

**OFFICIAL STATEMENT****Dated: May 23, 2017**

*In the opinion of Bond Counsel, under existing law, interest on the Obligations is excludable from gross income for federal income tax purposes and the Obligations are not "private activity bonds". See "TAX MATTERS" 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.*

**TOWN OF TROPHY CLUB, TEXAS  
(Denton and Tarrant Counties)****\$4,445,000****Combination Tax and Revenue  
Certificates of Obligation, Series 2017****Dated Date: June 1, 2017****Due: September 1, as shown on page ii**

The Town of Trophy Club, Texas (the "Town" or the "Issuer" \$4,445,000 Combination Tax and Revenue Certificates of Obligation, Series 2017 (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 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 "THE CERTIFICATES - Security for Payment" herein.)

Interest on the Certificates will accrue from June 1, 2017 (the "Dated Date") as shown above and will be payable on March 1, 2018, and on each September 1 and March 1 thereafter until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Obligations 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 Obligations will be made available for purchase in principal amounts of \$5,000 or any integral multiple thereof within a maturity. Purchasers of the Obligations ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Obligations purchased. So long as DTC or its nominee is the registered owner of the Obligations, the principal of and interest on the Obligations will be payable by BOKF, NA, 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 Obligations. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used for the purpose of providing funds for: (a) designing, developing, constructing improving, extending and expanding parking facilities for Town public parks, including driveway improvements and related storm drainage improvements, and including the acquisition of land therefor (b) designing, developing, constructing, improving, extending, and expanding streets, thoroughfares, sidewalks, bridges, and other public ways of the Town, including streetscaping, streetlighting, right-of-way protection, utility relocation, and related storm drainage improvements; and acquiring rights-of-way in connection therewith ((a) and (b) together, the "Project"); and (c) 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 to redeem the Certificates maturing on and after September 1, 2028, on September 1, 2027, 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 September 1, 2029, September 1, 2031, September 1, 2033, September 1, 2035 and September 1, 2037 (the "Term Certificates") are subject to mandatory sinking fund redemption, as further described herein. See "THE BONDS - Redemption Provisions" and "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 LLP, Dallas, Texas, Bond Counsel. (See Appendix C – Form of Legal Opinion of Bond Counsel.) It is expected that the Obligations will be available for delivery through DTC on or about June 13, 2017.*

**STATED MATURITY SCHEDULE FOR THE CERTIFICATES\***  
**Base CUSIP – 897062**

**\$4,445,000 Combination Tax and Revenue Certificates of Obligation, Series 2017**  
**(Due September 1)**

**\$2,300,000 Serial Certificates**

<u>Stated Maturity September 1</u>	<u>Principal Amount</u>	<u>Initial Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP Suffix<sup>(a)</sup></u>
2018	\$ 275,000	3.000	1.010	JJ5
2019	390,000	3.000	1.100	JK2
2020	445,000	3.000	1.250	JL0
2021	155,000	3.000	1.400	JM8
2022	160,000	3.000	1.550	JN6
2023	165,000	3.000	1.700	JP1
2024	170,000	3.000	1.850	JQ9
2025	175,000	3.000	2.000	JR7
2026	180,000	3.000	2.100	JS5
2027	185,000	3.000	2.200	JT3

(Interest on the Certificates to accrue from the Dated Date)

**\$2,145,000 Serial Certificates**

\$385,000	2.500%	Term Certificate due September 1, 2029	Price to Yield 2.300%	JV8 <sup>(a)</sup> <sup>(b)</sup>
\$405,000	3.000%	Term Certificate due September 1, 2031	Price to Yield 2.500%	JX4 <sup>(a)</sup> <sup>(b)</sup>
\$425,000	3.000%	Term Certificate due September 1, 2033	Price to Yield 2.700%	JZ9 <sup>(a)</sup> <sup>(b)</sup>
\$455,000	3.000%	Term Certificate due September 1, 2035	Price to Yield 2.900%	KB0 <sup>(a)</sup> <sup>(b)</sup>
\$475,000	3.000%	Term Certificate due September 1, 2037	Price to Yield 3.100%	KD6 <sup>(a)</sup> <sup>(b)</sup>

(Interest on the Certificates to accrue from the Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on and after September 1, 2028, on September 1, 2027, 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 September 1, 2029, September 1, 2031, September 1, 2033, September 1, 2035 and September 1, 2037 (the "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 CUSIP Global Services, managed by S&P Global Market Intelligence. 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 the first call date, September 1, 2027.

