

**OFFICIAL STATEMENT**  
**Dated: April 7, 2014, 2014**

*In the opinion of Bond Counsel, under existing law, interest on the Certificates will be excludable from gross income for federal income tax purposes and the Certificates are not "private activity bonds". See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.*

*The Town has designated the Certificates as "Qualified Tax-Exempt Obligations"*  
*See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions" herein.*

**\$2,500,000**  
**TOWN OF TROPHY CLUB, TEXAS**  
**(Denton and Tarrant Counties)**  
**COMBINATION TAX AND REVENUE**  
**CERTIFICATES OF OBLIGATION, SERIES 2014****Dated Date: March 15, 2014****Due: September 1, as shown on page ii**

The Town of Trophy Club, Texas (the "Town" or "Issuer") \$2,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2014 (the "Certificates") are being issued pursuant to the Constitution and laws of the State of Texas (the "State"), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, an ordinance (the "Ordinance") adopted by the Town Council authorizing the issuance of the Certificates. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct obligations of the Issuer payable from annual ad valorem taxes levied against all taxable property therein, within the limits prescribed by law, and further secured by and payable from a lien on and limited pledge (not to exceed \$1,000) of the surplus net revenues derived from the operation of the Issuer's municipal drainage utility system (the "System"). (See "THE CERTIFICATES - Security for Payment" herein.)

Interest on the Certificates will accrue from March 15, 2014 (the "Dated Date") as shown above and will be payable March 1 and September 1 of each year, commencing March 1, 2015, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Certificates will be made available for purchase in principal amounts of \$5,000 or any integral multiple thereof within a maturity. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as Paying Agent/Registrar, to DTC, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used for the purpose of paying the Town's contractual paying contractual obligations to be incurred for the following purposes, to wit: (a) purchasing land for a joint police and Town Hall facility (the "Project"); and (b) paying professional services of attorneys, financial advisors and other professionals in connection with the Project and the issuance of the Certificates. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

The Issuer reserves the right, at its option, to redeem the Certificates having stated maturities on and after September 1, 2025, on September 1, 2024, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. In addition, the Certificates maturing on September 1, 2026, September 1, 2028, September 1, 2030, September 1, 2032 and September 1, 2034 ("Term Certificates") are subject to mandatory sinking fund redemption, as further described herein. (See "THE CERTIFICATES - Redemption Provisions" herein.)

**STATED MATURITY SCHEDULE**  
**(On Page ii)**

*The Certificates are offered for delivery, when, as and if issued and received by the initial purchaser (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Bracewell & Giuliani LLP, Dallas, Texas, Bond Counsel. (See Appendix C – Form of Legal Opinion of Bond Counsel.) (See "OTHER PERTINENT INFORMATION - Legal Opinions and No-Litigation Certificate" herein). It is expected that the Certificates will be available for delivery through DTC on or about April 30, 2014.*

**STATED MATURITY SCHEDULE**  
**(Due September 1)**  
**Base CUSIP – 897062 <sup>(a)</sup>**

<u>Stated Maturity</u>	<u>Principal Amount</u>	<u>Initial Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP Suffix<sup>(a)</sup></u>
2015	\$ 75,000	2.00	0.45	FW 0
2016	100,000	2.00	0.50	FX 8
2017	105,000	2.00	0.85	FY 6
2018	105,000	2.00	1.20	FZ 3
2019	105,000	2.00	1.50	GA 7
2020	110,000	2.00	1.75	GB 5
2021	110,000	3.00	2.05	GC 3
2022	115,000	3.00	2.25	GD 1
2023	120,000	3.00	2.30	GE 9
2024	120,000	3.00	2.40	GF 6

**\$255,000 3.00% Term Certificate due September 1, 2026 Price to Yield 2.60%<sup>(b)</sup> GH 2<sup>(a)</sup>**

**\$265,000 3.00% Term Certificate due September 1, 2028 Price to Yield 2.85%<sup>(b)</sup> GK 5<sup>(a)</sup>**

**\$285,000 3.50% Term Certificate due September 1, 2030 Price to Yield 3.10%<sup>(b)</sup> GM 1<sup>(a)</sup>**

**\$305,000 3.50% Term Certificate due September 1, 2032 Price to Yield 3.40%<sup>(b)</sup> GP 4<sup>(a)</sup>**

**\$325,000 3.75% Term Certificate due September 1, 2034 Price to Yield 3.60%<sup>(b)</sup> GR 0<sup>(a)</sup>**

(Interest to accrue from the Dated Date)

The Issuer reserves the right, at its option, to redeem the Certificates having stated maturities on and after September 1, 2025, on September 1, 2024, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. In addition, the Certificates maturing on September 1, 2026, September 1, 2028, September 1, 2030, September 1, 2032 and September 1, 2034 (“Term Certificates”) are subject to mandatory sinking fund redemption, as further described herein. (See “THE CERTIFICATES - Redemption Provisions” herein.)

<sup>(a)</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard and Poor’s CUSIP Service Bureau, a Standard & Poor’s Financial Services LLC business. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Town nor the Financial Advisor is responsible for the selection or the correctness of the CUSIP numbers set forth herein.

<sup>(b)</sup> Yield calculated to first call date, September 1, 2024.

**TOWN OF TROPHY CLUB, TEXAS**  
**100 Municipal Drive**  
**Trophy Club, Texas 76062**  
**(682) 831-4600**

**ELECTED OFFICIALS**

<u>Name</u>	<u>Position</u>	<u>Term Elected to Council (May)</u>	<u>Term Expires (May)</u>	<u>Occupation</u>
Connie White	Mayor	2009	2014	Consultant
Jeannette Tiffany	Mayor Pro-Tem	2011	2014	Retired
Greg Lamont	Council Member	2013	2016	Retired
Danny Mayer	Council Member	2012	2015	Realtor
Bill Rose	Council Member	2009	2014	Retired
Phillip Shoffner	Council Member	2013 (Nov)	2015	Business Owner
Vacant Position	Council Member			

**ADMINISTRATION**

<u>Name</u>	<u>Position</u>	<u>Years With The Town</u>	<u>Years of Municipal Experience</u>
Michael T. Slye	Town Manager	4 years	20 years
Stephen Seidel	Assistant Town Manager	6 years	11 years
Steven Glickman	Finance Director	5 months	8 years
Tammy Ard	Town Secretary / HR Manager	7 years	8 years
Patricia A. Adams	Town Attorney	13 years	24 years
Danny Thomas	Fire Chief	15 years	15 years
Scott Kniffen	Police Chief	8 years	31 years
Ed Helton	Director of Streets Services	7 years	27 years
Carolyn Huggins	Community Development Director	7 years	13 years
April Reiling	PIO / Marketing Manager	3 years	3 years
Mike Pastor	Information Technology Director	10 years	10 years
Adam Adams	Parks & Recreation Director	10 years	18 years

**CONSULTANTS AND ADVISORS**

Bond Counsel	Bracewell & Giuliani LLP Dallas, Texas
Financial Advisor	Southwest Securities Dallas, Texas
Certified Public Accountant	Weaver and Tidwell, LLP Dallas, Texas

***For Additional Information Please Contact:***

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Assistant Town Manager  
Town of Trophy Club  
100 Municipal Drive  
Trophy Club, Texas 76062  
(682) 831-4606 (Phone)

Mr. Mark McLiney  
Senior Vice President  
Southwest Securities  
4040 Broadway, Suite 220  
San Antonio, Texas 78209  
(210) 226-8677 (Phone)

## USE OF INFORMATION IN THE OFFICIAL STATEMENT

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information must not be relied upon.

The information set forth herein has been provided by sources other than the Town that the Town believes to be reliable, but the Town makes no representation as to the accuracy of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Town's undertaking to provide certain information on a continuing basis.

NEITHER THE TOWN NOR ITS FINANCIAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

*This Official Statement contains "Forward-Looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, and achievements to be different from future results, performance, and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.*

*[The remainder of this page is intentionally left blank.]*

**TABLE OF CONTENTS**

STATED MATURITY SCHEDULE .....	ii	Property Subject to Taxation by the Issuer .....	12
ELECTED OFFICIALS .....	iii	Effective Tax Rate and Rollback Tax Rate .....	14
ADMINISTRATION.....	iii	Levy and Collection of Taxes.....	15
CONSULTANTS AND ADVISORS.....	iii	Penalties and Interest.....	15
USE OF INFORMATION IN THE OFFICIAL STATEMENT ....	iv	Issuer's Rights in the Event of Tax Delinquencies .....	15
TABLE OF CONTENTS .....	v	TOWN'S APPLICATION OF THE PROPERTY TAX CODE ..	16
SELECTED DATA FROM THE OFFICIAL STATEMENT .....	vi	ADDITIONAL TAX COLLECTIONS .....	16
INTRODUCTORY STATEMENT.....	1	Municipal Sales Tax Collections .....	16
THE CERTIFICATES .....	1	Optional Sales Tax .....	16
General .....	1	TAX MATTERS.....	17
Authority for Issuance .....	1	Tax Exemption.....	17
Security for Payment.....	1	Collateral Tax Consequences.....	18
Use of Certificate Proceeds .....	2	Tax Accounting Treatment of Original Issue Premium ..	18
Redemption Provisions .....	2	Tax Accounting Treatment of Original Issue Discount	
Payment Record .....	3	Certificates.....	18
Legality .....	3	Tax Legislative Changes .....	19
Defeasance.....	3	PURCHASE OF TAX-EXEMPT OBLIGATIONS BY	
Amendments to the Ordinance .....	4	FINANCIAL INSTITUTIONS .....	19
Default and Remedies .....	4	CONTINUING DISCLOSURE OF INFORMATION .....	19
REGISTRATION, TRANSFER AND EXCHANGE.....	5	Annual Reports.....	19
Paying Agent/Registrar .....	5	Notice of Certain Events.....	20
Record Date.....	5	Availability of Information from MSRB .....	20
Future Registration .....	5	Limitations and Amendments .....	20
Limitation on Transferability .....	6	Compliance with Prior Agreements.....	20
Replacement Certificates.....	6	OTHER PERTINENT INFORMATION .....	21
BOOK-ENTRY-ONLY SYSTEM .....	6	Registration and Qualification of Certificates for Sale....	21
Use of Certain Terms in Other Sections of this Official		Litigation .....	21
Statement .....	7	Future Debt Issuance .....	21
Effect of Termination of Book-Entry-Only System.....	8	Legal Investments and Eligibility to Secure Public	
INVESTMENT AUTHORITY AND INVESTMENT		Funds in Texas .....	21
PRACTICES OF THE ISSUER .....	8	Legal Opinions and No-Litigation Certificate.....	21
Current Investments.....	10	Ratings .....	22
EMPLOYEE RETIREMENT SYSTEM.....	10	Financial Advisor .....	22
Plan Description.....	10	Initial Purchaser of the Certificates .....	22
Other Post Employment Benefits .....	11	Certification of the Official Statement .....	22
AD VALOREM TAX PROCEDURES.....	12	Forward-Looking Statements Disclaimer .....	22
Texas Tax Code and Countywide Appraisal District .....	12	Concluding Statement .....	23

Financial Information of the Issuer	Appendix A
General Information Regarding Town of Trophy Club and Denton County, Texas	Appendix B
Form of Legal Opinion of Bond Counsel	Appendix C
The Issuer's General Purpose Audited Financial Statements for the Year Ended September 30, 2013	Appendix D

*The cover page, subsequent pages hereof and appendices attached hereto, are part of this Official Statement.*

## SELECTED DATA FROM THE OFFICIAL STATEMENT

*The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.*

<b>The Issuer</b>	Town of Trophy Club, Texas (the "Town" or "Issuer"), is located in the southern portion of Denton County, with a small section located in the northeast portion of Tarrant County. The Town is primarily a residential and country-club community. The Issuer is a home rule municipality. The 2010 census for the Town was 8,024, which is a 26.36% increase over 2000, and the current population estimate is 10,500. (See "Appendix B - General Information Regarding Town of Trophy Club and Denton County, Texas" herein.)
<b>The Certificates</b>	The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C, Chapter 271, Texas Local Government Code, as amended, and an ordinance (the "Ordinance") adopted by the Town Council. (See "THE CERTIFICATES - Authority for Issuance" herein.)
<b>Paying Agent/Registrar</b>	The initial Paying Agent/Registrar for the Certificates is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.
<b>Security</b>	The Certificates constitute direct obligations of the Issuer payable from annual ad valorem taxes levied against all taxable property therein, within the limits prescribed by law, and further secured by and payable from a lien on and limited pledge (not to exceed \$1,000) of the surplus net revenues derived from the operation of the Issuer's municipal drainage utility system (the "System"). (See "THE CERTIFICATES - Security for Payment" herein.)
<b>Redemption Provision</b>	The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on and after September 1, 2025, on September 1, 2024 or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the price of par plus accrued interest to the date fixed for redemption. In addition, the Certificates maturing on September 1, 2026, September 1, 2028, September 1, 2030, September 1, 2032 and September 1, 2034 ("Term Certificates") are subject to mandatory sinking fund redemption, as further described herein. (See "THE CERTIFICATES - Redemption Provisions" herein.)
<b>Tax Matters</b>	In the opinion of Bond Counsel, under existing law, interest on the Certificates will be excludable from gross income for federal income tax purposes and the Certificates are not "private activity bonds". See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel including a description of alternative minimum tax consequences for corporations.
<b>Use of Certificate Proceeds</b>	Proceeds from the sale of the Certificates will be used for the purpose of paying the Town's contractual paying contractual obligations to be incurred for the following purposes, to wit: (a) purchasing land for a joint police and Town Hall facility (the "Project"); and (b) paying professional services of attorneys, financial advisors and other professionals in connection with the Project and the issuance of the Certificates. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)
<b>Book-Entry-Only System</b>	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Certificates will be made to the beneficial owners of the Certificates. Such Book-Entry-Only System may affect the method and timing of payments on the Certificates and the manner the Certificates may be transferred. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
<b>Ratings</b>	Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business ("S&P") has assigned a rating of "AA+" to the Certificates and to the Town's outstanding general obligation debt. An explanation of the significance of such rating may be obtained from S&P. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)
<b>Qualified Tax-Exempt Obligations</b>	The Issuer has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions" herein.)
<b>Issuance of Additional Debt</b>	The Town has called a bond election to be held on May 10, 2014 to authorize the issuance of \$11,700,000 in general obligation bonds to finance the construction of a joint police and Town Hall facility. If the election is successful, the Town plans to issue those bonds in one or more series over the next twelve (12) months.
<b>Payment Record</b>	The Town has never defaulted in the payment of its general obligation tax debt.
<b>Delivery</b>	When issued, it is anticipated the Certificates will be available through DTC on or about April 30, 2014.
<b>Legality</b>	Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to certain legal matters by Bracewell & Giuliani LLP, Bond Counsel, Dallas, Texas.

## INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by Town of Trophy Club, Texas (the "Town" or "Issuer") of its \$2,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2014 (the "Certificates") identified on the cover page hereof.

The Issuer is a political subdivision of the State of Texas and operates as a home-rule municipality under the statutes and the constitution of the State of Texas (the "State"). The Certificates are being issued pursuant to the Constitution and general laws of the State and an ordinance (the "Ordinance") adopted by the Town Council authorizing the issuance of the Certificates. (See "THE CERTIFICATES - Authority for Issuance" herein.)

There follows in this Official Statement descriptions of the Certificates and certain information regarding the Town and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Town's Financial Advisor, Southwest Securities, San Antonio, Texas.

All financial and other information presented in this Official Statement has been provided by the Town from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate further or continuing trends in the financial position or other affairs of the Town. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future (see "Other Information- Forward-Looking Statements Disclaimer").

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Certificates and certain information about the Issuer and its finances. **ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.** Copies of such documents may be obtained from the Issuer or the Financial Advisor.

## THE CERTIFICATES

### General

The Certificates will be dated March 15, 2014 (the "Dated Date"). The Certificates are stated to mature on September 1 in the years and in the principal amounts set forth on page ii hereof. The Certificates shall bear interest from their Dated Date on the unpaid principal amounts, and the amount of interest to be paid with respect to each payment period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Certificates will be payable on March 1 and September 1 of each year commencing March 1, 2015, until maturity or prior redemption. Principal is payable at the designated offices of the Paying Agent/Registrar for the Certificates, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. Interest on the Certificates shall be paid to the registered owners whose names appear on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (as hereinafter defined) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk of, the registered owner. If the date for the payment of the principal or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to be closed, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Initially, the Certificates will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described below. No physical delivery of the Certificates will be made to the Beneficial Owners. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts received to the appropriate DTC Participants, who shall in turn make payment to the Beneficial Owners of the Certificates. Such Book-Entry-Only System may change the method and timing of payment for the Certificates and the method of transfer. See "BOOK-ENTRY-ONLY SYSTEM" below for a more complete description of such System.

### Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, and the Ordinance.

### Security for Payment

The Certificates constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the Town, within the limits prescribed by law, and further secured by and payable from a lien on and limited pledge (not to exceed \$1,000) of the surplus net revenues derived from the operation of the Issuer's municipal drainage utility system (the "System"). (See "TOWN'S APPLICATION OF THE PROPERTY TAX CODE" herein.)

**Tax Rate Limitations**

All taxable property within the Town is subject to the assessment, levy and collection by the Town of a continuing, direct ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt, within the limit prescribed by law. Article XI, Section 5, of the Texas Constitution applicable to cities of more than 5,000 population is applicable to the Town, and limits the maximum ad valorem tax rate of the Town to \$2.50 per \$100 taxable assessed valuation for all Town purposes. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% collection factor.

**Use of Certificate Proceeds**

Proceeds from the sale of the Certificates will be used for the purpose of paying the Town’s contractual obligations to be incurred for the following purposes, to wit: (a) purchasing land for a joint police and Town Hall facility (the “Project”); and (b) paying professional services of attorneys, financial advisors and other professionals in connection with the Project and the issuance of the Certificates .

**Redemption Provisions**

Optional Redemption: The Issuer reserves the right, at its option, to redeem the Certificates maturing on and after September 1, 2025 on September 1, 2024, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption: The Certificates maturing September 1, 2026, September 1, 2028, September 2030, September 1, 2032 and September 1, 2034 (the “Term Certificates”) are subject to mandatory sinking fund redemption in part prior to their stated maturity, and will be redeemed by the Town at the redemption prices equal to the principal amounts thereof plus interest accrued thereon to the redemption dates, on the dates and in the principal amounts shown in the following schedule:

<b>Term Certificate Due September 1, 2026</b>		<b>Term Certificate Due September 1, 2028</b>	
<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
September 1, 2025	\$125,000	September 1, 2027	\$130,000
September 1, 2026*	130,000	September 1, 2028*	135,000
<b>Term Certificate Due September 1, 2030</b>		<b>Term Certificate Due September 1, 2032</b>	
<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
September 1, 2029	\$140,000	September 1, 2031	\$150,000
September 1, 2030*	145,000	September 1, 2032*	155,000
<b>Term Certificate Due September 1, 2034</b>			
<u>Redemption Date</u>		<u>Principal Amount</u>	
September 1, 2033		\$160,000	
September 1, 2034*		165,000	

\* Final Maturity

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Certificates, the Paying Agent/Registrar shall select by lot the numbers of the Term Certificates within the applicable Stated Maturity to be redeemed on the next following September 1 from moneys set aside for that purpose in the Interest and Sinking Fund (as defined in the Ordinance). Any Term Certificate not selected for prior redemption shall be paid on the date of their Stated Maturity.

The principal amount of the Term Certificates for a Stated Maturity required to be redeemed on a mandatory redemption date may be reduced, at the option of the Town, by the principal amount of Term Certificates of like Stated Maturity which, at least forty-five (45) days prior to the mandatory redemption date, (1) shall have been acquired by the Town at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

6  
If less than all of the Certificates are to be redeemed, the Town may select the maturities of Certificates to be redeemed. If less than all of the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a

Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Notice Of Redemption: Not less than 30 days prior to a redemption date for the Certificates, the Town shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATES OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATES OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The Town reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem Certificates conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the Town retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the Town delivers a certificate of the Town to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected holders. Any Certificates subject to conditional redemption and such redemption has been rescinded shall remain outstanding, and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the Town to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default by the Town.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Certificates or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the Issuer will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

#### **Payment Record**

The Town has never defaulted on its general obligation tax debt.

