued liability	2,778,108	1,547,304	1,411,373
Annual covered payroll	3,645,425	3,191,559	2,980,335
Unfunded actuarial accrued liability as a percentage of covered payroll	76.2%	48.5%	47.4%
Net pension obligation at beginning of period	-	-	-
Annual pension cost:			
Annual required contribution	480,538	406,607	371,545
Less: contributions made	<u>(480,538)</u>	<u>(406,607)</u>	<u>(371,545)</u>
Net pension obligation at end of period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The following actuarial assumptions were used:

Actuarial Cost Method	Projected unit credit
Amortization Method	Level percent of payroll
Remaining Amortization	30 years – closed period
Asset Valuation Method	Amortized cost
Investment Rate of Return	7%
Projected Salary Increases	Varies by age and service
Includes Inflation at	3.0%
Cost of Living Adjustments	2.1% (3.0% CPI)

The Town is one of 827 municipalities having the benefit plan administered by TMRS. Each of the 827 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2007 valuations are contained in the 2007 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

TOWN OF TROPHY CLUB, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN – CONTINUED

Texas Municipal Retirement System – Continued

Other

At its December 8, 2007 meeting, the TMRS Board of Trustees adopted actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2007. A summary of actuarial assumptions and definitions can be found in the December 31, 2007 TMRS Comprehensive Annual Financial Report (CAFR).

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by a city. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25 year “open” to a 25-year “closed” period. TMRS Board of Trustee rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approx. 12.5% each year) to their full rate (or their required contribution rate).

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation, the city’s unfunded actuarial accrued liability would have been \$1,644,589 and the funded ratio would have been 71.5%.

In addition, TMRS is currently working on its legislative package for 2009. There is a possibility that the investment rate of return (IRR) assumption of 7% would need to be lowered if desired legislation for the 2009 session is unsuccessful. Maintaining a 7% IRR assumption is contingent in part on the continued diversification of the TMRS portfolio, from an almost exclusive bond portfolio to a portfolio that includes equities as well. If state legislation needed to facilitate the continued diversification is not enacted, TMRS may have to revisit the continued diversification of the portfolio and consider reducing the assumed IRR. A reduction in the IRR would result in increased actuarial accrued liabilities, thus causing further increases in city contribution rates, following the December 31, 2009 actuarial valuation.

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

NOTE 8. CONTRIBUTIONS

During 2004, Trophy Club Master District and the Town entered into an agreement for the administration of fire protection services within the boundaries of the Town, Trophy Club Municipal Utility District No. 1 (MUD 1), Trophy Club Municipal Utility District No. 2 (MUD 2), and other defined areas. During the year ended September 30, 2008, MUD1 and MUD2 contributed \$515,293 (57.11%) and \$387,060 (42.89%), respectively, for the cost to operate the fire department. These contributions have been recorded as part of intergovernmental revenue in the Town's statement of revenues, expenditures, and changes in fund balance – governmental funds.

In addition, the Town received contributions of \$161,076 and \$11,122, respectively, from the 4A Economic Development Corporation (4A) and 4B Economic Development Corporation (4B) during the year ended September 30, 2008. 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 9. 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 10. 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.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF TROPHY CLUB, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2008**

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues				
Ad valorem taxes	\$ 2,651,333	\$ 2,651,333	\$ 2,626,237	\$ (25,096)
Sales taxes	589,000	589,000	608,218	19,218
Franchise taxes	502,546	502,546	481,459	(21,087)
Licenses and permits	692,748	692,748	376,628	(316,120)
Intergovernmental	1,004,525	1,000,510	1,041,270	40,760
Charges for services	1,341,547	1,341,547	727,111	(614,436)
Fines	132,000	132,000	106,092	(25,908)
Investment income	76,000	76,000	66,805	(9,195)
Miscellaneous	229,362	206,992	527,892	320,900
Grants	-	-	33	33
	<u>7,219,061</u>	<u>7,192,676</u>	<u>6,561,745</u>	<u>(630,931)</u>
Total revenues				
Expenditures:				
Current				
Emergency medical services	617,866	759,656	742,890	16,766
Manager's office	442,450	442,450	438,520	3,930
Human resource	27,580	30,356	28,015	2,341
Finance	221,950	227,821	223,095	4,726
Information systems	163,675	187,366	180,881	6,485
Legal	144,452	170,629	165,219	5,410
Police	1,363,587	1,431,807	1,380,548	51,259
Court	73,674	73,674	69,286	4,388
Parks	742,877	742,877	738,658	4,219
Recreation	479,711	451,471	419,822	31,649
Facilities management	100,954	100,954	94,511	6,443
Community development	520,919	513,031	192,886	320,145
Planning and zoning	132,283	139,283	125,087	14,196
Fire	933,660	896,586	869,804	26,782
Streets	817,423	542,778	593,444	(50,666)
	<u>6,783,061</u>	<u>6,710,739</u>	<u>6,262,666</u>	<u>448,073</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>436,000</u>	<u>481,937</u>	<u>299,079</u>	<u>(182,858)</u>
Other financing sources (uses):				
Transfer out	-	-	(35,318)	(35,318)
Capital lease proceeds	-	-	256,836	256,836
	<u>-</u>	<u>-</u>	<u>221,518</u>	<u>221,518</u>
Total other financing sources				
Net change in fund balance	436,000	481,937	520,597	38,660
Fund Balances - beginning of year	<u>1,406,991</u>	<u>1,406,991</u>	<u>1,406,991</u>	<u>-</u>
Fund Balances - end of year	<u>\$ 1,842,991</u>	<u>\$ 1,888,928</u>	<u>\$ 1,927,588</u>	<u>\$ 38,660</u>