#### **Legality**

The Certificates are offered when, as and if issued, subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to certain legal matters by Bracewell & Giuliani LLP, Dallas, Texas. The legal opinion of Bond Counsel will accompany the global Certificates to be deposited with DTC or will be printed on the Certificates should the Book-Entry-Only System be discontinued. A form of the legal opinion of Bond Counsel appears in Appendix C attached hereto.

#### **Defeasance**

The Ordinance relating to the Certificates provides that the Town may discharge its Certificates to the registered owners of any of all of the Certificates to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished by either by (i) depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium if any, and all interest to accrue on the Certificates to maturity or prior redemption or (ii) by depositing with a paying agent, or other authorized escrow agent, amounts sufficient to provide for the payment and/or redemption of the Certificates; provided that such deposits may be invested and reinvested only in (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; or (iii) any

combination of (i) and (ii) above. The foregoing obligations may be in book-entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Certificates, as the case may be. If any of the Certificates are to be redeemed prior to their respective dates of maturity, provision must have been made for the payment to the registered owners of such Certificates at the date of maturity or prior redemption of the full amount to which such owner would be entitled and for giving notice of redemption as provided in the Ordinance.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Government Securities or that for any other Government Security will be maintained at any particular rating category.

Under Current State Law, upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid and will cease to be outstanding obligations secured by the Ordinances or treated as debt of the Town for purposes of taxation or applying any limitation on the Town's ability to issue debt or for any other purpose. After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all rights of the Town to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates for redemption is not extinguished if the Town: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes

### **Amendments to the Ordinance**

The Town may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Town may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates affected, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of, premium if any and interest on the Certificates, reduce the principal amount thereof, the redemption price therefor or the rate of interest thereon or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Certificates, (ii) give any preference to any Certificate over any other Certificates or (iii) reduce the aggregate principal amount of Certificates required for consent to any such amendment, addition or rescission.

### **Default and Remedies**

The Ordinance establishes as "events of default" (i) the failure to make payment of principal of or interest on any of the Certificates when due and payable; or (ii) default in the performance of observance of any other covenant, agreement or obligation of the Town, which default materially and adversely affects the rights of the Owners, including but not limited to their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of sixty days after notice of such default is given by any Owner to the Town. Under State law, there is no right to the acceleration of maturity of the Certificates upon the failure of the Town to observe any covenant under the Ordinances. Although a registered owner could presumably obtain a judgment against the Town if a default occurred in any payment of the principal of or interest on any such Certificates, such judgment could not be satisfied by execution against any property of the Town. Such registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the Town, to assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Certificates as they become due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3rd 325 (Tex. 2006) ("*Tooke*") that a waiver of sovereign immunity must be provided for by statute in "clear and unambiguous" language. In so ruling, the Court declared that statutory language such as "sue and be sued", in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers municipalities and relates to contracts entered into by municipalities for providing goods or services to municipalities. The Town is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by the Act. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to

enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract.)

The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Certificates upon any failure of the Town to perform in accordance with the terms of the Ordinance, or upon any other condition. Furthermore, the Town is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Certificateholders of an entity which has sought protection under Chapter 9. Therefore, should the Town avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Certificate Counsel will note that the rights of holders of the Certificates are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

## **REGISTRATION, TRANSFER AND EXCHANGE**

### **Paying Agent/Registrar**

The initial Paying Agent/Registrar for the Certificates is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Certificates, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class, postage prepaid.

In the event use of the Book-Entry-Only System should be discontinued, interest on the Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner.

The Certificates will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Principal of the Certificates will be payable to the registered owner at maturity or prior redemption upon presentation at the designated payment office of the Paying Agent/Registrar. Interest will be paid by check mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity upon presentation to the Paying Agent/Registrar at its designated office; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Certificates, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized to be closed, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

### **Record Date**

The record date ("Record Date") for interest payable to the registered owner of a Certificate on any interest payment date means the fifteenth (15<sup>th</sup>) business day of the month next preceding such interest payment date.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

### **Future Registration**

In the event the Certificates are not in the Book-Entry-Only System, printed certificates will be delivered to the registered owners thereof, and thereafter the Certificates may be transferred, registered, and assigned on the registration books of the Paying

Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States mail, first class postage prepaid, to the new registered owner. New Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate or Certificates surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system initially to be utilized in regard to ownership and transferability of the Certificates.)

### **Limitation on Transferability**

Neither the Issuer nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate during the period commencing with the close of business on any Record Date immediately preceding a principal or interest payment date for such Certificates and ending with the opening of business on the next following principal or interest payment date; or with respect to any Certificate or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of an Certificate.

### **Replacement Certificates**

If any Certificate is mutilated, destroyed, stolen or lost, a new Certificate in the same principal amount as the Certificate so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Certificate, such new Certificate will be delivered only upon surrender and cancellation of such mutilated Certificate. In the case of any Certificate issued in lieu of an substitution for a Certificate which has been destroyed, stolen or lost, such new Certificate will be delivered only (a) upon filing with the City and the Paying Agent/Registrar a certificate to the effect that such Certificate has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the City and the Paying Agent/Registrar with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Certificate must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

### **BOOK-ENTRY-ONLY SYSTEM**

*This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Town and the Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

*The Town cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Certificates, in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to

the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of Certificates ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as defaults and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

All payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent/Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the Issuer or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the Issuer or Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Certificates are required to be printed and delivered to DTC Participants or the Beneficial Owners, as the case may be.

The Issuer may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered. (See "REGISTRATION, TRANSFER, AND EXCHANGE" herein.)

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

#### **Use of Certain Terms in Other Sections of this Official Statement**

In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct or Indirect Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

### **Effect of Termination of Book-Entry-Only System**

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the Town, printed Certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE" supra.

### **INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER**

In accordance with the Town of Trophy Club and the Public Funds Investment Act, the Town Council designates the Director of Finance as the Town of Trophy Club's Investment Officer. The Investment Officer is authorized to execute investment transactions on behalf of the Town of Trophy Club and may designate a secondary investment officer to act in his/her absence. No other person may engage in an investment transaction or the management of the Town of Trophy Club funds except as provided under the terms of this Investment Policy. The investment authority granted to the investing officer is effective until rescinded.

Under Texas law, the Town is authorized to invest in obligations meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended, the "PFIA"), which may include: (1) obligations of the United States or its agencies and instrumentalities, including letters of credit, (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which are guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the FDIC or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit or share certificates and (i) that are issued by an institution that has its main office of a branch office in the State of Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and provided for by law for Town deposits, or (ii) where (a) the funds are invested by the Town through (A) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the Town as required by law, or (B) a depository institution that has its main office or branch office in the State of Texas that is selected by the Town, (b) the broker or the depository institution selected by the Town arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Town, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the Town appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the Town with respect to the certificates of deposit; (8) fully collateralized repurchase agreements that (i) have a defined termination date, (ii) are fully secured by a combination of cash and obligations described in clause (1) above, (iii) require the securities being purchased by the Town or cash held by the Town to be pledged to the Town, held in the Town's name, and deposited at the time the investment is made with the Town or with a third party selected and approved by the Town, and (iv) are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. If specifically authorized in the authorizing document, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The Town may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAA-m or an equivalent by at least one nationally recognized rating service. The Town may also contract with an investment management firm registered under the Investment Advisers Act of

1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the Town retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the Town must do so by order, ordinance, or resolution. The Town is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Governmental bodies in the State are authorized to invest in securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) of the second paragraph under this caption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the second paragraph under this caption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the Town or a third party designated by the Town; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

Under Texas law, the Town is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for Town funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All Town funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the Town's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and probable income to be derived." At least quarterly the Town's investment officers must submit an investment report to the Town Council detailing: (1) the investment position of the Town, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value, and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law.

Under State law, the Town is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Town Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the Town to: (a) receive and review the Town's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the Town and the business organization that are not authorized by the Town's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the Town's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the Town and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the Town's investment policy; (6) provide specific investment training for the Town's designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the Town's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Town.

**Current Investments**

As of January 31, 2014, the following percentages of the Town's investable funds were invested in the following categories of investments.

<u>Investment Description</u>	<u>Total Invested</u>	<u>Percent</u>
TexPool - General Fund	\$3,628,492	32.82%
TexPool - Debt Service	1,397,549	12.64%
Depository Bank - First Financial - General Account	1,318,563	11.93%
Depository Bank - First Financial - Construction Account	62,825	0.57%
Depository Bank - First Financial - Hotel Occupancy	14,907	0.13%
Depository Bank - First Financial - Utility Account	69,812	0.63%
Depository Bank - First Financial - Payroll Account	193,860	1.75%
TexPool - Park Bonds	761,576	6.89%
TexPool - 2010 Tax Notes	127,947	1.16%
TexPool - 2012 Tax Notes	480,077	4.34%
TexPool - 2013 COs	<u>3,000,484</u>	<u>27.14%</u>
Total	<u>\$11,056,092</u>	<u>100.000%</u>

As of such date, the market value of such investments (as determined by the Town by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the Town are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

The Texas State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool ("TexPool"). 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 both of participants in TexPool and of the other persons who do not have a business relationship with TexPool. The advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAA by S&P. TexPool operates in a manner consistent with the Security and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value.

**EMPLOYEE RETIREMENT SYSTEM**

**Plan Description**

In addition to Town employee participation in the U.S. Social Security Program, the Town 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. The plan provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The contribution rate for the employees is 7%, and the Town matching ratio is currently 2 to 1, both as adopted by the Town Council. Contributions are made monthly by both the employees and the Town. 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. When an employee terminates and withdraws his contribution, the Town's portion remains in the fund.

The Town's contributions for the Fiscal Year 2013 were based on an annual covered payroll of \$4,957,838. Both the Town and the covered employees made the required contributions, with the Town's actual pension cost being \$526,301 for Fiscal Year 2013. Enabling statutes prohibit any member city from adopting options, which impose liabilities that cannot be amortized over twenty-five years within a specified statutory rate.

In 2007, TMRS changed its actuarial cost method from traditional Unit Credit to Projected Unit Credit, and many cities with annually repeating benefits saw a significant increase in their contribution requirements due to the advance funding of projected future benefits. Any city that received a rate increase of 0.5% or greater due to actuarial method or assumption changes was given the option of paying a Phase-in Rate over an eight-year period. The Town was not required to adopt a Phase-in Rate.

The following tables illustrate the Town's progress in funding its pension liability under TMRS for the last three fiscal years:

Actuarial Valuation Date (12-31)	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	Accrued Liability as a % of Covered Payroll
2010	\$ 7,520,704	\$11,489,027	65.5%	\$3,968,323	\$4,200,873	94.5%
2011	8,701,754	12,685,291	68.6%	3,983,537	4,465,244	89.2%
2012	10,054,926	14,114,964	71.2%	4,060,036	4,957,838	81.9%

Calendar Year	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation (Asset)
2010	\$427,029	\$427,029	100%	\$0.00
2011	467,621	467,621	100%	0.00
2012	526,301	526,301	100%	0.00

For more information concerning the Town's liability under the Texas Municipal Retirement System see "APPENDIX D – EXCERPTS FROM THE TOWN'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013"; Note 8, pages 47-48.

### Other Post Employment Benefits

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, 2013, membership consisted of: 1 retirees and beneficiaries receiving benefits and 66 active employees.

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 currently year and the tow most recent years are as follows as of September 30:

	2013	2012	2011
Annual Required Contribution	\$13,990	\$16,274	\$18,497
Interest on Prior Year Net OPEB Obligation	1,444	1,156	592
Adjustment to Annual Required Contribution	(1,444)	(1,156)	(592)
Annual OPEB Cost	13,990	16,274	18,497
Contributions Made	4,094	9,857	5,975
Increase in Net OPEB Obligation	9,896	6,417	12,522
Net Obligation - Beginning of Year	32,099	25,682	13,160
Net Obligation - End of Year	\$41,995	\$32,099	\$25,682
Percentage of OPEB Costs Contributed	29.26%	60.57%	32.30%
Actuarial Accrued Liability	\$81,122	\$109,475	\$101,926
Actuarial Value of Plan Assets	0	0	0
Unfunded Actuarial Accrued Liability	81,122	\$109,475	\$101,926
Funded Ratio	0.0%	0.0%	0.0%
Covered Payroll	\$3,887,477	\$4,465,244	\$4,200,873
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	2.09%	2.45%	2.43%

For more information concerning the Town's Other Post Employment Benefits see "APPENDIX D – EXCERPTS FROM THE TOWN'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013"; Note 9, pages 49-50.

## AD VALOREM TAX PROCEDURES

### Texas Tax Code and Countywide Appraisal District

Title I, Texas Tax Code, as amended (the "Property Tax Code"), provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board responsible for appraising property for all taxable units within the county. The Denton Central Appraisal District and the Tarrant Appraisal District (the "Appraisal Districts") are responsible for appraising property within the Town, generally, as of January 1 of each year. Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal Districts are required under the Property Tax Code to appraise all property within the Appraisal Districts on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. Article VIII of the State Constitution ("Article VIII") and State law limit the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property for the most recent tax year that the market value was determined by the appraisal office, or (2) the sum of (a) 10% of the property's appraised value for the preceding tax year, plus (b) the property's appraised value for the preceding tax year, plus (c) the market value of all new improvements to the property. The appraisal values set by the Appraisal Districts are subject to review and change by the Appraisal Review Boards (the "Appraisal Review Boards") consisting of members of each Appraisal Review Board, which are appointed by the Board of Directors of the respective Appraisal District. Such appraisal rolls, as approved by the Appraisal Review Boards, are used by the Town in establishing its tax roll and tax rate. The Appraisal Districts are required to review the value of property within the Appraisal District at least every three years. The Town may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the Town by petition filed with the Appraisal Review Boards.

The Property Tax Code establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions and appraisals of property not previously on an appraisal roll. Article VIII, Section 21 of the Texas Constitution provides that, subject to any exception prescribed by general law, the total amount of property taxes imposed by a political subdivision in any year may not exceed the total amount of property taxes imposed in the preceding year unless a notice of intent to consider an increase in taxes is given and two public hearings on the proposed increase are held before the total taxes are increased. See "AD VALOREM TAX PROCEDURES - Effective Tax Rate and Rollback Tax Rate", herein.

### Property Subject to Taxation by the Issuer

Reference is made to the Title 1 of the Texas Tax Code (the "Property Tax Code"), for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Except for certain exemptions provided by State law, all real and tangible personal property in the Town is subject to taxation by the Town. However, the Town may not levy taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; farm products and implements owned by the producer; certain property owned by charitable organizations, youth development associations, religious organizations and qualified schools; designated historic sites; solar and wind powered energy devices; and most individually-owned automobiles. The Property Tax Code also exempts all tangible personal property not producing income, other than manufactured homes, from ad valorem taxes; however, individual taxing unit may choose to override this exemption. Reference is made to the Property Tax Code for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Residence Homestead Exemptions: Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than \$3,000 of market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than \$3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of \$5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

Homestead Tax Limitation: Under Article VIII and State law, the governing body of a county, municipality or junior college district may provide for a freeze on the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or older or who are disabled. Upon providing for such limitation, the total amount of taxes imposed on such homestead cannot be increased except for improvements (other than repairs or improvements required to comply with governmental requirements) and such freeze is transferable to a different residence homestead and to the surviving spouse if (1) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (2) the surviving spouse was disabled or was 55 or older when the deceased spouse died and (3) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse. Once established such freeze cannot be repealed or rescinded.

Following the approval by the voters at a November 5, 2013 statewide election, a partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption equal to the percentage of the veteran's disability, if the residence was donated at no cost to the veteran by a charitable organization.

Also approved by the November 5, 2013 election, was a constitutional amendment providing that the surviving spouse of a member of the armed forces who is killed in action is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residences homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Disabled/Deceased Veterans Exemption: State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse (for so long as the surviving spouse remains unmarried) or children (under 18 years of age) of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000 depending on the degree of disability or whether the exemption is applicable to a surviving spouse or children; provided, however, a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. In addition, effective January 1, 2012, and subject to certain conditions, surviving spouses of a deceased veteran who had received a disability rating of 100% will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

Agricultural/Open-Land Exemption: Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness Personal Property Exemption: Nonbusiness personal property, such as automobiles or light trucks, is exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness personal property are exempt from ad valorem taxation.

Freeport Exemption: Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal. Notwithstanding such exemption, counties, school districts, junior college districts and cities may tax such tangible personal property provided official action to tax the same was taken before April 1, 1990.

Goods in Transit: Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." Under Section 11.253 of the Texas Tax Code, "Goods-in-Transit" are exempt from taxation unless a taxing unit opts out of the exemption. Goods-in-Transit are defined as tangible personal property that: (i) is acquired in or imported into the state to be forwarded to another location in the state or outside the state; (ii) is detained at a location in the state in which the owner of the property does not have a direct or indirect ownership interest for assembling, storing, manufacturing, processing, or fabricating purposes by the person who acquired or imported the property; (iii) is transported to another location in the state or outside the state not later than 175 days after the date the person acquired the property in or imported the property into the state; and (iv) does not include oil, natural gas, petroleum products, aircraft, dealer's motor vehicle inventory, dealer's vessel and outboard motor inventory, dealer's heavy equipment inventory, or retail manufactured housing inventory. A taxpayer may receive only one of the Freeport exemptions or the goods-in-transit exemptions for items of personal property.

For a discussion of how the various exemptions described above are applied by the Town, see "TOWN'S APPLICATION OF THE PROPERTY TAX CODE" herein.

Tax Increment Reinvestment (Financing) Zones and Tax Abatements: The Town may create one or more tax increment reinvestment zones ("TIRZs") within the Town, and in doing so, other overlapping taxing entities may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for public improvements or projects within the TIRZ. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value of taxable real property in the TIRZ is known as the "Incremental Value", and during the existence of the TIRZ, all or a portion (as determined by the Town) of the taxes levied by the Town against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of the Town.

The Town also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The Town, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

The Town is authorized, pursuant to Chapter 380, Texas Local Government Code ("Chapter 380") to establish programs to promote state or local economic development and to stimulate business and commercial activity in the Town. In accordance with a program established pursuant to Chapter 380, the Town may make loans or grants of public funds for economic development purposes, however, no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the Town.

Under Article VIII and State law, the governing body of a county, municipality or junior college district, may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded. The Town can make no representations or predictions concerning the impact such tax limitation would have on the Town's tax rate, financial condition or ability to make debt service payments.

### **Effective Tax Rate and Rollback Tax Rate**

Section 26.05 of the Property Tax Code provides that the governing body of a taxing unit is required to adopt its annual tax rate for the unit before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. Furthermore, said Section 26.05 of the Property Tax Code provides that the Town Council may not adopt a tax rate that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearings (including the requirement that notice be posted on the Town's website if the Town owns, operates or controls an internet website and public notice be given by television if the Town has free access to a television channel) and the Town Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate, the qualified voters of the taxing unit by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service. Under the Property Tax Code, the Town must annually calculate and publicize its “effective tax rate” and “rollback tax rate”.

“Effective tax rate” means the rate that will produce last year’s total tax levy (adjusted) from this year’s total taxable values (adjusted). “Adjusted” means lost values are not included in the calculation of last year’s taxes and new values are not included in this year’s taxable values.

“Rollback tax rate” means the rate that will produce last year’s maintenance and operation tax levy (adjusted) from this year’s values (adjusted) multiplied by 1.08 plus a rate that will produce this year’s debt service from this year’s values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

**Levy and Collection of Taxes**

The Issuer is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. Property within the Town is generally assessed as of January 1 of each year based upon the valuation of property within the Town as of the preceding January 1. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process, which uses an average of the daily price of oil and gas for the prior year. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. The Property Tax Code makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and final installment due on August 1.

**Penalties and Interest**

Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

<u>Month</u>	<u>Penalty</u>	<u>Interest</u>	<u>Total</u>
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July <sup>(a)</sup>	12	6	18

<sup>(a)</sup> After July, penalty remains at 12% and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest is to compensate the taxing unit for revenue lost because of the delinquency. In addition the taxing unit may contract with an attorney for the collection of delinquent taxes and the amount of compensation as set forth in such contract may provide for a fee of up to 20% of the amount of delinquent tax, penalty, and interest collected. Under certain circumstances taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed.

In general, property subject to the Town’s lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

**Issuer’s Rights in the Event of Tax Delinquencies**

Taxes levied by the Issuer are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the Issuer, having power to tax the property. The Issuer’s tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered

by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the Issuer is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the Issuer may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the Issuer must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the Town records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court

### **TOWN'S APPLICATION OF THE PROPERTY TAX CODE**

The Town grants an additional local exemption of \$35,000 to the market value of the residence homestead of persons 65 years of age or older and the disabled.

The Town does not grant an additional exemption of up to 20% for residence homesteads.

The Town taxes only business personal property.

The Denton County Tax Collector collects property taxes for the Town. The Town does not permit discounts or split payments, except in the case of persons 65 years of age or older or disabled persons who are permitted to pay taxes on homesteads in four installments. The first installment is due on February 1 of each year and the final installment is due on August 1 of the same year.

The Town does grant the Article VIII, Section 1-j property exemption ("freeport property").

The Town does not grant an exemption for "goods-in-transit".

The Town does not currently participate in a Tax Increment Financing Zone but has contracted with a consultant to proceed with the process of creating one.

The Town does not grant tax abatements.

On November 3, 2003, voters of the Town approved the adoption of the tax freeze described above under "Homestead Tax Limitation". The freeze became effective with the 2005 Tax Year.

### **ADDITIONAL TAX COLLECTIONS**

#### **Municipal Sales Tax Collections**

The Town has adopted the Municipal Sales and Use Tax Act, Texas Tax Code, Chapter 321, which grants the Town the power to impose and levy a 1% Local Sales and Use Tax within the Town; the proceeds are credited to the General Fund and are not pledged to the payment of the Bonds or other bonded indebtedness. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the Town monthly.

#### **Optional Sales Tax**

The Tax Code provides certain cities and counties the option of assessing a maximum one-half percent (½%) sales tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional tax is approved and levied, the ad valorem property tax levy must be reduced by the amount of the estimated sales tax revenues to be generated in the current year. Further the Tax Code provides certain cities the option of assessing a maximum one-half percent (½%) sales tax on retail sales of taxable items for economic development purposes, if approved by a majority of the voters in a local option election.

At an election held on May 7, 1996, the Town's registered voters approved an additional one-half percent (½%) sales tax to be collected for community development purposes in accordance with Chapters 501, 502 and 505, Texas Local Government Code, as amended (formerly Section 4B of Article 6190.6, Texas Revised Civil Statutes). Levy of this sales tax began on October 1, 1996 and the Town received its first payment in December 1996.

At an election held on March 21, 2000, the Town's registered voters approved an additional one-half percent (½%) sales tax to be collected for economic development purposes in accordance with Chapters 501, 502 and 504, Texas Local Government Code, as amended (formerly Section 4A of Article 6190.6, Texas Revised Civil Statutes). Levy of this sales tax began on October 1, 2000 and the Town received its first payment in December 2000.

At an election held on May 22, 2006, the Town's registered voters approved a reduction in the sales tax levied pursuant to Chapters 501, 502 and 505, Texas Local Government Code, as amended (formerly Section 4B of Article 6190.6, Texas Revised Civil Statutes), from one-half percent (½%) to one-quarter percent (¼%) and, at the same time, voted a one-quarter percent (¼%) additional sales tax to be collected and designated for street repairs.

At an election held on November 6, 2012, the Town's registered voters approved an increase in the sales tax levied pursuant to Chapters 501, 502 and 505, Texas Local Government Code, as amended (formerly Section 4B of Article 6190.6, Texas Revised Civil Statutes), from one-quarter percent (¼%) to one-half percent (½%) and, at the same time, approved a reduction in the sales tax levied pursuant to Chapters 501, 502 and 504, Texas Local Government Code, as amended (formerly Section 4A of Article 6190.6, Texas Revised Civil Statutes), from one-half percent (½%) to one-quarter percent (¼%). This change in tax collection percentages began in April 2013.

At an election held on May 11, 2013, the town's registered voters approved the dissolution of its Economic Development Corporation (4A) and the cessation of the one-quarter percent (¼%) sales tax levied for economic development purposes. At the same election voters created a Crime Control and Prevention District ("CCPD") and authorized the levy of a one-quarter percent (¼%) sales tax pursuant to Chapter 363, Texas Local Government Code, as amended to fund the CCPD. This ¼% tax began with the October 2013 collections.

The Town has not held an election regarding an additional sales tax for the purpose of reducing its ad valorem taxes, because the maximum combined sales tax of 8¼%, including the State portion of 6¼%, has been reached.

## **TAX MATTERS**

### **Tax Exemption**

In the opinion of Bracewell & Giuliani LLP, Bond Counsel, under existing law (i) interest on the Certificates is excludable from gross income for federal income tax purposes and (ii) the Certificates are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and as such, are not subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Certificates, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The Town has covenanted in the Ordinance that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Ordinance pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Certificates for federal income tax purposes and, in addition, will rely on representations by the Town, the Town's Financial Advisor and the initial purchasers with respect to matters solely within the knowledge of the Town, the Town's Financial Advisor and the initial purchasers, respectively, which Bond Counsel has not independently verified. If the Town fails to comply with the covenants in the Ordinance or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Certificates could become includable in gross income from the date of delivery of the Certificates, regardless of the date on which the event causing such inclusion occurs.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT or REMIC), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on certain tax-exempt obligations, such as the Obligations, is included in a corporation's "adjusted current earnings," ownership of the Certificates could subject a corporation to alternative minimum tax consequences.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Certificates.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is

includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Town as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates regardless of the ultimate outcome of the audit.

### **Collateral Tax Consequences**

Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Certificates. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Certificates should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Certificates, received or accrued during the year.

### **Tax Accounting Treatment of Original Issue Premium**

The issue price of all or a portion of the Certificates may exceed the stated redemption price payable at maturity of such Certificates. Such Certificates (the "Premium Certificates") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Certificate in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Certificate in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Certificate by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Certificate that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Certificate) is determined using the yield to maturity on the Premium Certificate based on the initial offering price of such Certificate.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Certificates that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Certificates should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Certificate and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Certificates.

### **Tax Accounting Treatment of Original Issue Discount Certificates**

The issue price of all or a portion of the Certificates may be less than the stated redemption price payable at maturity of such Certificate (the "Original Issue Discount Certificates"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate constitutes original issue discount with respect to such Original Issue Discount Certificate in the hands of any owner who has purchased such Original Issue Discount Certificate in the initial public offering of the Certificates. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Certificate continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Certificates under the captions "TAX MATTERS – Tax Exemption" and "TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences" and "—Tax Legislative Changes" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriter has purchased the Certificates for contemporaneous sale to the public and (ii) all of the Original Issue Discount Certificates have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the City nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Certificates will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Certificate accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Certificates and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Certificate.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Certificates that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Original Issue Discount Certificates should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Certificates.

### **Tax Legislative Changes**

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Certificates from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any proposed, pending or future legislation.

### **PURCHASE OF TAX-EXEMPT OBLIGATIONS BY FINANCIAL INSTITUTIONS**

Section 265(a) of the Code provides, in general, that a deduction for interest on indebtedness incurred to acquire or carry tax-exempt obligations is disallowed. Section 265(b) of the Code provides a specific complete disallowance of any deduction by a financial institution of its pro rata interest expense to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. Section 265(b) also provides an exception for financial institutions for tax-exempt obligations that are properly designated or deemed designated by an issuer as "qualified tax-exempt obligations."

The Certificates have been designated as "qualified tax-exempt obligations" based, in part, on the Town's representation that the amount of the Certificates, when added to the amount of all other tax-exempt obligations (not including private activity bonds other than "qualified 501(c)(3) bonds" or any obligations issued to currently refund any obligation to the extent the amount of the refunding obligation did not exceed the outstanding amount of the refunded obligation) issued or reasonably anticipated to be issued by or on behalf of the Town during 2013, is not expected to exceed \$10,000,000. Further, the Town and entities aggregated with the Town under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Certificates) during 2013. Notwithstanding the designation of the Certificates as "qualified tax-exempt obligations" under this exception, financial institutions acquiring the Certificates will be subject to a 20% disallowance of allocable interest expense.

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Ordinance, the Town has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The Town is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the Town will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). The information will be available free of charge from the MSRB via the Electronic Municipal Market Access System ("EMMA") at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Annual Reports**

The Town will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the Town of the general type included in this Official Statement. The information to be updated includes the information in Tables 1, 2, 3, 9, 10, 12, 13, 14 and 20 of Appendix A, and the annual audited financial statements of the Town. The Town will update and provide this information within six months after the end of each fiscal year ending in and after 2014.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Website or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements for the Town, if the Town commissions an audit and it is completed by the required time. If audited financial statements cannot be provided, the Town will provide unaudited financial information of the type described in the preceding paragraph by the required time and audited financial statements when they become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Town's annual financial statements, or such other accounting principles as the Town may be required to employ from time to time pursuant to state law or regulation.

The Town's current fiscal year end is September 30. Accordingly, it must provide updated information by the last day in March in each year, unless the Town changes its fiscal year. If the Town changes its fiscal year, it will notify the MSRB of the change.

### **Notice of Certain Events**

The Town will also provide timely notices of certain events to the MSRB. The Town will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax-exempt status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Town, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the Town will provide timely notice of any failure by the Town to provide annual financial information in accordance with their agreement described above under "Annual Reports".

For these purposes, any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Town in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Town, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Town.

### **Availability of Information from MSRB**

The Town has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments**

The Town has agreed to update information and to provide notices of certain specified events only as described above. The Town has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Town makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The Town disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Certificates may seek a writ of mandamus to compel the Town to comply with its agreement.

The Town may amend its agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Town, if the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Certificates consent or any person unaffiliated with the Town (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Certificates. The Town may also repeal or amend its agreement if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Town amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

### **Compliance with Prior Agreements**

During the past five years, the Town has complied in all material respects with its continuing disclosure agreements in accordance with the Rule.

## OTHER PERTINENT INFORMATION

### Registration and Qualification of Certificates for Sale

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The Issuer assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

### Litigation

In the opinion of the city officials, the Issuer is not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the Issuer, would have a material adverse effect on the financial condition of the Town.

### Future Debt Issuance

The Town has called a bond election to be held on May 10, 2014 to authorize the issuance of \$11,700,000 in general obligation bonds to finance the construction of a joint police and Town Hall facility. If the election is successful, the Town plans to issue those bonds in one or more series over the next twelve (12) months.

### Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are real and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER PERTINENT INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their fair market value. No review by the Town has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

No representation is made that the Certificates will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The Town has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Certificates for such purposes.

### Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Certificates are valid and legally binding obligations of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the interest on the Certificates will be excludable from the gross income for federal income tax purposes under existing law, and the Certificates are not "private activity bonds", subject to the matters described under "TAX MATTERS" herein, including alternative minimum tax consequences for corporations. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. Such firm has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the Issuer for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates are contingent on the sale and delivery of the Certificates. Though it represents the Financial Advisor and certain entities that may bid on the Certificates from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the Town in connection with the issuance of the Certificates.

The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise from the transaction.

## **Ratings**

Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business ("S&P") has assigned a rating of "AA+" to the Certificates and to the Town's outstanding general obligation debt. An explanation of the significance of such rating may be obtained from S&P. A rating by a rating agency reflects only the view of such company at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that such a rating will continue for any given period of time, or that it will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Certificates.

## **Financial Advisor**

Southwest Securities is employed as a Financial Advisor to the Issuer in connection with the issuance of the Certificates. In this capacity, the Financial Advisor has compiled certain data relating to the Certificates and has assisted in drafting this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for Financial Advisor are contingent upon the issuance, sale and delivery of the Certificates.

## **Initial Purchaser of the Certificates**

After requesting competitive bids for the Certificates, the Town accepted the bid of SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Certificates at the interest rates shown on page ii of the Official Statement at a price of 102% of par plus a cash premium of \$329.10. The Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the Town to the Initial Purchaser. The Town has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser of the Certificates.

## **Certification of the Official Statement**

At the time of payment for and delivery of the Certificates, the Purchaser will be furnished a certificate executed by a proper official of the Town acting in his or her official capacity, to the effect that: (a) the descriptions and statements of or pertaining to the Town contained in the Official Statement relating to the Certificates, and any addenda, supplement or amendment thereto, on the date of the Official Statement, on the date of the sale of the Certificates, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the Town and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; (c) to the best of his or her knowledge, insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the Town and its activities, contained in the Official Statement are concerned, such statements and data have been obtained from sources which the Town believes to be reliable and the Town has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the Town since September 30, 2013, the date of the last audited financial statements of the Issuer, portions of which appear in the Official Statement.

The Official Statement was approved as to form and content and the use thereof in the offering of the Certificates was authorized, ratified and approved by the Town Council on the date of sale, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Certificates, a copy of such approval, duly executed by the proper officials of the Issuer.

## **Forward-Looking Statements Disclaimer**

The statements contained in this Official Statement, and in any other information provided by the Town, that are not purely historical, are forward-looking statements, including statements regarding the Town's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Town on the date hereof, and the Town assumes no obligation to update any such forward-looking statements. The Town's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying

assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Town. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

**Concluding Statement**

The financial data and other information contained in this Official Statement have been obtained from the Town's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

This Official Statement was approved by the Town Council of the Issuer for distribution in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12.

TOWN OF TROPHY CLUB, TEXAS

Connie White

Connie White, Mayor  
Town of Trophy Club, Texas

ATTEST:

Tammy Ard

Tammy Ard, Town Secretary  
Town of Trophy Club, Texas

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## **APPENDIX A**

### **FINANCIAL INFORMATION OF THE ISSUER**

(This appendix contains quantitative financial information and operating data with respect to the Issuer. The information is only a partial representation and does not purport to be complete. For further and more complete information, reference should be made to the original documents, which can be obtained from various sources, as noted.)



## FINANCIAL INFORMATION OF THE ISSUER

### ASSESSED VALUATION

**TABLE 1**

2013 Actual Appraised Value of Taxable Property (100% of Actual)		\$ 1,247,539,701
Less Exemptions:		
Local Optional Over-65 and/or Disable Homestead	\$23,219,814	
Disabled and Deceased Veterans'	3,678,985	
Productivity Loss	882,268	
10% Value Cap Loss	1,787,641	
House Bill 366 / Partial Exemption	460,107	
Total Exempt Property	32,591,840	62,620,655
2013 Net Taxable Assessed Valuation <sup>(a)</sup>		\$ 1,184,919,046
Value Loss to Over 65 / Disabled Freeze		\$ 139,405,687
2013 Freeze Adjusted Net Taxable Assessed Valuation <sup>(a)</sup>		\$ 1,045,513,359

<sup>(a)</sup> See "AD VALOREM TAX PROCEDURES" and "TOWN APPLICATION OF THE PROPERTY TAX CODE" in the Official Statement for a description of the Issuer's taxation procedures.  
Source: Denton Central Appraisal District and Tarrant Central Appraisal District

### GENERAL OBLIGATION BONDED DEBT

**TABLE 2**

<b>General Obligation Debt Principal Outstanding (As of March 15, 2014):</b>		
Combination Tax and Revenue Certificates of Obligation, Series 2004	\$	365,000
General Obligation Bonds, Series 2007		2,600,000
General Obligation Bonds, Series 2010		4,550,000
General Obligation Refunding Bonds, Series 2010		1,870,000
Tax Notes, Series 2012		100,000
Combination Tax and Revenue Certificates of Obligation, Series 2013		2,860,000
Total General Obligation Debt Principal Outstanding:	\$	12,345,000
<b>Current Issues General Obligation Debt Principal:</b>		
Combination Tax and Revenue Certificates of Obligation, Series 2014 (the "Certificates")		2,500,000
Total <b>Gross</b> General Obligation Debt Principal Outstanding Following the Issuance of the Certificates	\$	14,845,000
<b>Less: Self-Supporting General Obligation Debt Principal</b>		
General Obligation Bonds, Series 2007 (11% supported by Drainage Fund)		286,000
Combination Tax and Revenue Certificates of Obligation, Series 2013 (Approx. 56.67% supported by Drainage Fund)		1,700,000
Total Self-Supporting General Obligation Debt Principal Outstanding:	\$	1,986,000
Total <b>Net</b> General Obligation Debt Principal Outstanding Following the Issuance of the Bonds:	\$	12,859,000
General Obligation Interest and Sinking Fund Balance as of January 31, 2014	\$	1,326,197
Ratio of Gross General Obligation Debt Principal to 2013 Freeze Adjusted Net Taxable Assessed Valuation		1.42%
Ratio of Net General Obligation Debt Principal to 2013 Freeze Adjusted Net Taxable Assessed Valuation		1.23%
2013 Freeze Adjusted Net Taxable Assessed Valuation <sup>(a)</sup>	\$	1,045,513,359
Population: 1990 - 3,922; 2000 - 6,350; Current (Estimate) -		10,500
Per Capita 2013 Freeze Adjusted Net Taxable Assessed Valuation -		\$99,573
Per Capita Gross General Obligation Debt Principal -		\$1,414
Per Capita Net General Obligation Debt Principal -		\$1,225

<sup>(a)</sup> See "AD VALOREM TAX PROCEDURES" and "TOWN APPLICATION OF THE PROPERTY TAX CODE" in the Official Statement for a description of the Issuer's taxation procedures.

### OTHER OBLIGATIONS

**TABLE 3**

The town entered into a capital lease for a piece of equipment (Bobcat) in December, 2013, at which time payment of \$7,368 was remitted. In December, 2014, the Town may elect to purchase the equipment outright with a final payment due of \$42,465.

**PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

**TABLE 4**

Fiscal Year Ending 9-30	Current Total Debt Service <sup>(a)</sup>	The Certificates			Combined Debt Service <sup>(a)</sup>	Less	Net General Obligation Debt Service <sup>(b)</sup>
		Principal	Interest	Total		Self-Supporting Debt Paid From Drainage System Revenues	
2014	\$ 1,583,092.00	\$ -	\$ -	\$ -	\$ 1,583,092.00	\$ 213,214.00	\$ 1,369,878.00
2015	1,404,776.90	75,000.00	108,688.40	183,688.40	1,588,465.30	206,313.00	1,382,152.30
2016	1,263,343.75	100,000.00	72,887.50	172,887.50	1,436,231.25	207,646.00	1,228,585.25
2017	1,262,478.25	105,000.00	70,887.50	175,887.50	1,438,365.75	203,911.00	1,234,454.75
2018	1,167,991.25	105,000.00	68,787.50	173,787.50	1,341,778.75	205,642.00	1,136,136.75
2019	1,171,798.75	105,000.00	66,687.50	171,687.50	1,343,486.25	206,653.00	1,136,833.25
2020	1,169,831.25	110,000.00	64,587.50	174,587.50	1,344,418.75	203,130.00	1,141,288.75
2021	1,164,326.25	110,000.00	62,387.50	172,387.50	1,336,713.75	203,926.00	1,132,787.75
2022	1,170,512.50	115,000.00	59,087.50	174,087.50	1,344,600.00	204,913.00	1,139,687.00
2023	959,707.50	120,000.00	55,637.50	175,637.50	1,135,345.00	205,495.00	929,850.00
2024	957,733.75	120,000.00	52,037.50	172,037.50	1,129,771.25	205,674.00	924,097.25
2025	744,876.25	125,000.00	48,437.50	173,437.50	918,313.75	27,582.00	890,731.75
2026	764,951.25	130,000.00	44,687.50	174,687.50	939,638.75	28,173.00	911,465.75
2027	768,380.00	130,000.00	40,787.50	170,787.50	939,167.50	28,136.00	911,031.50
2028	510,537.50	135,000.00	36,887.50	171,887.50	682,425.00	-	682,425.00
2029	384,906.25	140,000.00	32,837.50	172,837.50	557,743.75	-	557,743.75
2030	385,262.50	145,000.00	27,937.50	172,937.50	558,200.00	-	558,200.00
2031	-	150,000.00	22,862.50	172,862.50	172,862.50	-	172,862.50
2032	-	155,000.00	17,612.50	172,612.50	172,612.50	-	172,612.50
2033	-	160,000.00	12,187.50	172,187.50	172,187.50	-	172,187.50
2034	-	165,000.00	6,187.50	171,187.50	171,187.50	-	171,187.50
	<u>\$ 16,834,505.90</u>	<u>\$ 2,500,000.00</u>	<u>\$ 972,100.90</u>	<u>\$ 3,472,100.90</u>	<u>\$ 20,306,606.80</u>	<u>\$ 2,350,408.00</u>	<u>\$ 17,267,348.80</u>

<sup>(a)</sup> Includes self-supporting debt (see Table 2)

<sup>(b)</sup> Excludes self-supporting debt (see Table 2).