**TOWN OF TROPHY CLUB, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2008**

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, special revenue funds and the debt service fund.

All appropriations lapse on September 30 of the fiscal year.

SUPPLEMENTARY INFORMATION

**TOWN OF TROPHY CLUB, TEXAS
COMBINING BALANCE SHEET-
NON MAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2008**

	<u>Grant Fund</u>	<u>Hotel/Motel Fund</u>	<u>Town Utility Fund</u>	<u>Trophy Club Park</u>	<u>Total Non-major Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 33,848	\$ 23,303	\$ 3,086	\$ 44,380	\$ 104,617
Accounts receivable (net of allowance for uncollectibles)	5,105	2,425	2,648	-	10,178
Due from other funds	-	-	-	3,974	3,974
Prepays	-	-	-	704	704
Total assets	<u>\$ 38,953</u>	<u>\$ 25,728</u>	<u>\$ 5,734</u>	<u>\$ 49,058</u>	<u>\$ 119,473</u>
LIABILITIES AND FUND BALANCES					
Accounts payable	\$ -	\$ -	\$ 121	\$ 4,327	\$ 4,448
Other accrued liabilities	-	-	3,000	186	3,186
Due to other funds	8,479	-	211	84,542	93,232
Total liabilities	<u>8,479</u>	<u>-</u>	<u>3,332</u>	<u>89,055</u>	<u>100,866</u>
FUND BALANCES					
Unreserved	<u>30,474</u>	<u>25,728</u>	<u>2,402</u>	<u>(39,997)</u>	<u>18,607</u>
Total fund balances	<u>30,474</u>	<u>25,728</u>	<u>2,402</u>	<u>(39,997)</u>	<u>18,607</u>
Total liabilities and fund balances	<u>\$ 38,953</u>	<u>\$ 25,728</u>	<u>\$ 5,734</u>	<u>\$ 49,058</u>	<u>\$ 119,473</u>

**TOWN OF TROPHY CLUB, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2008**

	<u>Grant Fund</u>	<u>Hotel/Motel Fund</u>	<u>Town Utility Fund</u>	<u>Trophy Club Park</u>	<u>Total Non-major Governmental Funds</u>
Revenues:					
Grant revenue	\$ 361,471	\$ -	\$ -	\$ -	\$ 361,471
Charges for services			2,402	46,575	48,977
Occupancy taxes	-	25,705	-	-	25,705
Intergovernmental	-	-	-	30,000	30,000
Investment income	706	23	-	32	761
Miscellaneous	-	-	-	21	21
Total revenues	<u>362,177</u>	<u>25,728</u>	<u>2,402</u>	<u>76,628</u>	<u>466,935</u>
Expenditures:					
General government	218,970	-	-	-	218,970
Parks	17,002	-	-	-	17,002
Police	89,555	-	-	-	89,555
Parks	6,176	-	-	115,094	121,270
Water	-	-	-	-	-
Total expenditures	<u>331,703</u>	<u>-</u>	<u>-</u>	<u>115,094</u>	<u>446,797</u>
Excess (deficiency) of revenues over expenditures	30,474	25,728	2,402	(38,466)	20,138
Total net assets - beginning	-	-	-	(1,531)	(1,531)
Total net assets - ending	<u>\$ 30,474</u>	<u>\$ 25,728</u>	<u>\$ 2,402</u>	<u>\$ (39,997)</u>	<u>\$ 18,607</u>