**TAX ADEQUACY (Includes Self-Supporting Debt)**

**TABLE 5A**

2013 Freeze Adjusted Net Taxable Assessed Valuation	\$ 1,045,513,359
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-15)	\$ 1,588,465
Indicated Maximum Interest and Sinking Fund Tax Rate at 99% Collections	\$ 0.15347

Note: Above computation is exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

**TAX ADEQUACY (Excludes Self-Supporting Debt)**

**TABLE 5B**

2013 Freeze Adjusted Net Taxable Assessed Valuation	\$ 1,045,513,359
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-15)	\$ 1,382,152
Indicated Maximum Interest and Sinking Fund Tax Rate at 99% Collections	\$ 0.13353

Note: Above computation is exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

**INTEREST AND SINKING FUND MANAGEMENT INDEX****TABLE 6**

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2013 (Unaudited)	\$ 119,722
FY 2013-2014 Interest and Sinking Fund Tax Levy of \$0.1150 at 99% Collections Produces	1,190,317
Estimated I&S Tax Collections on Frozen Property	<u>137,182</u>
Total Available for Debt Service	\$ 1,447,221
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-14 <sup>(a)</sup>	<u>1,369,878</u>
Estimated Surplus at Fiscal Year Ending 9-30-14 <sup>(b)</sup>	<u>\$ 77,343</u>

<sup>(a)</sup> Excludes self-supporting general obligation debt.

<sup>(b)</sup> Does not include delinquent tax collections, penalties and interest on delinquent tax collections or investment earnings on the Debt Service Fund.

**COMPUTATION OF SELF-SUPPORTING DEBT****TABLE 7**

Drainage Fund Revenues Available, Fiscal Year Ended September 30, 2013 (Unaudited)	\$289,853
Less: 2013 Annual Debt Service Requirements on Outstanding Drainage Fund Revenue Bonds	<u>-</u>
Balance Available for Other Purposes	\$289,853
Self-Supporting General Obligation Debt Paid From Drainage Fund Revenues for Fiscal Year Ended September 30, 2013	\$27,303
Percentage of FY2013 Self-Supporting General Obligation Debt Covered by Drainage Fund Revenues	100%

**GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE****TABLE 8**

*(Includes the Certificates)*

Fiscal Year Ending 9/30	Principal Repayment Schedule			Unpaid at End of Year	Principal Retired (%)
	Outstanding Bonds <sup>(a)</sup>	The Certificates	Total		
2014	\$ 1,263,000	\$ -	\$ 1,263,000	\$ 14,459,000	8.03%
2015	985,000	75,000	1,060,000	13,399,000	14.78%
2016	872,000	100,000	972,000	12,427,000	20.96%
2017	899,000	105,000	1,004,000	11,423,000	27.34%
2018	833,000	105,000	938,000	10,485,000	33.31%
2019	863,000	105,000	968,000	9,517,000	39.47%
2020	888,000	110,000	998,000	8,519,000	45.81%
2021	913,000	110,000	1,023,000	7,496,000	52.32%
2022	953,000	115,000	1,068,000	6,428,000	59.11%
2023	778,000	120,000	898,000	5,530,000	64.83%
2024	805,000	120,000	925,000	4,605,000	70.71%
2025	620,000	125,000	745,000	3,860,000	75.45%
2026	665,000	130,000	795,000	3,065,000	80.51%
2027	695,000	130,000	825,000	2,240,000	85.75%
2028	465,000	135,000	600,000	1,640,000	89.57%
2029	355,000	140,000	495,000	1,145,000	92.72%
2030	370,000	145,000	515,000	630,000	95.99%
2031	-	150,000	150,000	480,000	96.95%
2032	-	155,000	155,000	325,000	97.93%
2033	-	160,000	160,000	165,000	98.95%
2034	-	165,000	165,000	-	100.00%
	<u>\$ 13,222,000</u>	<u>\$ 2,500,000</u>	<u>\$ 15,722,000</u>		

<sup>(a)</sup> As of March 15, 2014. Excludes March 1, 2014 principal payments

	<b>Unaudited</b> <b>As of 9-30-13</b>	<b>As of 1-31-14</b>
General Fund	\$ 2,627,264	\$ 5,274,999
Debt Service Fund	119,722	1,326,197
Capital Projects Fund	2,065,758	1,882,107
Drainage Fund	289,853	355,215
<b>Total</b>	<b>\$ 5,102,597</b>	<b>\$ 8,838,518</b>

MUNICIPAL SALES TAX

At an election held on May 7, 1996, the Town's registered voters approved an additional one-half percent (½%) sales tax to be collected for community development purposes in accordance with Chapters 501, 502 and 505, Texas Local Government Code, as amended (formerly Section 4B of Article 6190.6, Texas Revised Civil Statutes). Levy of this sales tax began on October 1, 1996 and the Town received its first payment in December 1996.

At an election held on March 21, 2000, the Town's registered voters approved an additional one-half percent (½%) sales tax to be collected for economic development purposes in accordance with Chapters 501, 502 and 504, Texas Local Government Code, as amended (formerly Section 4A of Article 6190.6, Texas Revised Civil Statutes). Levy of this sales tax began on October 1, 2000 and the Town received its first payment in December 2000.

At an election held on May 22, 2006, the Town's registered voters approved a reduction in the sales tax levied pursuant to Chapters 501, 502 and 505, Texas Local Government Code, as amended (formerly Section 4B of Article 6190.6, Texas Revised Civil Statutes), from one-half percent (½%) to one-quarter percent (¼%) and, at the same time, a one-quarter percent (¼%) additional sales tax to be collected and designated for street repairs.

At an election held on November 6, 2012, the Town's registered voters approved an increase in the sales tax levied pursuant to Chapters 501, 502 and 505, Texas Local Government Code, as amended (formerly Section 4B of Article 6190.6, Texas Revised Civil Statutes), from one-quarter percent (¼%) to one-half percent (½%) and, at the same time, approved a reduction in the sales tax levied pursuant to Chapters 501, 502 and 504, Texas Local Government Code, as amended (formerly Section 4A of Article 6190.6, Texas Revised Civil Statutes), from one-half percent (½%) to one-quarter percent (¼%). This change in tax collection percentages began in April 2013.

At an election held on May 11, 2013, the town's registered voters approved the dissolution of its Economic Development Corporation (4A) and the cessation of the one-quarter percent (¼%) sales tax levied for economic development purposes. At the same election voters created a Crime Control and Prevention District ("CCPD") and authorized the levy of a one-quarter percent (¼%) sales tax pursuant to Chapter 363, Texas Local Government Code, as amended, to fund the CCPD. This ¼% tax began with the October 2013 collections.

The Town has not held an election regarding an additional sales tax for the purpose of reducing its ad valorem taxes, because the maximum combined sales tax of 8¼%, including the State portion of 6¼%, has been reached.

Municipal Sales Tax History

Fiscal Year	Total Collected	1.00% City	0.25% Streets	% of Ad Valorem Tax Levy	(\$) Equivalent of Ad Valorem Tax Rate	1%/.75%/.50%	0.25% Crime Prevention
						Economic and Community Development	
2005	687,367 <sup>(b)</sup>	343,683	N/A	13.04%	0.06	343,683 <sup>(b)</sup>	N/A
2006	828,625 <sup>(b)</sup>	414,313	N/A	14.38%	0.06	414,313 <sup>(b)</sup>	N/A
2007	948,672 <sup>(c)</sup>	474,336	118,584	18.55%	0.08	355,752 <sup>(c)</sup>	N/A
2008	952,191 <sup>(c)</sup>	476,096	119,024	16.33%	0.07	357,072 <sup>(c)</sup>	N/A
2009	919,647 <sup>(c)</sup>	459,824	114,956	16.17%	0.07	344,868 <sup>(c)</sup>	N/A
2010	1,059,364 <sup>(c)</sup>	529,682	132,420	17.17%	0.08	397,261 <sup>(c)</sup>	N/A
2011	986,995 <sup>(c)</sup>	493,497	123,374	13.91%	0.07	370,123 <sup>(c)</sup>	N/A
2012	1,179,127 <sup>(c)</sup>	589,563	147,391	15.21%	0.08	442,172 <sup>(c)</sup>	N/A
2013	1,185,275 <sup>(c)</sup>	592,638	148,159	14.08%	0.07	444,478 <sup>(c)</sup>	N/A
2014 <sup>(a)</sup>	282,214 <sup>(d)</sup>	141,107	35,277	3.04%	0.02	70,554 <sup>(d)</sup>	35,277 <sup>(d)</sup>

<sup>(a)</sup> Current fiscal year figures are for October 2013 through December 2013 (3 months only).

<sup>(b)</sup> Collections include additional 1% for Economic and Community Development

<sup>(c)</sup> Collections include additional 3/4% for Economic and Community Development.

<sup>(d)</sup> Collections include additional 1/2% for Community Development and 1/4% for Crime Prevention.

Sources: Texas Comptroller of Public Accounts Website, the Issuer's 2012 Audited Financial Statements and other information from the Issuer.

**Note: The Comptroller's website figures list sales tax revenues in the month they are delivered to the Town, which is two months after they are generated/collected.**

**CLASSIFICATION OF ASSESSED VALUATION**

**TABLE 11**

<b>Category</b>	<b>2013-14</b>	<b>% of Total</b>	<b>2012-13</b>	<b>% of Total</b>	<b>2011-12</b>	<b>% of Total</b>	<b>2010-11</b>	<b>% of Total</b>	<b>2009-10</b>	<b>% of Total</b>
Real, Residential, Single Family <sup>(a)</sup>	\$ 1,070,584,862	85.82%	\$ 916,419,496	84.32%	\$ 829,061,459	83.85%	\$ 760,239,011	83.71%	\$ 705,960,305	79.10%
Real, Multi-Family	12,663,305	1.02%	11,632,333	1.07%	9,900,830	1.00%	6,757,262	0.74%	7,650,262	0.86%
Real, Vacant Lots/Tract	27,051,896	2.17%	17,176,207	1.58%	22,719,827	2.30%	18,251,181	2.01%	20,531,670	2.30%
Real Acreage (Land Only)	889,893	0.07%	12,157,137	1.12%	23,917,543	2.42%	8,411,586	0.93%	23,597,366	2.64%
Real Fam and Ranch Improvements	10,072,124	0.81%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Real, Commercial & Industrial	57,179,969	4.58%	51,405,527	4.73%	34,710,325	3.51%	43,706,348	4.81%	59,906,526	6.71%
Real, Minerals / Oil and Gas	188,401	0.02%	230,023	0.02%	895,503	0.09%	2,478,629	0.27%	4,409,550	0.49%
Real & Tangible, Personal Utilities	7,881,848	0.63%	7,245,158	0.67%	6,903,560	0.70%	6,802,980	0.75%	6,493,617	0.73%
Tangible Personal, Commercial & Industrial	17,602,313	1.41%	16,635,477	1.53%	15,911,942	1.61%	15,298,977	1.68%	16,674,644	1.87%
Real / Residential Inventory	10,373,143	0.83%	19,058,602	1.75%	12,793,182	1.29%	13,797,193	1.52%	16,281,842	1.82%
Totally Exempt Property	<u>33,051,947</u>	2.65%	<u>34,878,811</u>	3.21%	<u>31,917,106</u>	3.23%	<u>32,470,175</u>	3.58%	<u>31,007,523</u>	3.47%
<b>Total Market Value</b>	<b>\$ 1,247,539,701</b>	<b>100.00%</b>	<b>\$ 1,086,838,771</b>	<b>100.00%</b>	<b>\$ 988,731,277</b>	<b>100.00%</b>	<b>\$ 908,213,342</b>	<b>100.00%</b>	<b>\$ 892,513,305</b>	<b>100.00%</b>
<b>Less Exemptions:</b>										
Local Optional Over 65 / Disabled Homestead	\$ 23,219,814		\$ 21,405,403		\$ 19,257,103		\$ 18,204,486		\$ 16,887,292	
Disabled / Deceased Veterans'	3,678,985		3,598,990		2,898,298		1,817,306		1,558,511	
Productivity Loss	882,268		4,042,175		4,042,175		-		3,281,974	
10% Homestead Cap Loss <sup>(a)</sup>	1,787,641		2,702,243		1,451,045		1,502,599		2,954,036	
House Bill 366 / Partial Exemption	460,107		4,300		5,717		131,413		3,768	
Totally Exempt Property	<u>32,591,840</u>		<u>34,874,511</u>		<u>31,911,389</u>		<u>32,465,840</u>		<u>31,003,755</u>	
Total Exemptions	\$ 62,620,655		\$ 66,627,622		\$ 59,565,727		\$ 54,121,644		\$ 55,689,336	
<b>Net Taxable Assessed Valuation</b>	<b>\$ 1,184,919,046</b> <sup>(b)</sup>		<b>\$ 1,020,211,149</b> <sup>(b)</sup>		<b>\$ 929,165,550</b>		<b>\$ 854,091,698</b> <sup>(b)</sup>		<b>\$ 836,823,969</b>	
Freeze Loss for Over 65/Disabled	(139,405,687)		(121,019,092)		(113,762,403)		(104,290,086)		(95,719,705)	
<b>Net Taxable Assessed Valuation after Freeze Loss</b>	<b>\$ 1,045,513,359</b>		<b>\$ 899,192,057</b>		<b>\$ 815,403,147</b>		<b>\$ 749,801,612</b>		<b>\$ 741,104,264</b>	

<sup>(a)</sup> Tarrant County appraised values already reflect the value after the 10% cap loss, so that loss amount is not included in the 10% Cap Loss exemption line.

<sup>(b)</sup> The Town has received preliminary 2013 Net Taxable Valuations (ARB Approved) from Denton and Tarrant Appraisal Districts that total \$1,049,005,062.

Note: Figures exclude incomplete accounts and property under ARB review, which are subject to change.

Note: Assessed valuations may change during the year due to various supplements and protests. Valuations on different dates or in other tables of this Official Statement may not match those shown on this table. Valuations shown do not include property under protest.

Sources: Websites - Denton Central Appraisal District and Tarrant Appraisal District (JSeptember certified totals for each tax year) and Information from the Issuer.

**PRINCIPAL TAXPAYERS - 2013-2014**

**TABLE 12**

<u>Name</u>	<u>Type of Property</u>	<u>2013 Net Taxable</u>	<u>% of Total 2013</u>
		<u>Assessed Valuation</u>	<u>Assessed Valuation</u>
Cnl Retmt Crsi Trophy Club TX LP	Real Estate (Trophy Club Country Club)	\$ 18,000,000	1.72%
Trophy Club 12 LLC	Real Estate Development	13,100,000	1.25%
Armored Trophy Club LLC	Real Estate Development	7,700,000	0.74%
First Texas Homes, Inc.	Home Builder	6,158,816	0.59%
Trophy Club Medial Center LP	Personal Property	5,808,648	0.56%
ONCOR Electric Delivery Company	Electric Utility	5,782,590	0.55%
4663 Okeechobee Blvd & Palm Beach Holdings	Real Estate Development	5,700,000	0.55%
Lennar Homes of Texas Land & Construction LTD	Home Builder	5,337,436	0.51%
Clubcorp Golf Texas LP	Golf Course	4,362,406	0.42%
BDMR Development LLC	Real Estate Development	3,895,520	0.37%
	<b>Total</b>	<b>\$ 75,845,416</b>	<b>7.25%</b>

Based on a 2013 Freeze Adjusted Net Taxable Assessed Valuation of \$ 1,045,513,359

Source: Denton Central Appraisal District, Tarrant Appraisal District and the Issuer.

**PROPERTY TAX RATES AND COLLECTIONS<sup>(a)</sup>**

**TABLE 13**

<u>Tax Year</u>	<u>Net Taxable Assessed Valuation<sup>(b)</sup></u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>% Collections<sup>(c)</sup></u>		<u>Fiscal Year Ended</u>
				<u>Current</u>	<u>Total</u>	
2004	562,433,607	0.430510	2,634,681.00	99.05%	99.98%	9-30-05
2005	563,187,476	0.430510	2,881,601.00	98.97%	99.98%	9-30-06
2006	666,452,320	0.430510	3,196,891.00	98.90%	99.96%	9-30-07
2007	728,999,969	0.430510	3,643,746.00	99.19%	99.95%	9-30-08
2008	789,440,500	0.455510	3,554,035.10	99.19%	99.94%	9-30-09
2009	836,823,969	0.470000	3,856,737.49	99.48%	99.83%	9-30-10
2010	854,091,698	0.515000	4,434,805.00	99.55%	99.55%	9-30-11
2011	929,165,550	0.530000	4,846,521.93	99.83%	99.83%	9-30-12
2012	1,020,211,149	0.518543	5,259,719.00	99.71%	100.83%	9-30-13
2013	1,184,919,046	0.499300	5,810,233.00	90.13% <sup>(d)</sup>	90.19% <sup>(d)</sup>	9-30-14

<sup>(a)</sup> See "AD VALOREM TAX PROCEDURES - Levy and Collection of Taxes" in the body of the Official Statement for a complete discussion of the Town's provisions.

<sup>(b)</sup> Figures shown are Net Taxable Valuation before Freeze for Persons 65 and Older, which was implemented in Tax Year 2005.

<sup>(c)</sup> Excludes penalties and interest.

<sup>(d)</sup> Current collections as of January 31, 2014.

Source: information from the Issuer and the Issuer's 2012 CAFR.

**TAX RATE DISTRIBUTION**

**TABLE 14**

	<u>2013-2014</u>	<u>2012-2013</u>	<u>2011-2012</u>	<u>2010-2011</u>	<u>2009-2010</u>
General Fund	\$0.384300	\$0.403543	\$0.415013	\$0.397220	\$0.388380
I & S Fund	0.115000	0.115000	0.114987	0.117780	0.081620
TOTAL	\$0.499300	\$0.518543	\$0.530000	\$0.515000	\$0.470000

Sources: Texas Municipal Report published by the Municipal Advisory Council of Texas

**TAXABLE ASSESSED VALUATION FOR TAX YEARS 2003-2012**

**TABLE 15**

<u>Tax Year</u>	<u>Net Taxable Assessed Valuation<sup>(a)</sup></u>	<u>Change From Preceding Year</u>	
		<u>Amount (\$)</u>	<u>Percent</u>
2004	562,433,607	13,528,601	2.46%
2005	563,187,476	753,869	(0.0012%)
2006	666,452,320	103,264,844	18.34%
2007	728,999,969	62,547,649	9.39%
2008	789,440,500	60,440,531	8.29%
2009	836,823,969	47,383,469	6.00%
2010	854,091,698	17,267,729	2.06%
2011	929,165,550	75,073,852	8.79%
2012	1,020,211,149	91,045,599	9.80%
2013	1,184,919,046	164,707,897	16.14%

<sup>(a)</sup> Figures shown are Net Taxable Valuation before Freeze for Persons 65 and Older, which was implemented in Tax Year 2005.

Sources: The Denton Central Appraisal District and Tarrant Appraisal District (September Certified Values) and Information from the Issuer.

**DIRECT AND OVERLAPPING DEBT DATA INFORMATION**

**TABLE 16**

*(As of March 15, 2014)*

<u>Taxing Body</u>	<u>Gross Debt Principal</u>	<u>% Overlapping</u>	<u>Amount Overlapping</u>
Denton County	\$ 596,245,000	1.72%	\$ 10,255,414
Northwest Independent School District	676,028,319	9.14%	61,788,988
Tarrant County	676,028,319	0.05%	338,014
Tarrant County College District	336,635,000	0.05%	168,318
Tarrant County Hospital District	7,935,000	0.05%	3,968
Trophy Club MUD #1	<u>11,710,000</u>	78.01%	<u>9,134,971</u>
Total Overlapping Debt Principal	\$ 2,304,581,638		\$ 81,689,673
Town of Trophy Club	<u>14,845,000</u> <sup>(a)</sup>	100.00%	<u>14,845,000</u> <sup>(a)</sup>
Total Gross Direct and Overlapping Debt Principal	\$ 2,319,426,638 <sup>(a)</sup>		\$ <u>96,534,673</u> <sup>(a)</sup>
Ratio of Direct and Overlapping Debt Principal to 2013 Freeze Adjusted Net Taxable Assessed Valuation			9.23% <sup>(a)</sup>
Ratio of Direct and Overlapping Debt Principal to 2013 Actual Market Value			7.74% <sup>(a)</sup>
Per Capita Direct and Overlapping Debt Principal			\$9,194 <sup>(a)</sup>

**Note:** The above figures are based on **Gross** General Obligation Debt Principal for the Town of Trophy Club.  
The Issuer's **Net** General Obligation Debt Principal is \$ 12,859,000

Calculations on the basis of the Issuer's Net General Obligation Debt Principal would change the above figures as follows:

Total Net Direct and Overlapping Net Debt Principal	\$ <u>94,548,673</u>
Ratio of Direct and Overlapping Debt Principal to 2013 Freeze Adjusted Net Taxable Assessed Valuation	9.04% <sup>(a)</sup>
Ratio of Direct and Overlapping Debt Principal to 2013 Actual Market Value	7.58% <sup>(a)</sup>
Per Capita Direct and Overlapping Debt	\$9,005 <sup>(a)</sup>

<sup>(a)</sup> Includes the Certificates.