**TOWN OF TROPHY CLUB, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2008**

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues				
Ad valorem taxes	\$ 586,242	\$ 586,242	\$ 592,824	\$ 6,582
Investment income	143,342	12,000	12,731	731
Miscellaneous	-	131,342	131,341	(1)
Intergovernmental revenue	162,057	162,057	161,076	(981)
Total revenues	<u>891,641</u>	<u>891,641</u>	<u>897,972</u>	<u>6,331</u>
Expenditures:				
Debt service:				
Principal	447,000	447,000	447,000	-
Interest and fiscal charges	459,435	460,751	-	460,751
Total expenditures	<u>906,435</u>	<u>907,751</u>	<u>447,000</u>	<u>460,751</u>
Excess of revenues over expenditures	<u>(14,794)</u>	<u>(16,110)</u>	<u>450,972</u>	<u>467,082</u>
Other financing sources:				
Transfer in	-	-	87,962	87,962
Total other financing sources	<u>-</u>	<u>-</u>	<u>87,962</u>	<u>87,962</u>
Net change in fund balance	(14,794)	(16,110)	538,934	555,044
Fund Balances - beginning of year	<u>74,059</u>	<u>74,059</u>	<u>74,060</u>	<u>(1)</u>
Fund Balances - end of year	<u>\$ 59,265</u>	<u>\$ 57,949</u>	<u>\$ 612,994</u>	<u>\$ 555,043</u>

**TOWN OF TROPHY CLUB, TEXAS
TROPHY CLUB PARK FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2008**

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues				
Charges for services	\$ 109,780	\$ 109,780	\$ 46,575	\$ (63,205)
Intergovernmental	-	-	30,000	30,000
Investment income	200	200	32	(168)
Miscellaneous	-	-	21	21
	<u>109,980</u>	<u>109,980</u>	<u>76,628</u>	<u>(33,352)</u>
Total revenues				
	<u>109,980</u>	<u>109,980</u>	<u>76,628</u>	<u>(33,352)</u>
Expenditures:				
Parks	106,591	128,598	115,094	13,504
	<u>106,591</u>	<u>128,598</u>	<u>115,094</u>	<u>13,504</u>
Total expenditures				
	<u>106,591</u>	<u>128,598</u>	<u>115,094</u>	<u>13,504</u>
Excess (deficiency) of revenues over expenditures	3,389	(18,618)	(38,466)	(19,848)
Fund Balance (deficit) - beginning of year	<u>(1,531)</u>	<u>(1,531)</u>	<u>(1,531)</u>	<u>-</u>
Fund Balance - end of year	<u>\$ 1,858</u>	<u>\$ (20,149)</u>	<u>\$ (39,997)</u>	<u>\$ (19,848)</u>

**TOWN OF TROPHY CLUB, TEXAS
4A ECONOMIC DEVELOPMENT FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2008**

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sales taxes	\$ 230,000	\$ 239,184	\$ 238,048	\$ (1,136)
Investment income	13,000	9,893	9,893	-
Total revenues	<u>243,000</u>	<u>249,077</u>	<u>247,941</u>	<u>(1,136)</u>
Expenditures:				
General government	<u>243,000</u>	<u>267,360</u>	<u>182,410</u>	<u>84,950</u>
Total expenditures	<u>243,000</u>	<u>267,360</u>	<u>182,410</u>	<u>84,950</u>
Excess (deficiency) of revenues over (under) expenditures	-	(18,283)	65,531	83,814
Fund Balance - beginning of year	<u>274,914</u>	<u>274,914</u>	<u>274,914</u>	-
Fund Balance - end of year	<u><u>\$ 274,914</u></u>	<u><u>\$ 256,631</u></u>	<u><u>\$ 340,445</u></u>	<u><u>\$ 83,814</u></u>

**TOWN OF TROPHY CLUB, TEXAS
4B ECONOMIC DEVELOPMENT FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2008**

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
Revenues				
Sales taxes	\$ 115,000	\$ 115,000	\$ 119,024	\$ 4,024
Investment income	6,000	6,000	5,319	(681)
Total revenues	<u>121,000</u>	<u>121,000</u>	<u>124,343</u>	<u>3,343</u>
Expenditures:				
General government	<u>121,000</u>	<u>121,000</u>	<u>82,915</u>	<u>38,085</u>
Total expenditures	<u>121,000</u>	<u>121,000</u>	<u>82,915</u>	<u>38,085</u>
Excess of revenues over expenditures	-	-	41,428	41,428
Fund Balances - beginning of year	<u>174,099</u>	<u>174,099</u>	<u>174,099</u>	<u>-</u>
Fund Balances - end of year	<u><u>\$ 174,099</u></u>	<u><u>\$ 174,099</u></u>	<u><u>\$ 215,527</u></u>	<u><u>\$ 41,428</u></u>