Source: Most recent Texas Municipal Reports published by the Municipal Advisory Council of Texas.

**ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES**

**TABLE 17**

<u>Governmental Entity</u>	<u>2013 Net Taxable Assessed Valuation</u>	<u>% of Actual</u>	<u>2013 Tax Rate</u>
Denton County	\$ 57,196,387,009	100%	\$ 0.28490
Northwest Independent School District	10,225,521,620	100%	1.45250
Tarrant County	126,858,702,396	100%	0.26400
Tarrant County College District	127,454,200,572	100%	0.14950
Tarrant County Hospital District	127,015,707,711	100%	0.22790
Trophy Club MUD #1	1,047,277,474	100%	0.13339

Source: Most recent Texas Municipal Reports published by The Municipal Advisory Council of Texas.

**AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS  
OF OVERLAPPING GOVERNMENTAL ENTITIES**

**TABLE 18**

<u>Taxing Body</u>	<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued To-Date</u>	<u>Unissued</u>
Denton County	01-16-99	Road	\$ 85,320,000	\$ 77,629,375	\$ 7,690,625
	05-15-04	Road	186,970,000	186,970,000	-
	05-15-04	County Offices	17,900,000	17,900,000	-
	05-15-04	Equipment	2,000,000	-	2,000,000
	11-04-08	Road	310,000,000	201,833,062	108,166,938
	11-04-08	County Buildings	<u>185,000,000</u>	<u>118,300,876</u>	<u>66,699,124</u>
			\$ 787,190,000	\$ 602,633,313	\$ 184,556,687
Northwest I S D	05-10-08	School Buildings	\$ 260,000,000	\$ 215,000,000	\$ 45,000,000
	11-06-12	School Buildings	<u>255,000,000</u>	<u>50,000,000</u>	<u>205,000,000</u>
			\$ 515,000,000	\$ 265,000,000	\$ 250,000,000
Tarrant County	04-04-87	Courthouse Improvs	\$ 47,000,000	\$ 46,500,000	\$ 500,000 <sup>(a)</sup>
	08-08-98	Law Enforcement Cntr	70,600,000	63,100,000	7,500,000
	08-08-98	Healthcare Facility	9,100,000	1,000,000	8,100,000
	08-08-98	Jail	14,600,000	14,600,000	-
	05-13-06	Road & Bridge	200,000,000	166,700,000	33,300,000
	05-13-06	Jail	108,000,000	108,000,000	-
	05-13-06	County Buildings	62,300,000	47,300,000	15,000,000
	05-13-06	Juvenile Detention Cntr	36,320,000	4,200,000	32,120,000
	05-13-06	County Offices	<u>26,500,000</u>	<u>26,500,000</u>	<u>-</u>
			\$ 574,420,000	\$ 477,900,000	\$ 96,520,000
Tarrant County College Dist	-None-				
Tarrant County Hosp Dist	-None-				
Trophy Club MUD #1	10-07-75	Water and Sewer	\$ 12,344,217	\$ 12,344,217	\$ -
	04-04-81	Water and Sewer	5,800,000	5,800,000	-
	10-29-88	Water and Sewer	2,500,000	2,495,783	4,217 <sup>(b)</sup>
	05-10-08	Fire Station	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>
			22,644,217	22,640,000	4,217

<sup>(a)</sup> The County will not issue this authorization due to age.

<sup>(b)</sup> The District does not plan to issue this remaining authorization.

Source: Most recent Texas Municipal Reports published by The Municipal Advisory Council of Texas and the Issuer.

**AUTHORIZED BUT UNISSUED DIRECT GENERAL OBLIGATION BONDS**

**TABLE 19**

- None -

Source: Most recent Texas Municipal Reports published by The Municipal Advisory Council of Texas and the Issuer.

**GENERAL FUND COMBINED STATEMENT OF REVENUES AND EXPENDITURES  
AND CHANGES IN FUND BALANCES**

**TABLE 20**

	Fiscal Year Ended September 30				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Revenues:</b>					
Ad Valorem Taxes	\$ 4,149,900	\$ 3,852,874	\$ 3,442,842	\$ 3,215,161	\$ 2,978,276
Sales and Beverage Taxes	609,888	606,714	508,187	541,711	588,362
Franchise Taxes	718,952	693,722	608,806	519,959	546,271
Licenses, Permits, Fees and Fines	968,285	1,128,234	798,520	719,333	631,895
Intergovernmental	158,987	119,972	107,963	76,526	68,532
Charges for Services	592,146	668,146	527,834	357,593	576,902
Fines	160,614	149,134	167,461	120,151	140,553
Investment Income	4,921	5,632	4,128	5,662	17,727
Miscellaneous	336,497	299,807	335,720	98,331	109,439
Grant Revenue	75,599	-	-	-	-
Total Revenues	<u>\$ 7,775,789</u>	<u>\$ 7,524,235</u>	<u>\$ 6,501,461</u>	<u>\$ 5,654,427</u>	<u>\$ 5,657,957</u>
<b>Expenditures:</b>					
Current:					
General Government	\$ -	\$ -	\$ -	\$ 19,888	\$ -
Emergency Medical Services	768,367	695,139	688,213	646,249	609,159
Manager's Office	707,166	636,758	556,489	607,341	474,657
Human Resources	102,771	94,839	90,060	44,304	38,717
Finance	372,816	528,143	360,548	257,275	236,212
Information Systems	342,319	330,204	287,448	155,490	196,433
Legal	171,157	154,236	146,881	146,431	246,297
Police	2,068,309	1,638,863	1,463,179	1,402,229	1,307,423
Court	68,731	78,929	80,260	73,782	61,036
Parks	947,734	1,141,216	951,328	777,463	715,973
Recreation	543,762	518,440	571,805	511,720	409,847
Facilities Management	75,344	65,341	76,484	73,369	84,098
Community Development	319,168	248,339	189,425	183,383	165,277
Planning and Zoning	257,138	233,134	154,225	160,895	99,885
Fire	-	417,998	-	-	-
Streets	766,411	-	384,513	375,124	791,304
Total Expenditures	<u>\$ 7,511,193</u>	<u>\$ 6,781,579</u>	<u>\$ 6,000,858</u>	<u>\$ 5,434,943</u>	<u>\$ 5,436,318</u>
Excess (Deficit) of Revenues Over Expenditures	\$ 264,596	\$ 742,656	\$ 500,603	\$ 219,484	\$ 221,639
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In	\$ 12,300	\$ 64,019	\$ 75,000	\$ 17,400	\$ -
Operating Transfers Out	(780,734)	(100,615)	(46,631)	(190,901)	(104,700)
Capital Lease Proceeds	-	-	-	-	23,310
Total Other Financing Sources (Uses)	<u>\$ (768,434)</u>	<u>\$ (36,596)</u>	<u>\$ 28,369</u>	<u>\$ (173,501)</u>	<u>\$ (81,390)</u>
Excess (Deficit) of Revenues/Other Sources Sources Over Expenditures/Other Uses	(503,838)	706,060	528,972	45,983	140,249
Beginning Fund Balance	3,131,102 <sup>(a)</sup>	2,642,792	2,113,820	2,067,837	1,927,588
Ending Fund Balance	<u>\$ 2,627,264</u>	<u>\$ 3,348,852</u> <sup>(a)</sup>	<u>\$ 2,642,792</u>	<u>\$ 2,113,820</u>	<u>\$ 2,067,837</u>
<b>Less: Constraints on Fund Balance</b>					
Reservations of Fund Balance*	-	-	-	(57,486)	(56,968)
Nonspendable	(796)	(796)	(2,620)	-	-
Restricted	-	-	-	-	-
Assigned	(228,138)	(228,138)	(228,138)	-	-
Total Assigned Fund Balance	<u>\$ (228,934)</u>	<u>\$ (228,934)</u>	<u>\$ (230,758)</u>	<u>\$ (57,486)</u>	<u>\$ (56,968)</u>
Ending Unreserved Fund Balance	<u>\$ 2,398,330</u>	<u>\$ 3,119,918</u>	<u>\$ 2,412,034</u>	<u>\$ 2,056,334</u>	<u>\$ 2,010,869</u>

<sup>(a)</sup> Beginning Fund Balance was restated in FY 13 resulting in a reduction of \$217,750.

\* GASB 54 implemented for FY12, providing additional classifications of constraints on fund balance.

Source: The Issuer's Audited Financial Statements and additional information from the Issuer.

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**APPENDIX B**

**GENERAL INFORMATION REGARDING THE TOWN OF TROPHY CLUB AND DENTON COUNTY, TEXAS**



**GENERAL INFORMATION REGARDING THE TOWN OF TROPHY CLUB  
AND DENTON COUNTY, TEXAS**

**TOWN OF TROPHY CLUB**

**General**

The Town of Trophy Club (the "Town"), incorporated in January of 1985, is Texas's first premiere planned residential and country-club community. The Town is located in the southern portion of the Denton County (the "County") on State Highway 114 approximately 8 miles west of the City of Grapevine, 17 miles south of the City of Denton and 14 miles northwest of the Dallas-Fort Worth International Airport. Lake Grapevine is located approximately 2 miles north and east of the Town. The majority of property within the Town consists of single-family and multi-family housing. The Solana Business Complex is located adjacent to the Town's eastern border in the cities of Westlake and Southlake. Both residents and businesses of the Town (including those located in the Trophy Club Public Improvement District) are furnished water and wastewater treatment from Trophy Club Municipal Utility District No. 1. The Town's 2000 Census was 6,350, which is a 61.9% increase over the 1990 Census. The Town's current population estimate is 10,500.

*Source: Latest Texas Municipal Report published by the Municipal Advisory Council of Texas, U.S. Census Report and the Town of Trophy Club.*

**Population:**

<u>Year</u>	<u>Town of Trophy Club</u>	<u>Denton County</u>
Current Estimate	10,500	707,304
2000 Census	6,350	423,976
1990 Census	3,922	273,525
1980 Census	N/A	143,126

*Sources: United States Bureau of the Census, North Central Texas Council of Government and the Town of Trophy Club*

**Leading Employers in the Town:**

<u>Employer<sup>(a)</sup></u>	<u>Type of Business</u>	<u>Number of Employees (2012)</u>
Northwest Independent School District	Public School District	341
Trophy Club Country Club	Country Club and Golf Course	150
Baylor Medical Center at Trophy club	Healthcare Services	125
Town of Trophy Club & Trophy Club MUD #1	Municipal Governmental Entities	93
Tom Thumb	Retail Grocery	90
Christina's Mexican Restaurant	Restaurant	45
Fellowship United Methodist Church	Church	39
Church at Trophy Lake	Church	30
Walgreen's	Retail Sales	23
Bank of America	Financial Services	11

<sup>(a)</sup> *Not included in the list above is Maguire Partners, which is in the Trophy Club Municipal Utility District #1 but not in the Town limits. Maguire Partners employs approximately 3,531 people in its commercial office complex.*

*Source: Information from the Issuer*

**Trophy Club Public Improvement District**

Trophy Club Public Improvement District No. 1 (the "PID") consists of approximately 609.683 acres of land generally to the north of Oakmont Drive, Oak Hill Drive and the Quorum Condominiums, east of the Lakes Subdivision and Parkview Drive, south of the Corps of Engineer's property, and west of the Town's eastern limit. The PID is located entirely within the Town limits but outside the Municipal Utility District No.1. A master-planned residential community (the "Property") is under construction in the PID and at build-out will be comprised of approximately 1,489 residential units located within the Property, which Property is zoned to permit such use pursuant to the PD Zoning. Property owners in the PID pay special assessments levied on their property for the construction of public improvements that benefit their property. As of September 30, 2013, 1,146 homes had been constructed and sold.

**Education**

The Town is served by the Northwest Independent School District (the “School District” or “Northwest ISD”). Northwest ISD covers approximately 232 square miles in Denton, Wise and Tarrant Counties. In addition to serving the Town, the School District also serves the communities of Aurora, Fairview, Haslet, Justin, Newark, Northlake, Rhome, Roanoke and portions of Flower Mound, Fort Worth, Keller, Southlake and Westlake. Northwest ISD is comprised of 16 primary schools for grades pre-kindergarten through fifth, 5 middle schools for grades sixth through eighth, 3 high schools for grades ninth through twelfth, and 2 alternative education campuses for grades seventh through twelfth. One of the high schools, Byron Nelson High School, is located in the Town of Trophy Club. All campuses offer enriched curricula with special programs for gifted/talented students as well as students achieving below grade level, and all are equipped with computers and full cafeteria service. The School District serves a 2013-2014 estimated enrollment of 19,064 students (as of February 10, 2014).

Source: Information from Northwest Independent School District and the Town of Trophy Club

**Residential and Commercial Building Construction**

Fiscal Year Ended 9-30	Residential		Commercial		Total	
	Number of Permits	Property Value \$ Amount	Number of Permits	Property Value \$ Amount	Number of Permits	Property Value \$ Amount
2004	18	5,965,426	0	0	18	5,965,426
2005	56	21,781,286	0	0	56	21,781,286
2006	29	14,532,648	2	5,000,000	31	19,532,648
2007	24	8,897,790	3	4,069,176	27	12,966,966
2008	56	22,442,840	1	85,733,001 <sup>(b)</sup>	57	108,175,841
2009 <sup>(a)</sup>	192	63,820,770	1	350,000	193	64,170,770
2010	209	92,392,517	0	0	209	92,392,517
2011	227	105,226,995	2	2,510,508	229	107,737,503
2012	338	162,338,645	3	11,914,610	341	174,253,255
2013	268	131,624,919	11	13,974,024	279	145,598,943
2013 <sup>(c)</sup>	80	41,655,358	7	1,431,692	87	43,087,050

<sup>(a)</sup> The Trophy Club Public Improvement District was created in May 7, 2007, which spurred an increase in residential building activity.

<sup>(b)</sup> This was the construction of a new high school, which is tax exempt.

<sup>(c)</sup> Fiscal Year 2014 figures are as of January 31, 2014.

Source: The Issuer

**DENTON COUNTY**

**General**

Denton County (the “County”) is located in north central Texas. The County was created in 1846. It is the ninth most populous county in the state occupying a land area of 911 square miles. The population of the County has grown over 50% since the 2000 census. The County seat is the City of Denton.

The economy is diversified by manufacturing, state supported institutions, and agriculture. The Texas Almanac designates cattle, horses, poultry, hay, wheat and sorghum as the principal sources of agricultural income. Minerals produced in Denton County include natural gas and clay. Institutions of higher education include the University of North Texas and Texas Woman’s University with a combined 2012 fall enrollment of over 50,000.

Nearby Lake Lewisville attracts over 3,000,000 visitors annually.

Alliance Airport, the largest industrial airport in the world is located in the county and continues to attract new transportation, distribution, and manufacturing tenants. The Texas Motor Speedway, a major NASCAR race track, was completed in 1997 and has had a positive impact on employment and recreational spending for the area. A major Wal-Mart distribution center located in Sanger is adding to the growth of the northern portion of the County. Large housing developments that were begun several years ago have been completed and new developments such as Rayzor Ranch, the Hills of Denton, Hunter Ranch and Cole Ranch are expected to add over 28,000 new housing units in the next 20 years.

Source: Texas Municipal Report and information from the County.

## Major Employers in Denton County

Employer	Principal Line of Business	Number of Employees
University of North Texas	Higher Education	8,887
Lewisville Independent School District	Public School Education	6,312
Wal-Mart	Retail Sales	3,900
Denton Independent School District	Public School Education	3,067
Nationstar Mortgage	Real Estate Loans	2,810
Peterbilt Motors	Heavy Duty Truck Manufacturing	2,100
Texas Woman's University	Higher Education	1,787
Northwest Independent School District	Public School Education	1,638
Denton State School	Sate Mental Health Facility / Services	1,600
Denton County	County Government	1,490
City of Denton	City Government	1,300
Texas Health Presbyterian Hospital	Hospital	1,074

Source: North Central Texas Council of Governments

## Labor Force Statistics

	Denton County	
	December <u>2013</u>	December <u>2012</u>
Civilian Labor Force	394,954	387,844
Total Employed	375,820	367,647
Total Unemployed	19,134	20,197
% Unemployed	4.8%	5.2%
% Unemployed (Texas)	5.6%	6.0%
% Unemployed (United States)	6.5%	7.6%

Source: Texas Workforce Commission, Labor Market Information Department.

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**APPENDIX C**

**FORM OF LEGAL OPINION OF BOND COUNSEL**



[Form of Bond Counsel Opinion]

[Date]

\$2,500,000

TOWN OF TROPHY CLUB, TEXAS  
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION  
SERIES 2014

WE HAVE represented the Town of Trophy Club, Texas (the “Town”), as its bond counsel in connection with an issue of certificates of obligation (the “Certificates”) described as follows:

TOWN OF TROPHY CLUB, TEXAS, COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2014, dated March 15, 2014, issued in the principal amount of \$2,500,000.

The Certificates mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Certificates and in the ordinance adopted by the Town Council of the Town authorizing their issuance (the “Ordinance”).

WE HAVE represented the Town as its bond counsel for the purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Certificates from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Town or the disclosure thereof in connection with the sale of the Certificates. Our role in connection with the Town’s Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Certificates, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Town, customary certificates of officers, agents and representatives of the Town and other public officials and other certified showings relating to the authorization and issuance of the Certificates. We have further examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the “Code”), court decisions, United States Department of Treasury

regulations, and rulings of the Internal Revenue Service (the “Service”) as we have deemed relevant. We have also examined executed Certificate No. 1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Certificates constitute valid and legally binding obligations of the Town; and

(2) A continuing ad valorem tax upon all taxable property within the Town necessary to pay the principal of and interest on the Certificates, has been levied and pledged irrevocably for such purposes, within the limit prescribed by law, and the total indebtedness of the Town, including the Certificates, does not exceed any constitutional, statutory or other limitations. In addition, the Certificates are further secured by a limited pledge of the surplus net revenues of the Town’s municipal drainage utility system as provided in the Ordinance.

THE RIGHTS OF THE OWNERS of the Certificates are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

IT IS OUR FURTHER OPINION THAT:

- (1) Interest on the Certificates is excludable from gross income for federal income tax purposes under existing law; and
- (2) The Certificates are not “private activity bonds” within the meaning of the Code, and as such, interest on the Certificates is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Certificates may be included in the “adjusted current earnings” of a corporation (other than an S corporation, regulated investment company, REIT or REMIC) for purposes of computing its alternative minimum tax liabilities.

In providing such opinions, we have relied on representations of the Town, the Town’s financial advisor and the initial purchasers of the Certificates with respect to matters solely within the knowledge of the Town, the Town’s financial advisor and the initial purchasers, respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in the Ordinance pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Certificates for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or the Town fails to comply with the foregoing provisions of the Ordinance, interest on the Certificates could

become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Certificates.

Owners of the Certificates should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Certificates).

The opinions set forth above are based on existing law which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Town as the taxpayer. We observe that the Town has covenanted in the Ordinance not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

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**APPENDIX D**

**EXCERPTS FROM THE DISTRICT'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

(Independent Auditor's Report, Management's Discussion and Analysis, General Financial Statements and Notes to the Financial Statements - not intended to be a complete statement of the Issuer's financial condition. Reference is made to the complete Annual Financial Report for further information.)





## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor,  
Town Council, and Town Manager  
Town of Trophy Club, TX

### **Report on the Financial Statements**

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 the Town of Trophy Club (the Town), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matters**

As discussed in Note 14 to the financial statements, beginning fund balance of the general fund and net position of the governmental activities have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 5-11), schedules of funding progress (pages 56-57), and budgetary comparison information (pages 58-59) 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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining and budgetary comparison schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Town of Trophy Club  
March 28, 2014

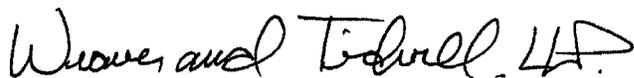
Page 3

The combining and 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and budgetary comparison schedules are fairly stated in all material respects in relation to the basic 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2014, on our consideration of the Town'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* in considering Town's internal control over financial reporting and compliance.



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
March 28, 2014



**TOWN OF TROPHY CLUB, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2013**

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, 2013. 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, 2013, by \$57,921,329 (net position). Of this amount, \$3,127,266 (unrestricted net position) may be used to meet the government's ongoing obligations to its citizens and creditors.
- The Town's total net position increased by \$4,473,639 primarily as a result of developer contributions in the amount of \$4,377,980.
- The Town's governmental funds reported combined ending fund balances of \$5,021,201.
- The unassigned portion of the General Fund balance at the end of the year was \$2,398,330 or 31.9% of total General Fund expenditures.
- The governmental long-term debt obligations of the Town decreased by \$937,817 during the fiscal year. This decrease was comprised primarily of debt service principal payments and defeasances totaling \$2,294,000 offset by the addition of \$1,300,000 in certificates of obligation.

**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 Position and the Statement of Activities, are utilized to provide this financial overview.

The Statement of Net Position presents information on all of the Town's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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, 2013**

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, emergency medical services, 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 three categories: governmental funds, proprietary funds, and fiduciary 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, 2013**

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 Position - 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 31-53.

**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 56-59.

**Government-wide Financial Analysis**

At the end of fiscal year 2013, the Town's net position (assets exceeding liabilities) totaled \$57,921,329. This analysis focuses on the net position (Table 1) and changes in net position (Table 2).

**Net Position**--The largest portion of the Town's net position, \$54,478,583 or 94.1%, reflects its net 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 position, \$315,480 or 0.5% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$3,127,266 or 5.4% may be used to meet the government's ongoing obligations to citizens and creditors.

**Table 1  
Net Position**

	Governmental Activities		Business Type Activities		Total	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Current and other assets	\$ 6,259,874	\$ 5,522,719	\$ 1,950,844	\$ 62,621	\$ 8,210,718	\$ 5,585,340
Capital assets	63,539,371	61,175,876	96,304	-	63,635,675	61,175,876
<b>Total Assets</b>	<b>69,799,245</b>	<b>66,698,595</b>	<b>2,047,148</b>	<b>62,621</b>	<b>71,846,393</b>	<b>66,761,216</b>
Long-term liabilities outstanding	11,227,570	12,165,387	1,743,456	-	12,971,026	12,165,387
Other liabilities	933,786	1,132,384	20,252	15,755	954,038	1,148,139
<b>Total Liabilities</b>	<b>12,161,356</b>	<b>13,297,771</b>	<b>1,763,708</b>	<b>15,755</b>	<b>13,925,064</b>	<b>13,313,526</b>
<b>Net Position</b>						
Net investment in						
capital assets	54,425,735	50,050,855	52,848	-	54,478,583	50,050,855
Restricted	315,480	1,191,411	-	-	315,480	1,191,411
Unrestricted	2,896,674	2,158,558	230,592	46,866	3,127,266	2,205,424
<b>Total Net Position</b>	<b>\$ 57,637,889</b>	<b>\$ 53,400,824</b>	<b>\$ 283,440</b>	<b>\$ 46,866</b>	<b>\$ 57,921,329</b>	<b>\$ 53,447,690</b>

**TOWN OF TROPHY CLUB, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2013**

**Changes in Net Position**--The net position of the Town increased by \$4,473,639 for the fiscal year ended September 30, 2013.

*Governmental Activities.* Governmental activities increased the Town's net position by \$4,237,065 from the prior year. This was primarily the result of increased capital grants and contributions.

*Business-type Activities.* From the prior year, net position from business-type activities increased by \$236,574. This increase is primarily due to a \$216,929 increase in net position in the Town Storm Drainage fund despite a \$37,344 transfer to other funds.

**Table 2  
Changes in Net Position**

	Governmental Activities		Business Type Activities		Total	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,761,490	\$ 1,984,623	\$ 506,205	\$ 325,380	\$ 2,267,695	\$ 2,310,003
Operating grants and contributions	952,648	342,894	-	-	952,648	342,894
Capital grants and contributions	4,793,132	2,682,302	-	-	4,793,132	2,682,302
General revenues:						
Ad valorem taxes	5,334,140	4,897,615	-	-	5,334,140	4,897,615
Sales and mixed beverage taxes	781,054	754,105	-	-	781,054	754,105
Franchise taxes	720,168	685,522	-	-	720,168	685,522
Occupancy taxes	108,170	20,543	-	-	108,170	20,543
Investment income	7,193	7,983	-	-	7,193	7,983
Miscellaneous revenues	379,896	301,269	-	-	379,896	301,269
<b>Total revenues</b>	<b>14,837,891</b>	<b>11,676,856</b>	<b>506,205</b>	<b>325,380</b>	<b>15,344,096</b>	<b>12,002,236</b>
<b>Expenses:</b>						
General government	51,412	179,110	-	-	51,412	179,110
Storm drainage	227,067	187,400	-	-	227,067	187,400
Emergency medical services	783,795	699,230	-	-	783,795	699,230
Manager's office	762,013	637,218	-	-	762,013	637,218
Human resources	102,361	94,065	-	-	102,361	94,065
Finance	372,496	525,494	-	-	372,496	525,494
Information systems	367,838	273,673	-	-	367,838	273,673
Legal	171,157	154,236	-	-	171,157	154,236
Police	2,046,422	1,613,833	-	-	2,046,422	1,613,833
Court	68,520	79,735	-	-	68,520	79,735
Recreation	543,672	838,138	-	-	543,672	838,138
Facilities management	75,344	120,341	-	-	75,344	120,341
Parks	1,493,918	726,522	-	-	1,493,918	726,522
Community development	341,566	253,761	-	-	341,566	253,761
Planning and zoning	258,306	231,853	-	-	258,306	231,853
Streets	2,234,140	1,642,399	-	-	2,234,140	1,642,399
Water and sewer	261,106	92	-	-	261,106	92
Interest on long-term debt	489,337	498,569	-	-	489,337	498,569
Trophy Club Park	-	-	98,718	130,185	98,718	130,185
Town storm drainage	-	-	121,269	96,488	121,269	96,488
<b>Total expenses</b>	<b>10,650,470</b>	<b>8,755,669</b>	<b>219,987</b>	<b>226,673</b>	<b>10,870,457</b>	<b>8,982,342</b>
<b>Increase (decrease) in net position before transfers</b>	<b>4,187,421</b>	<b>2,921,187</b>	<b>286,218</b>	<b>98,707</b>	<b>4,473,639</b>	<b>3,019,894</b>
<b>Transfers</b>	<b>49,644</b>	<b>64,382</b>	<b>(49,644)</b>	<b>(64,382)</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in net position</b>	<b>4,237,065</b>	<b>2,985,569</b>	<b>236,574</b>	<b>34,325</b>	<b>4,473,639</b>	<b>3,019,894</b>
<b>Net Position - Beginning, as restated</b>	<b>53,400,824</b>	<b>50,415,255</b>	<b>46,866</b>	<b>12,541</b>	<b>53,447,690</b>	<b>50,427,796</b>
<b>Net Position - Ending</b>	<b>\$ 57,637,889</b>	<b>\$ 53,400,824</b>	<b>\$ 283,440</b>	<b>\$ 46,866</b>	<b>\$ 57,921,329</b>	<b>\$ 53,447,690</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, 2013**

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 \$5,021,201.

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$2,398,330. The fund balance of the General Fund decreased by \$503,838 during the fiscal year. The decrease can be attributed to transfers out of \$780,734 that were used to defease debt primarily in the Economic Development Corporations 4A and 4B, for which the 4B will repay over the next fifteen years. The transfers out were offset by increased revenue in the amount of \$251,554. Revenue categories experiencing significant increases/decrease include:

- Property tax revenue increased from the previous year - \$ 297,026
- Licenses and permits decreased from the previous year - \$ 159,949

The Debt Service Fund experienced an increase of \$25,455 in fund balance. Funds are restricted for the payment of debt service. The Capital Projects Fund experienced an increase in fund balance of \$1,069,334, which is due to the issuance of \$1,300,000 in certificates of obligation. The Grant Fund had an increase in fund balance of \$245,833. Other governmental funds had an increase in fund balance of \$90,577. This increase was primarily due to increased collection of hotel occupancy taxes and a newly created Crime Control and Prevention District, which collected two months of sales taxes in FY 13, net of decreased fund balance in the Street Maintenance Sales Tax Fund.

In the General Fund, the Town budgeted for a fund balance decrease in the current year of \$796,826. Due primarily to actual revenues being more than budgeted, the actual budget basis fund balance variance from budget was an increase of \$292,988 for fiscal year 2013.

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

The unrestricted net position of the Trophy Club Park Fund amounted to (\$6,470) at year end while the unrestricted net position of the Town Storm Drainage Fund amounted to \$237,062. 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 \$43,298 over budget; licenses and permits were \$91,600 over budget; revenues from charges for services were \$110,907 over budget; miscellaneous revenue was \$135,563 over budget, and grant revenue was \$75,599 over budget. Overall, the Town's actual revenues exceeded final budgeted amounts by \$480,037.

**Expenditures:** Overall expenditures exceeded the budgeted amount by \$227,065 in fiscal year 2013. The Police Department exceeded its budget by \$213,800 primarily due to unexpected necessary renovations to the police facility due to water damage that was mostly offset by insurance proceeds. The Planning and Zoning Department exceeded its budget by \$92,518 primarily related to engineering expenditures that were offset by increased developer's fees. The Recreation Department ended fiscal year 2013 \$67,789 under budget primarily due to savings related to personnel, utilities, and property maintenance.

**TOWN OF TROPHY CLUB, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2013**

**Capital Assets**

**Capital Assets:** The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2013, amounts to \$63,635,675 (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 4.0%.

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 two Bocce Ball courts at Harmony Park
- Town purchased and installed outdoor warning sirens at the dog park
- Town purchased new vehicles
- Town purchased new lawnmowers and a Kawasaki mule for Parks
- Town purchased in-car video equipment for Police
- Town redesigned the Town website, increasing its functionality
- Town purchased CPR and lifesaving training equipment for EMS

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

	Governmental Activities		Business Type Activities		Total	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Land	\$ 9,099,889	\$ 3,500,349	\$ -	\$ -	\$ 9,099,889	\$ 3,500,349
Construction in progress	140,523	22,012,233	96,304	-	236,827	22,012,233
Buildings	1,359,569	1,410,199	-	-	1,359,569	1,410,199
Improvements other than buildings	36,795,038	24,486,478	-	-	36,795,038	24,486,478
Machinery and equipment	746,486	797,624	-	-	746,486	797,624
Vehicles	350,025	332,107	-	-	350,025	332,107
Water system	4,849,140	2,005,053	-	-	4,849,140	2,005,053
Infrastructure	10,198,701	6,631,833	-	-	10,198,701	6,631,833
<b>Total</b>	<b>\$ 63,539,371</b>	<b>\$ 61,175,876</b>	<b>\$ 96,304</b>	<b>\$ -</b>	<b>\$ 63,635,675</b>	<b>\$ 61,175,876</b>

Additional information on the Town's capital assets can be found in Note 4 on pages 42-43 of this report.

**Debt Administration**

At the end of the current fiscal year, the Town of Trophy Club had total debt outstanding of \$12,971,026. Of this amount, \$9,400,000 comprises bonded debt backed by the full faith and credit of the Town and \$3,365,000 represents contractual obligations.

The Town maintains fair ratings from bond rating agencies as follows.

**Bond Ratings:**

	<u>Standard &amp; Poor's</u>	<u>Moody's</u>
General obligation bonds	AA	Aa3
Contractual obligations	AA	Aa3

**TOWN OF TROPHY CLUB, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2013**

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

**Table 4  
Outstanding Debt at Year-End**

	Governmental Activities		Business Type Activities		Total	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
General obligation bonds	\$9,400,000	\$11,425,000	\$ -	\$ -	\$9,400,000	\$11,425,000
Contractual obligations	1,665,000	634,000	1,700,000	-	3,365,000	634,000
Issuance premium	97,495	80,149	43,456	-	140,951	80,149
Deferred loss on refunding	(50,250)	(67,001)	-	-	(50,250)	(67,001)
OPEB Liability	41,995	32,099	-	-	41,995	32,099
Compensated absences	73,330	61,140	-	-	73,330	61,140
Totals	<u>\$11,227,570</u>	<u>\$12,165,387</u>	<u>\$ 1,743,456</u>	<u>\$ -</u>	<u>\$12,971,026</u>	<u>\$12,165,387</u>

Additional information on the Town's long-term debt can be found in the Note 6 on pages 44-46 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 268 residential construction permits in FY 2013, a decrease of 70 from the previous year. The permits are averaging approximately \$490,000. The Town budgeted for 265 residential building permits for FY14. Residential development is expected to decrease significantly beginning in FY 2015 as the Town approaches substantial build out.

In addition to the strong residential growth, the Town is experiencing strong commercial development as well. The Town opened a new hotel in March 2013, with two more set to begin construction in FY 14. The Town anticipates three more office developments during 2014. 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 \$150 million to the commercial tax base.

In fiscal year 2013, General Fund revenues are budgeted to increase 4.4% over FY 2013 estimated revenues while expenditures are budgeted to increase by 5.9% over FY 2013 estimated expenditures. An increase of approximately 16.14% in the assessed valuation of taxable property was realized for fiscal year 2014. The fiscal year 2014 budget decreased the ad valorem tax rate to \$0.4993 per hundred dollars of assessed value, down from \$0.518543 in fiscal year 2013.

**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).



## **BASIC FINANCIAL STATEMENTS**



**TOWN OF TROPHY CLUB, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,187,062	\$ 207,937	\$ 7,394,999	\$ 302,772
Receivables:				
Sales taxes	143,562	-	143,562	46,015
Ad valorem taxes	45,291	-	45,291	-
Franchise fees	97,547	-	97,547	-
Accounts, net	209,612	30,644	240,256	-
Other	2,616	-	2,616	-
Due from other governments	71,248	9,568	80,816	38,797
Internal balances	(1,658,733)	1,658,733	-	-
Prepaid items	796	6,198	6,994	-
Unamortized debt issue cost	160,873	37,764	198,637	-
Capital assets:				
Land	9,099,889	-	9,099,889	-
Construction in progress	140,523	96,304	236,827	-
Buildings	1,993,440	-	1,993,440	-
Improvements other than buildings	51,667,087	-	51,667,087	-
Machinery and equipment	1,669,037	-	1,669,037	-
Vehicles	962,566	-	962,566	-
Water system	5,252,201	-	5,252,201	-
Infrastructure	13,880,230	-	13,880,230	-
Accumulated depreciation	(21,125,602)	-	(21,125,602)	-
<b>TOTAL ASSETS</b>	<b>\$ 69,799,245</b>	<b>\$ 2,047,148</b>	<b>\$ 71,846,393</b>	<b>\$ 387,584</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 432,998	\$ 12,712	\$ 445,710	\$ 20,984
Accrued liabilities	215,460	80	215,540	-
Interest payable	33,621	7,460	41,081	-
Unearned revenue, franchise fees	212,910	-	212,910	-
Due to other governments	38,797	-	38,797	-
Noncurrent liabilities:				
Debt due within one year	1,008,086	144,419	1,152,505	-
Debt due in more than one year	10,219,484	1,599,037	11,818,521	-
<b>TOTAL LIABILITIES</b>	<b>12,161,356</b>	<b>1,763,708</b>	<b>13,925,064</b>	<b>20,984</b>
<b>NET POSITION</b>				
Net investment in capital assets	54,425,735	52,848	54,478,583	-
Restricted for debt service	95,507	-	95,507	-
Restricted for crime control and prevention	23,007	-	23,007	-
Restricted for tourism	87,225	-	87,225	-
Restricted for street maintenance	46,700	-	46,700	-
Restricted for anniversary events	2,114	-	2,114	-
Restricted for court	60,927	-	60,927	-
Unrestricted	2,896,674	230,592	3,127,266	366,600
<b>TOTAL NET POSITION</b>	<b>\$ 57,637,889</b>	<b>\$ 283,440</b>	<b>\$ 57,921,329</b>	<b>\$ 366,600</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, 2013**

Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 51,412	\$ 215,646	\$ 41,116	\$ -
Storm drainage	227,067	-	-	744,236
Emergency medical services	783,795	133,663	-	-
Manager's office	762,013	-	-	-
Human resources	102,361	-	-	-
Finance	372,496	-	-	-
Information systems	367,838	-	-	-
Legal	171,157	-	-	-
Police	2,046,422	-	129,384	-
Court	68,520	205,905	-	-
Recreation	543,672	237,991	52,239	-
Facilities management	75,344	-	-	-
Parks	1,493,918	-	-	-
Community development	341,566	949,195	-	-
Planning and zoning	258,306	19,090	-	-
Water and sewer	261,106	-	-	1,694,038
Streets	2,234,140	-	-	2,354,858
Interest on long-term debt	489,337	-	729,909	-
<b>Total governmental activities</b>	<b>10,650,470</b>	<b>1,761,490</b>	<b>952,648</b>	<b>4,793,132</b>
Business-type activities:				
Trophy Club Park	98,718	130,663	-	-
Town Storm Drainage	121,269	375,542	-	-
<b>Total business-type activities</b>	<b>219,987</b>	<b>506,205</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 10,870,457</b>	<b>\$ 2,267,695</b>	<b>\$ 952,648</b>	<b>\$ 4,793,132</b>
Component units:				
4A Economic Development Corporation	\$ 496,375	\$ -	\$ -	\$ -
4B Economic Development Corporation	441,001	-	-	-
<b>Total component units</b>	<b>\$ 937,376</b>	<b>\$ -</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 position				
Net Position - beginning of year, as restated				
Net Position - end of year				

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

**Net (Expenses) Revenues and Changes in Net Position**  
**Primary Government**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ 205,350	\$ -	\$ 205,350	\$ -
517,169	-	517,169	-
(650,132)	-	(650,132)	-
(762,013)	-	(762,013)	-
(102,361)	-	(102,361)	-
(372,496)	-	(372,496)	-
(367,838)	-	(367,838)	-
(171,157)	-	(171,157)	-
(1,917,038)	-	(1,917,038)	-
137,385	-	137,385	-
(253,442)	-	(253,442)	-
(75,344)	-	(75,344)	-
(1,493,918)	-	(1,493,918)	-
607,629	-	607,629	-
(239,216)	-	(239,216)	-
1,432,932	-	1,432,932	-
120,718	-	120,718	-
240,572	-	240,572	-
<u>(3,143,200)</u>	<u>-</u>	<u>(3,143,200)</u>	<u>-</u>
-	31,945	31,945	-
-	254,273	254,273	-
-	286,218	286,218	-
<u>(3,143,200)</u>	<u>286,218</u>	<u>(2,856,982)</u>	<u>-</u>
-	-	-	(496,375)
-	-	-	(441,001)
-	-	-	(937,376)
5,334,140	-	5,334,140	-
781,054	-	781,054	421,470
720,168	-	720,168	-
108,170	-	108,170	-
7,193	-	7,193	-
379,896	-	379,896	-
49,644	(49,644)	-	-
<u>7,380,265</u>	<u>(49,644)</u>	<u>7,330,621</u>	<u>421,470</u>
4,237,065	236,574	4,473,639	( 515,906)
53,400,824	46,866	53,447,690	882,506
<u>\$ 57,637,889</u>	<u>\$ 283,440</u>	<u>\$ 57,921,329</u>	<u>\$ 366,600</u>

**TOWN OF TROPHY CLUB, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013**

	<u>General</u>	<u>Debt Service</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,047,434	\$ 158,519
Receivables		
Sales taxes	97,548	-
Ad valorem taxes	35,885	9,406
Franchise fees	97,547	-
Accounts, net	188,187	-
Miscellaneous	-	-
Due from other governments	71,248	-
Due from other funds	97,170	-
Prepays	796	-
<b>Total assets</b>	<u><u>\$ 3,635,815</u></u>	<u><u>\$ 167,925</u></u>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>		
Liabilities		
Accounts payable	\$ 415,252	\$ -
Accrued liabilities	212,160	-
Due to other governments	-	38,797
Due to other funds	-	-
Deferred revenue	381,139	9,406
<b>Total liabilities</b>	<u><u>1,008,551</u></u>	<u><u>48,203</u></u>
Fund balances (deficits)		
Nonspendable for:		
Prepays	796	-
Restricted for:		
Debt service	-	119,722
Capital projects	-	-
Tourism	-	-
Street maintenance	-	-
Crime Control and Prevention	-	-
Town 25th anniversary	-	-
Court	-	-
Assigned for:		
Capital expenditures	228,138	-
Unassigned	2,398,330	-
<b>Total fund balances (deficits)</b>	<u><u>2,627,264</u></u>	<u><u>119,722</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u><u>\$ 3,635,815</u></u>	<u><u>\$ 167,925</u></u>

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

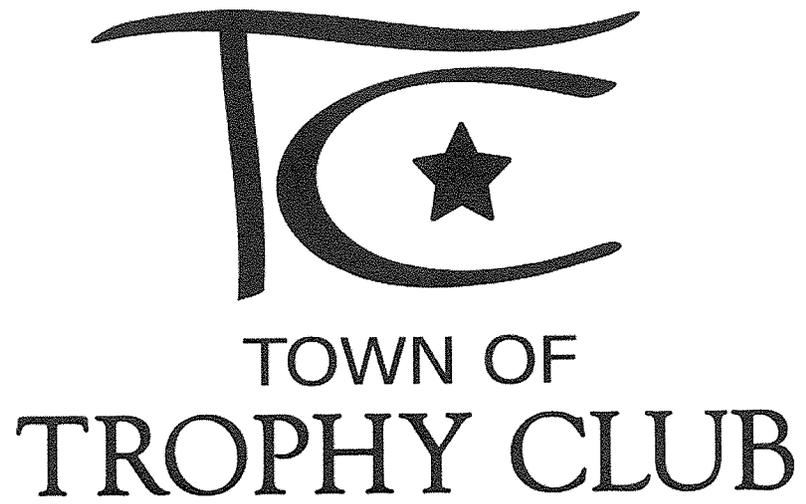
<u>Capital Projects</u>	<u>Grant Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,785,809	\$ 41,364	\$ 153,936	\$ 7,187,062
-	-	46,014	143,562
-	-	-	45,291
-	-	-	97,547
-	-	21,425	209,612
-	2,616	-	2,616
-	-	-	71,248
-	-	-	97,170
-	-	-	796
<u>\$ 3,785,809</u>	<u>\$ 43,980</u>	<u>\$ 221,375</u>	<u>\$ 7,854,904</u>
\$ 16,750	\$ 597	\$ 399	\$ 432,998
3,300	-	-	215,460
-	-	-	38,797
1,700,000	54,900	1,003	1,755,903
-	-	-	390,545
<u>1,720,050</u>	<u>55,497</u>	<u>1,402</u>	<u>2,833,703</u>
-	-	-	796
-	-	-	119,722
2,065,759	-	-	2,065,759
-	-	87,225	87,225
-	-	46,700	46,700
-	-	23,007	23,007
-	-	2,114	2,114
-	-	60,927	60,927
-	-	-	228,138
-	(11,517)	-	2,386,813
<u>2,065,759</u>	<u>(11,517)</u>	<u>219,973</u>	<u>5,021,201</u>
<u>\$ 3,785,809</u>	<u>\$ 43,980</u>	<u>\$ 221,375</u>	<u>\$ 7,854,904</u>

**TOWN OF TROPHY CLUB, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013**

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Total fund balances - governmental funds	\$ 5,021,201
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	63,539,371
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.	160,873
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.	(33,621)
Revenues earned but not available within sixty days of year-end are not recognized as revenue in the fund financial statements.	177,635
Compensated absences are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	(73,330)
OPEB liability has not been included in the governmental fund financial statements, as this liability does not require current financial resources.	(41,995)
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	(9,400,000)
o Contractual obligations	(1,665,000)
o Issuance premium	(97,495)
o Deferred loss on refunding	50,250
	<u>(11,112,245)</u>
Net position of governmental activities	<u>\$ 57,637,889</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  
YEAR ENDED SEPTEMBER 30, 2013**

	<u>General</u>	<u>Debt Service</u>
<b>Revenues:</b>		
Ad valorem taxes	\$ 4,149,900	\$ 1,180,878
Sales and mixed beverage taxes	609,888	-
Franchise taxes	718,952	-
Occupancy taxes	-	-
Licenses and permits	968,285	-
Intergovernmental	158,987	729,909
Charges for services	592,146	-
Fines	160,614	-
Investment income	4,921	832
Miscellaneous	336,497	-
Grant revenue	75,599	-
Contributions	-	-
<b>Total revenues</b>	<u>7,775,789</u>	<u>1,911,619</u>
<b>Expenditures:</b>		
Current:		
General government	-	-
Emergency medical services	768,367	-
Manager's office	707,166	-
Human resources	102,771	-
Finance	372,816	-
Information systems	342,319	-
Legal	171,157	-
Police	2,068,309	-
Court	68,731	-
Parks	947,734	-
Recreation	543,762	-
Facilities management	75,344	-
Community development	319,168	-
Planning and zoning	257,138	-
Streets	766,411	-
Capital outlay	-	-
Debt service:		
Principal retirement	-	2,294,000
Interest and fiscal charges	-	456,417
Bond issuance costs	-	-
<b>Total expenditures</b>	<u>7,511,193</u>	<u>2,750,417</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>264,596</u>	<u>(838,798)</u>
<b>Other financing sources (uses):</b>		
Transfers in	12,300	864,253
Transfers out	(780,734)	-
Issuance of long-term debt	-	-
Premium on issuance of long-term debt	-	-
<b>Total other financing sources (uses)</b>	<u>(768,434)</u>	<u>864,253</u>
<b>Net change in fund balances</b>	<u>(503,838)</u>	<u>25,455</u>
<b>Fund Balances (Deficit) - beginning of year, as restated</b>	<u>3,131,102</u>	<u>94,267</u>
<b>Fund Balances (Deficit) - end of year</b>	<u>\$ 2,627,264</u>	<u>\$ 119,722</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>
\$ -	\$ -	\$ -	\$ 5,330,778
-	-	171,166	781,054
-	-	-	718,952
-	-	108,170	108,170
-	-	-	968,285
-	-	-	888,896
-	-	-	592,146
-	-	10,965	171,579
1,429	-	11	7,193
30,000	22,397	-	388,894
28,758	386,493	-	490,850
1,472	-	-	1,472
<u>61,659</u>	<u>408,890</u>	<u>290,312</u>	<u>10,448,269</u>
-	-	22,277	22,277
-	516	-	768,883
51,089	-	-	758,255
-	-	-	102,771
-	-	-	372,816
-	-	-	342,319
-	-	-	171,157
-	-	-	2,068,309
-	-	-	68,731
-	-	-	947,734
-	-	-	543,762
-	-	-	75,344
-	-	-	319,168
-	-	-	257,138
-	162,541	139,010	1,067,962
237,936	-	-	237,936
-	-	-	2,294,000
-	-	-	456,417
29,367	-	-	29,367
<u>318,392</u>	<u>163,057</u>	<u>161,287</u>	<u>10,904,346</u>
<u>(256,733)</u>	<u>245,833</u>	<u>129,025</u>	<u>(456,077)</u>
-	-	-	876,553
(7,727)	-	(38,448)	(826,909)
1,300,000	-	-	1,300,000
33,794	-	-	33,794
<u>1,326,067</u>	<u>-</u>	<u>(38,448)</u>	<u>1,383,438</u>
1,069,334	245,833	90,577	927,361
<u>996,425</u>	<u>(257,350)</u>	<u>129,396</u>	<u>4,093,840</u>
<u>\$ 2,065,759</u>	<u>\$ (11,517)</u>	<u>\$ 219,973</u>	<u>\$ 5,021,201</u>

**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  
YEAR ENDED SEPTEMBER 30, 2013**

Net change in fund balances - total governmental funds	\$ 927,361
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.	605,390
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.	(2,619,875)
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 position. This amount is the net effect of the following:	
o Bond proceeds - (\$1,300,000)	994,000
o Payment of principal on bonds and capital leases - \$2,294,000	
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 position.	(16,751)
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.	(9,896)
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 is the net effect of current year issuance costs (\$29,367) less current year amortization (\$36,260).	(6,893)
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. This amount is the net effect of current year premium's (\$33,794) less current year amortization (\$16,448).	(17,346)
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.	(12,190)
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.	4,377,980
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.	3,643
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.	11,642
Change in net position of governmental activities	<u>\$ 4,237,065</u>

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

**TOWN OF TROPHY CLUB, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2013**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Trophy Club Park</b>	<b>Town Storm Drainage</b>	<b>Total</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 31,521	\$ 176,416	\$ 207,937
Accounts receivable	-	30,644	30,644
Due from other funds	-	1,700,000	1,700,000
Due from other governments	-	9,568	9,568
Prepays	6,196	2	6,198
<b>Total current assets</b>	<b>37,717</b>	<b>1,916,630</b>	<b>1,954,347</b>
<b>NONCURRENT ASSETS:</b>			
Unamortized debt issue cost	-	37,764	37,764
Capital assets			
Construction in Progress	-	96,304	96,304
<b>Total noncurrent assets</b>	<b>-</b>	<b>134,068</b>	<b>134,068</b>
<b>TOTAL ASSETS</b>	<b>\$ 37,717</b>	<b>\$ 2,050,698</b>	<b>\$ 2,088,415</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 4,418	\$ 8,294	\$ 12,712
Accrued liabilities	80	-	80
Accrued interest	-	7,460	7,460
Due to other funds	39,689	1,578	41,267
Current portion of long-term debt	-	144,419	144,419
<b>Total current liabilities</b>	<b>44,187</b>	<b>161,751</b>	<b>205,938</b>
<b>NONCURRENT LIABILITIES:</b>			
Noncurrent portion of long-term debt	-	1,599,037	1,599,037
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>1,599,037</b>	<b>1,599,037</b>
<b>TOTAL LIABILITIES</b>	<b>44,187</b>	<b>1,760,788</b>	<b>1,804,975</b>
<b>NET POSITION</b>			
Net investment in capital assets	-	52,848	52,848
Unrestricted	(6,470)	237,062	230,592
<b>TOTAL NET POSITION</b>	<b>(6,470)</b>	<b>289,910</b>	<b>283,440</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 37,717</b>	<b>\$ 2,050,698</b>	<b>\$ 2,088,415</b>

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 POSITION  
PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2013**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Trophy Club Park</b>	<b>Town Storm Drainage</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
<b>Charges for service:</b>			
Park fees	\$ 130,663	\$ -	\$ 130,663
Storm drainage fees	-	375,542	375,542
<b>Total operating revenue</b>	<u>130,663</u>	<u>375,542</u>	<u>506,205</u>
<b>OPERATING EXPENSES</b>			
Salaries and benefits	48,917	34,156	83,073
Supplies and materials	12,376	8,755	21,131
Repairs and maintenance	6,594	23,278	29,872
Utilities	7,847	-	7,847
Other operating expenses	22,984	52,031	75,015
<b>Total operating expenses</b>	<u>98,718</u>	<u>118,220</u>	<u>216,938</u>
Operating income	<u>31,945</u>	<u>257,322</u>	<u>289,267</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest expense	-	(3,049)	(3,049)
<b>Total nonoperating revenues (expenses)</b>	<u>-</u>	<u>(3,049)</u>	<u>(3,049)</u>
Income before transfers	<u>31,945</u>	<u>254,273</u>	<u>286,218</u>
<b>TRANSFERS</b>			
Transfers out	<u>(12,300)</u>	<u>(37,344)</u>	<u>(49,644)</u>
Change in net position	19,645	216,929	236,574
<b>NET POSITION, beginning of year</b>	<u>(26,115)</u>	<u>72,981</u>	<u>46,866</u>
<b>NET POSITION, end of year</b>	<u>\$ (6,470)</u>	<u>\$ 289,910</u>	<u>\$ 283,440</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, 2013**

<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	\$ 130,663	\$ 375,007	\$ 505,670
Cash paid to employees	(48,917)	(34,156)	(83,073)
Cash paid to suppliers	(62,180)	(79,097)	(141,277)
<b>Net cash provided by operating activities</b>	<b>19,566</b>	<b>261,754</b>	<b>281,320</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Repayments of amounts due from other funds	(293)	(1,689,338)	(1,689,631)
Transfers to other funds	(12,300)	(37,344)	(49,644)
<b>Net cash used in noncapital financing activities</b>	<b>(12,593)</b>	<b>(1,726,682)</b>	<b>(1,739,275)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from issuance of long-term debt	-	1,700,000	1,700,000
Bond Issuance Costs	-	(37,764)	(37,764)
Premium on issuance of long-term debt	-	43,456	43,456
Capital expenditures	-	(96,304)	(96,304)
Interest paid on debt	-	4,411	4,411
<b>Net cash provided by capital and related financing activities</b>	<b>-</b>	<b>1,613,799</b>	<b>1,613,799</b>
<b>Net increase in cash</b>	<b>6,973</b>	<b>148,871</b>	<b>155,844</b>
Cash and cash equivalents, beginning of year	24,548	27,545	52,093
Cash and cash equivalents, end of year	<u>\$ 31,521</u>	<u>\$ 176,416</u>	<u>\$ 207,937</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	\$ 31,945	\$ 257,322	\$ 289,267
Adjustments to reconcile operating income to cash provided by operating activities:			
Increase in accounts receivable	-	(535)	(535)
Increase in prepaid expenses	(4,449)	-	(4,449)
Increase in accounts payable	(7,930)	4,967	(2,963)
<b>Net cash provided by operating activities</b>	<b>\$ 19,566</b>	<b>\$ 261,754</b>	<b>\$ 281,320</b>

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

**TOWN OF TROPHY CLUB, TEXAS  
STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUND  
SEPTEMBER 30, 2013**

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	<u>Agency Fund</u>
	<u>PID No. 1</u>
	<u>Debt Service</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 4,298,547</u>
<b>Total assets</b>	<u>4,298,547</u>
<b>LIABILITIES</b>	
Due to debt holders	<u>4,298,547</u>
<b>Total liabilities</b>	<u>\$ 4,298,547</u>

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

**TOWN OF TROPHY CLUB, TEXAS  
 COMBINING STATEMENT OF NET POSITION  
 DISCRETELY PRESENTED COMPONENT UNITS  
 SEPTEMBER 30, 2013**

	<b>4A Economic Development Corporation</b>	<b>4B Economic Development Corporation</b>	<b>Totals September 30, 2013</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 143,473	\$ 159,299	\$ 302,772
Receivables, net:			
Sales taxes	-	46,015	46,015
Due from other governments	34,423	4,374	38,797
<b>TOTAL ASSETS</b>	<b>\$ 177,896</b>	<b>\$ 209,688</b>	<b>\$ 387,584</b>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 20,984	\$ 20,984
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>20,984</b>	<b>20,984</b>
<b>NET POSITION</b>			
Unrestricted	177,896	188,704	366,600
<b>TOTAL NET POSITION</b>	<b>\$ 177,896</b>	<b>\$ 188,704</b>	<b>\$ 366,600</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, 2013**

	<u>Expenses</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>4A Economic Development Corporation</u>	<u>4B Economic Development Corporation</u>	<u>Total</u>
4A Economic Development Corporation				
General government	\$ 496,375	\$ (496,375)	\$ -	\$ (496,375)
4B Economic Development Corporation				
General government	441,001	-	(441,001)	(441,001)
<b>Total component units</b>	<u>\$ 937,376</u>	<u>(496,375)</u>	<u>(441,001)</u>	<u>(937,376)</u>
General Revenues:				
Sales taxes		174,473	246,997	421,470
<b>Total general revenues</b>		<u>174,473</u>	<u>246,997</u>	<u>421,470</u>
Change in net position		(321,902)	(194,004)	(515,906)
Net Position - beginning of year		499,798	382,708	882,506
Net Position - end of year		<u>\$ 177,896</u>	<u>\$ 188,704</u>	<u>\$ 366,600</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 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 six-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**

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**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. In May 2013, voters approved to dissolve the 4A and replace it with a Crime Control Prevention District (CCPD).

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 position 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**

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**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.

**Crime Control and Prevention District**

Accounts for sales taxes specifically restricted for crime control and prevention.

**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 position.

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**

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**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.

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 and business-type activities columns in the government-wide financial statements as well as in the proprietary fund 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 or business-type activities statement of net position. 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. The intention of use must be provided, in writing, by the Town Council or their designated body to the Finance Director, or by the Finance Director to the Town Council or their designated body.

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 Position**

In the government-wide financial statements, net position represents the difference between assets and liabilities. Net investment in capital assets 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 position is 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, 2013, the carrying amount of the Town's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$5,595,339 and the bank balance was \$5,597,439. The Town's cash deposits at September 30, 2013 and during the year ended September 30, 2013 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, 2013 are classified in the accompanying financial statements as follows:

Statement of Net Position	
Primary Government:	
Cash	\$ 966,940
Cash equivalents	6,428,059
Fiduciary Fund:	
Cash	4,298,547
Component Unit:	
Cash equivalents	<u>302,772</u>
Total cash and investments	<u><u>\$ 11,996,318</u></u>

Cash and investments as of September 30, 2013 consist of the following:

Cash on hand	\$ 2,099
Deposits with financial institutions	5,595,339
Investments	<u>6,398,880</u>
Total cash and investments	<u><u>\$ 11,996,318</u></u>

**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, 2013, the Town had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>
Texpool	<u>\$ 6,398,880</u>	60 days
Total Investments	<u><u>\$ 6,398,880</u></u>	

As of September 30, 2013, 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>\$ 6,398,880</u>	N/A	AAAm
Total Investments	<u><u>\$ 6,398,880</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, 2013, 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, 2013, 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:

	General	Debt Service	Grant Fund	Nonmajor Governmental Funds	Town Storm Drainage
<b>Governmental Funds</b>					
<b>Receivables</b>					
Property taxes	\$ 35,885	\$ 9,406	\$ -	\$ -	\$ -
Franchise taxes	97,547	-	-	-	-
Sales Taxes	97,548	-	-	46,014	-
Accounts	986,271	-	-	21,425	30,644
Grants	27,812	-	-	-	-
Other	63,883	-	2,616	-	-
Gross receivables	1,308,946	9,406	2,616	67,439	30,644
Less: allowance	(889,779)	-	-	-	-
<b>Net total receivables</b>	<u>\$ 419,167</u>	<u>\$ 9,406</u>	<u>\$ 2,616</u>	<u>\$ 67,439</u>	<u>\$ 30,644</u>

The September 30, 2013 Due from Other Governments of governmental activities balance is comprised of \$29,710 due from the PID administrator for purchases made by the Town and \$41,538 due from Trophy Club Municipal Utility District No. 1 for permitting services rendered and Fire payroll reimbursements. The September 30, 2013 Due from Other Governments of business-type activities balance is comprised of amounts due from the Trophy Club Municipal District No. 1 for stormwater drainage services rendered while the balance of component units is comprised of amounts due from the Debt Service Fund.

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

**NOTE 4. CAPITAL ASSETS**

The governmental activities' beginning capital assets were restated in 2013. The restatement adjusted water system, and infrastructure assets and the corresponding accumulated depreciation to include developer contributions conveyed to the Town. In addition, the restatement adjusted accumulated depreciation related to Public Improvement District #1 assets completed and accepted by the Town in prior periods. For more information about the restatement, refer to Note 15.

Capital asset activity for the year ended September 30, 2013, was as follows:

	Beginning Balance	Adjustments/ Reclassifications	Balance As Restated	Additions	Retirements/ Transfers	Ending Balance
<b>Governmental Activities:</b>						
Capital assets not depreciated:						
Land	\$ 3,500,349	\$ -	\$ 3,500,349	\$ -	\$ 5,599,540	\$ 9,099,889
Construction in progress	22,012,233	-	22,012,233	166,178	(22,037,888)	140,523
Total capital assets not depreciated	25,512,582	-	25,512,582	166,178	(16,438,348)	9,240,412
Capital assets being depreciated:						
Buildings	1,993,440	-	1,993,440	-	-	1,993,440
Improvements other than buildings	37,511,136	-	37,511,136	2,178,457	11,977,494	51,667,087
Machinery and equipment	1,591,089	-	1,591,089	115,045	(37,097)	1,669,037
Vehicles	1,149,442	-	1,149,442	85,416	(272,292)	962,566
Water system	1,874,028	381,940	2,255,968	721,667	2,274,566	5,252,201
Infrastructure	9,384,876	592,459	9,977,335	1,716,607	2,186,288	13,880,230
Total capital assets being depreciated	53,504,011	974,399	54,478,410	4,817,192	16,128,959	75,424,561
Less accumulated depreciation for:						
Buildings	(583,241)	-	(583,241)	(50,630)	-	(633,871)
Improvements other than buildings	(12,231,079)	(793,579)	(13,024,658)	(1,847,391)	-	(14,872,049)
Machinery and equipment	(793,465)	-	(793,465)	(129,071)	(15)	(922,551)
Vehicles	(817,335)	-	(817,335)	(104,610)	309,404	(612,541)
Water system	(117,389)	(133,526)	(250,915)	(152,146)	-	(403,061)
Infrastructure	(3,131,673)	(213,829)	(3,345,502)	(336,027)	-	(3,681,529)
Total accumulated depreciation	(17,674,182)	(1,140,934)	(18,815,116)	(2,619,875)	309,389	(21,125,602)
Total capital assets being depreciated, net	35,829,829	(166,535)	35,663,294	2,197,317	16,438,348	54,298,959
Governmental activities capital assets, net	<u>\$ 61,342,411</u>	<u>\$ (166,535)</u>	<u>\$ 61,175,876</u>	<u>\$ 2,363,495</u>	<u>\$ -</u>	<u>\$ 63,539,371</u>

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

General government	\$ 37,809
Emergency medical services	50,810
Information systems	23,720
Police	61,459
Parks and recreation	607,615
Community development	21,804
Streets and Drainage	1,555,552
Water and sewer	261,106
Total depreciation expense	<u>\$ 2,619,875</u>

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

**NOTE 4. CAPITAL ASSETS – CONTINUED**

	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
<u>Business-Type Activities:</u>				
Capital assets not depreciated:				
Construction in progress	\$ -	\$ 96,304	\$ -	\$ 96,304
Total capital assets not depreciated	-	96,304	-	96,304
Business-type activities capital assets, net	<u>\$ -</u>	<u>\$ 96,304</u>	<u>\$ -</u>	<u>\$ 96,304</u>

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

A summary of interfund receivables and payables balances at September 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Grant Fund	\$ 54,900	Reimbursable expenditures moved to General Fund
General Fund	Trophy Club Park Fund	39,689	Transfers for administrative and public safety services
General Fund	Storm Drainage Fund	1,578	Reimbursable expenditures moved to General Fund
General Fund	Nonmajor Governmental Funds	1,003	Reimbursable expenditures moved to General Fund
Storm Drainage	Capital Projects	1,700,000	Storm Drainage Portion of 2013 CO Proceeds
	Total	<u>\$ 1,797,170</u>	

Transfers between funds during the year are as follows:

Transfer In	Transfer Out	Amount	Purpose
Debt Service	Nonmajor Governmental Funds	\$ 38,448	Debt service payments
Debt Service	Town Storm Drainage	37,344	Debt service payments & accrued interest on 2013 CO
General Fund	Trophy Club Park	12,300	Support services
Debt Service	Capital Projects	7,727	Accrued interest on 2013 CO
Debt Service	General Fund	780,734	Debt defeasance and payments
	Total	<u>\$ 876,553</u>	

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

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**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, 2013, the Town's long-term debt consisted of the following:

Governmental Activities:

Description	Interest Rate		Year of Issue	Final Maturity	Average Annual Payment	Original Amount	Balance 9/30/2013
General Obligation Bonds:							
Improvements	4.00-5.00 %		2007	2027	175,000	3,260,000	\$ 2,600,000
Improvements	3.00-4.13 %		2010	2030	250,000	5,000,000	4,550,000
Refunding	2.00-4.00 %		2010	2022	232,500	2,790,000	1,870,000
Tax notes	4.24 %		2012	2015	166,667	500,000	380,000
							<u>\$ 9,400,000</u>

Contractual Obligations:

Combination Tax and Revenue-Series 2004	3.50-4.75 %		2004	2024	45,620	650,000	\$ 365,000
Certificates of Obligation Series 2013	2.50-3.25 %		2013	2028	86,667	1,300,000	1,300,000
							<u>\$ 1,665,000</u>

Business-type Activities:

Description	Interest Rate		Year of Issue	Final Maturity	Average Annual Payment	Original Amount	Balance 9/30/2013
Contractual Obligations:							
Certificates of Obligation Series 2013	2.50-3.00 %		2013	2024	170,000	1,700,000	1,700,000
							<u>\$ 1,700,000</u>

During the year ended September 30, 2013, the Town issued \$3,000,000 Certificates of Obligation (CO), Series 2013. The 2013 CO includes \$1,300,000 for street reconstruction backed by the full faith and credit of the Town, and \$1,700,000 for drainage improvements serviced by drainage utility fund revenue. The obligations are payable over the next fifteen years.

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

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

The following is a summary of long-term debt transactions of the Town for the year ended September 30, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 11,425,000	\$ -	\$ (2,025,000)	\$ 9,400,000	\$ 965,000
Contractual Obligations	634,000	1,300,000	(269,000)	1,665,000	33,000
Issuance Premium	80,149	33,794	(16,448)	97,495	15,762
Deferred Loss on Refunding	(67,001)	-	16,751	(50,250)	(16,751)
OPEB Liability	32,099	9,896	-	41,995	-
Compensated Absences	61,140	251,559	(239,369)	73,330	11,075
<b>Total Governmental Activities</b>					
Long-term Liabilities	<u>\$ 12,165,387</u>	<u>\$ 1,595,249</u>	<u>\$ (2,533,066)</u>	<u>\$ 11,227,570</u>	<u>\$ 1,008,086</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities:</b>					
Contractual Obligations	\$ -	\$ 1,700,000	\$ -	\$ 1,700,000	\$ 140,000
Issuance Premium	-	44,193	(737)	43,456	4,419
<b>Total Business-type Activities</b>					
Long-term Liabilities	<u>\$ -</u>	<u>\$ 1,744,193</u>	<u>\$ (737)</u>	<u>\$ 1,743,456</u>	<u>\$ 144,419</u>

The annual requirements to amortize long-term debt outstanding of governmental activities as of September 30, 2013, are as follows:

**General Obligation Bonds**

Year Ending September 30,	Governmental Activities		Total Requirements
	Principal	Interest	
2014	\$ 965,000	\$ 341,920	\$ 1,306,920
2015	610,000	316,697	926,697
2016	525,000	300,074	825,074
2017	545,000	283,699	828,699
2018	570,000	265,799	835,799
2019-2023	2,985,000	1,010,576	3,995,576
2024-2028	2,475,000	444,766	2,919,766
2029-2033	725,000	45,169	770,169
<b>Total</b>	<u>\$ 9,400,000</u>	<u>\$ 3,008,700</u>	<u>\$ 12,408,700</u>

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

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

**Contractual Obligations**

<b>Year Ending September 30,</b>	<b>Governmental Activities</b>		<b>Total Requirements</b>
	<b>Principal</b>	<b>Interest</b>	
2014	\$ 33,000	\$ 57,025	\$ 90,025
2015	103,000	51,527	154,527
2016	103,000	48,226	151,226
2017	108,000	44,785	152,785
2018	113,000	41,259	154,259
2019-2023	605,000	150,145	755,145
2024-2028	600,000	49,115	649,115
<b>Total</b>	<b>\$ 1,665,000</b>	<b>\$ 442,083</b>	<b>\$ 2,107,083</b>

The annual requirements to amortize long-term debt outstanding of business-type activities as of September 30, 2013, are as follows:

**Contractual Obligations**

<b>Year Ending September 30,</b>	<b>Business-type Activities</b>		<b>Total Requirements</b>
	<b>Principal</b>	<b>Interest</b>	
2014	\$ 140,000	\$ 46,147	\$ 186,147
2015	140,000	38,962	178,962
2016	145,000	35,400	180,400
2017	145,000	31,775	176,775
2018	150,000	28,088	178,088
2019-2023	805,000	80,919	885,919
2024-2028	175,000	2,625	177,625
<b>Total</b>	<b>\$ 1,700,000</b>	<b>\$ 263,916</b>	<b>\$ 1,963,916</b>

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 residential and commercial 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**

**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, 2012 valuation is effective for rates beginning January 2014).

**Annual Pension Cost**

Three Year Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Obligation) Asset
2011	\$ 427,029	100%	\$ -
2012	\$ 467,621	100%	\$ -
2013	\$ 526,301	100%	\$ -

As of December 31, 2012, the most recent actuarial valuation date, the plan was 71.2% funded. The actuarial accrued liability for benefits was \$14,114,964, and the actuarial value of assets was \$10,054,928 resulting in an unfunded actuarial accrued liability (UAAL) of \$4,060,036. The covered payroll (annual payroll of active employees covered by the plan) was \$4,957,838, and the ratio of the UAAL to the covered payroll was 81.9%.

The following actuarial assumptions were used:

Actuarial Cost Method	Projected unit credit
Amortization Method	Level percent of payroll
Remaining Amortization	25.2 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, 2012 valuations are contained in the 2012 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**

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**NOTE 9. 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, 2013, membership consisted of:

Retirees and beneficiaries receiving benefits	1
Active employees	66
Total	<u>67</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.

**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	\$ 442	\$ 378	\$ 293
Single + Spouse	\$ 1,231	\$ 1,012	\$ 782
Single + Children	\$ 864	\$ 717	\$ 555
Single + Family	\$ 1,559	\$ 1,276	\$ 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 and Net OPEB Obligation**

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 following table shows the components of the Town's annual OPEB cost for the year, the amount contributed to the plan, and changes in the Town's net OPEB obligation.

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

**NOTE 9. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED**

Annual required contribution	\$ 13,990
Interest on net OPEB obligation	1,444
Adjustment to annual required contribution	<u>(1,444)</u>
Annual OPEB cost	13,990
Contributions Made	<u>4,094</u>
Change in OPEB obligation	9,896
Net OPEB obligation (asset) - beginning of year	<u>32,099</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ 41,995</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011, 2012, and 2013 were as follows:

Fiscal Year	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 18,497	32.30%	\$ 25,682
2012	\$ 16,274	60.57%	\$ 32,099
2013	\$ 13,990	29.26%	\$ 41,995

**Funded Status and Funding Progress**

As of November 21, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$81,122, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) for fiscal year 2013 was \$3,887,477, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 2.09%.

**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 November 21, 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 10. Contributions**

The Town received contributions of \$495,376 and \$234,533, respectively, from the 4A Economic Development Corporation (4A) and 4B Economic Development Corporation (4B) during the year ended September 30, 2013 in order to defease debt related to the both the 4A and 4B. Additionally, the Town received contributions in the amount of \$55,200 from 4B during the year ended September 30, 2013. These contributions represent payment for various items such as property maintenance and administrative services. The contributions have been recorded as part of intergovernmental revenue in the Town's statement of revenues, expenditures, and changes in fund balance – governmental funds, and as expenses in the statement of activities for 4A and 4B.

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

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**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 \$85,465 during the fiscal year ended September 30, 2013, and are recorded as miscellaneous revenue of the General Fund in the Town's statement of revenues, expenditures and changes in fund balance.

**NOTE 14. RESTATEMENT OF BEGINNING NET POSITION AND FUND BALANCE**

In 2013, the Town restated the net position of the governmental activities. An accounting error related to the period allocation of annual electric franchise fee payments resulted in net position being overstated by \$457,750. Additionally, as a result of prior year developer contributions not being captured as capital assets, water system and infrastructure assets were understated by \$974,399 and the corresponding accumulated depreciation was understated by \$120,388 as of October 1, 2012. Public Improvement District #1 assets completed and accepted by the Town in previous periods were disclosed as construction in progress rather than depreciable assets. The accumulated depreciation from prior periods related to these assets, which comprise improvements other than buildings, water system, and infrastructure assets, totals \$1,020,546 as of October 1, 2012. The correction of these errors resulted in a \$659,285 total decrease in beginning governmental activities net position. The governmental activities net position has been restated on the government-wide financial statements as follows:

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

**NOTE 14. RESTATEMENT OF BEGINNING NET POSITION AND FUND BALANCE - CONTINUED**

	Governmental Activities
Net position, October 1, 2012, as previously presented	\$ 54,025,109
To correct franchise accounting error	(457,750)
To correct capital asset balances	(166,535)
Net position, October 1, 2012, as restated	<u>\$ 53,400,824</u>

In 2013, the Town restated the fund balance of the general fund. An accounting error related to the period allocation of annual electric franchise payments resulted in fund balance being overstated by \$217,750.

	General Fund
Fund Balance, October 1, 2012, as previously presented	\$ 3,348,852
To correct franchise accounting error	(217,750)
Fund Balance, October 1, 2012, as restated	<u>\$ 3,131,102</u>

**NOTE 15. NEW AND FUTURE FINANCIAL REPORTING REQUIREMENTS**

The Governmental Accounting Standards Board (GASB) has issued the following statement which became effective for fiscal year 2013 and is presented in the Town's financial statements.

Statement No. 63 "*Financial Report of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" – This statement will standardize the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. The only impact of the implementation of this standard was changing financial statement items previously called "net assets" to be titled "net position". The Town has no items that are required by this statement to be presented as deferred outflows of resources or deferred inflows of resources.

The GASB has issued the following statements which will become effective in future years.

Statement No. 65 "*Items Previously Reported as Assets and Liabilities.*" – The objective of Statement No. 65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources or inflows of resources. This statement will become effective for the Town in fiscal year 2014.

Statement No. 68, "*Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27.*" – This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer's financial statements for any actuarially unfunded portion of pension benefits earned to date. This statement will become effective for the Town in fiscal year 2015.

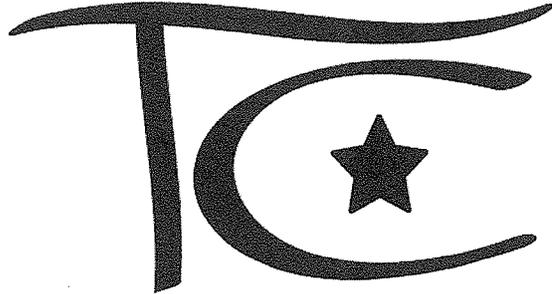
Management has not yet determined the effect of these statements on the financial statements; however, the impact of Statement No. 68 is expected to be significant as they will now reflect a previously unrecorded liability. The Town also expects the largest deferred inflows and outflows to be pension related.

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

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**NOTE 16. SUBSEQUENT EVENTS**

The Town has evaluated all events and transactions that have occurred from October 1, 2013 up until March 28, 2014, the date the financial statements were issued, and determined that there are no transactions requiring additional recognition or disclosure.



TOWN OF  
TROPHY CLUB

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF TROPHY CLUB, TEXAS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
SCHEDULE OF FUNDING PROGRESS  
YEAR ENDED SEPTEMBER 30, 2013**

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	<u>FY2012-13</u>	<u>FY2011-12</u>	<u>FY2010-11</u>
	<u>12/31/2012</u>	<u>12/31/2011</u>	<u>12/31/2010</u>
Actuarial valuation date			
Actuarial value of assets	\$ 10,054,928	\$ 8,701,754	\$ 7,520,704
Actuarial accrued liability	14,114,964	12,685,291	11,489,027
Percentage funded	71.2%	68.6%	65.5%
Unfunded actuarial accrued liability	4,060,036	3,983,537	3,968,323
Annual covered payroll	4,957,838	4,465,244	4,200,873
Unfunded actuarial accrued liability as a percentage of covered payroll	81.9%	89.2%	94.5%
Net pension obligation at beginning of period	-	-	-
Annual pension cost:			
Annual required contribution	526,301	467,621	427,029
Less: contributions made	<u>(526,301)</u>	<u>(467,621)</u>	<u>(427,029)</u>
Net pension obligation at end of period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**TOWN OF TROPHY CLUB, TEXAS  
RETIREE HEALTH PLAN  
SCHEDULE OF FUNDING PROGRESS  
YEAR ENDED SEPTEMBER 30, 2013**

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	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual required contribution	\$ 13,990	\$ 16,274	\$ 18,497
Interest on prior year Net OPEB obligation	1,444	1,156	592
Adjustment to annual required contribution	<u>(1,444)</u>	<u>(1,156)</u>	<u>(592)</u>
Annual OPEB cost	13,990	16,274	18,497
Contributions made	<u>4,094</u>	<u>9,857</u>	<u>5,975</u>
Increase in net OPEB obligation	9,896	6,417	12,522
Net Obligation - beginning of year	<u>32,099</u>	<u>25,682</u>	<u>13,160</u>
Net Obligation - end of year	<u><u>\$ 41,995</u></u>	<u><u>\$ 32,099</u></u>	<u><u>\$ 25,682</u></u>
Percentage of OPEB costs contributed	29.26%	60.57%	32.30%
Actuarial accrued liability	\$ 81,122	\$ 109,475	\$ 101,926
Actuarial value of plan assets	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability	<u><u>\$ 81,122</u></u>	<u><u>\$ 109,475</u></u>	<u><u>\$ 101,926</u></u>
Funded ratio	0.0%	0.0%	0.0%
Covered payroll	3,887,477	4,465,244	4,200,873
Unfunded actuarial accrued liability as a percentage of covered payroll	2.09%	2.45%	2.43%

**TOWN OF TROPHY CLUB, TEXAS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues</b>				
Ad valorem taxes	\$ 4,135,536	\$ 4,135,536	\$ 4,149,900	\$ 14,364
Sales and mixed beverage taxes	634,170	634,170	609,888	(24,282)
Franchise taxes	675,654	675,654	718,952	43,298
Licenses and permits	876,685	876,685	968,285	91,600
Intergovernmental	147,534	147,534	158,987	11,453
Charges for services	481,239	481,239	592,146	110,907
Fines	140,000	140,000	160,614	20,614
Investment income	4,000	4,000	4,921	921
Grant Revenue	-	-	75,599	75,599
Miscellaneous	200,934	200,934	336,497	135,563
<b>Total revenues</b>	<b>7,295,752</b>	<b>7,295,752</b>	<b>7,775,789</b>	<b>480,037</b>
<b>Expenditures:</b>				
<b>Current</b>				
Emergency medical services	783,015	764,484	768,367	(3,883)
Manager's office	691,823	691,823	707,166	(15,343)
Human resources	113,906	113,906	102,771	11,135
Finance	368,303	368,303	372,816	(4,513)
Information systems	352,134	352,134	342,319	9,815
Legal	168,638	168,638	171,157	(2,519)
Police	1,874,509	1,854,509	2,068,309	(213,800)
Court	83,946	83,946	68,731	15,215
Parks	938,753	933,824	947,734	(13,910)
Recreation	611,551	611,551	543,762	67,789
Facilities management	72,961	72,961	75,344	(2,383)
Community development	329,026	329,026	319,168	9,858
Planning and zoning	164,620	164,620	257,138	(92,518)
Streets	754,403	774,403	766,411	7,992
<b>Total expenditures</b>	<b>7,307,588</b>	<b>7,284,128</b>	<b>7,511,193</b>	<b>(227,065)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(11,836)</b>	<b>11,624</b>	<b>264,596</b>	<b>252,972</b>
<b>Other financing sources (uses):</b>				
Transfer in	12,300	12,300	12,300	-
Transfer out	-	(820,750)	(780,734)	40,016
<b>Total other financing uses</b>	<b>12,300</b>	<b>(808,450)</b>	<b>(768,434)</b>	<b>40,016</b>
<b>Net change in fund balance</b>	<b>464</b>	<b>(796,826)</b>	<b>(503,838)</b>	<b>292,988</b>
<b>Fund Balances - beginning of year, as restated</b>	<b>3,131,102</b>	<b>3,131,102</b>	<b>3,131,102</b>	<b>-</b>
<b>Fund Balances - end of year</b>	<b>\$ 3,131,566</b>	<b>\$ 2,334,276</b>	<b>\$ 2,627,264</b>	<b>\$ 292,988</b>

**TOWN OF TROPHY CLUB, TEXAS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED SEPTEMBER 30, 2013**

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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:

- Emergency Medical Services (\$3,883)
- Manager's Office (\$15,343)
- Finance (\$4,513)
- Legal (\$2,519)
- Police (\$213,800)
- Facilities Management (\$2,383)
- Parks (\$13,910)
- Planning and zoning (\$92,518)

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