**TOWN OF TROPHY CLUB, TEXAS**  
**100 Municipal Drive**  
**Trophy Club, Texas 76262**  
**214-975-0405**

**ELECTED OFFICIALS**

<u>Name</u>	<u>Position</u>	<u>On Council Since</u>	<u>Term Expires May</u>	<u>Occupation</u>
Nick Sanders	Mayor	May 2005	2017	CEO
Greg Lamont	Mayor Pro Tem	May 2013	2019	Retired
Jim Parrow	Council Member	May 2014	2017	Retired
Garrett Reed	Council Member	May 2014	2017	Real Estate Developer
Rhylan Rowe	Council Member	May 2014	2018	IT Management
Tim Kurtz	Council Member	November 2014	2018	Business Owner
Philip Shoffner	Council Member	November 2013	2019	Business Owner

**ADMINISTRATION**

<u>Name</u>	<u>Position</u>	<u>Years of Municipal Experience</u>
Tom Class	Town Manager	4 months
Amber Karkauskas	Finance Director	2 years
Holly Fimbres	Town Secretary	17 years
David Dodd	Town Attorney	23 years
Wade Carroll	Fire Chief	13 years
Patrick Arata	Police Chief	2.5 years
April Duvall	Interim Human Resources Manager	11 years
Ron Powell	Interim Community Developer Director	15.5 years
Sherri Lewis	PIO / Communications Manager	14 years
Mike Pastor	Information Technology Director	13 years
Adam Adams	Parks & Recreation Director	25 years

**CONSULTANTS AND ADVISORS**

Bond Counsel	Bracewell LLP Dallas, Texas
Financial Advisor	SAMCO Capital Markets, Inc. San Antonio, Texas
Certified Public Accountants	BrooksCardiel, LLC The Woodlands, Texas

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

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Mr. Mark McLiney  
Senior Managing Director  
**SAMCO Capital Markets, Inc.**  
1020 NE Loop 410, Suite 640  
San Antonio, Texas 78209  
(210) 832-9760  
mmcliney@samcocapital.com

## 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 or representation must not be relied upon.

Certain 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 FURNISHED 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 THE CERTIFICATES 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 THE 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. See "OTHER PERTINENT INFORMATION--Forward Looking Statements Disclaimer" herein.

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*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 Bonds 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>	The Town of Trophy Club, Texas (the "Town" or "Issuer") is a political subdivision of the State of Texas located in Denton and Tarrant Counties, and is a municipal corporation organized and existing under the laws of the State. The Town is a home-rule municipality operating under the council-manager form of government, governed by a mayor and six-member council as provided in the home-rule charter. The Town's population, as established by the 2010 U.S. Census, was 10,500. The Town's current population estimate is 12,446. (See "APPENDIX B - GENERAL INFORMATION REGARDING THE 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 Bonds is BOKF, NA, Dallas, Texas.
<b>Security</b>	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 "THE CERTIFICATES - Security for Payment" herein.)
<b>Redemption Provisions</b>	The Issuer reserves the right to redeem the Certificates maturing on and after September 1, 2028 on September 1, 2027, 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 September 1, 2029, September 1, 2031, September 1, 2033, September 1, 2035 and September 1, 2037 (the "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" for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations. (See "TAX MATTERS" and APPENDIX C - FORM OF LEGAL OPINION OF BOND COUNSEL" herein.)
<b>Use of Proceeds</b>	Proceeds from the sale of the Certificates will be used for the purpose of providing funds for: (a) designing, developing, constructing improving, extending and expanding parking facilities for Town public parks, including driveway improvements and related storm drainage improvements, and including the acquisition of land therefor (b) designing, developing, constructing, improving, extending, and expanding streets, thoroughfares, sidewalks, bridges, and other public ways of the Town, including streetscaping, streetlighting, right-of-way protection, utility relocation, and related storm drainage improvements; and acquiring rights-of-way in connection therewith ((a) and (b) together, the "Project"); and (c) 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>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>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>	S&P Global Ratings ("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>Issuance of Additional Debt</b>	The Town does not anticipate the issuance of additional debt within the next twelve months.
<b>Payment Record</b>	The Town has never defaulted in the payment of its general obligation tax debt.
<b>Delivery</b>	It is anticipated the Certificates will be available for delivery through DTC on or about June 13, 2017.
<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 LLP, Bond Counsel, Dallas, Texas.

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## 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 \$4,445,000 Combination Tax and Revenue Certificates of Obligation, Series 2017 (the "Certificates") identified on the cover page hereof.

The Issuer is a political subdivision of the State of Texas (the "State") and operates under the statutes and the Constitution of the State and a Home Rule Charter. 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.)

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.

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 future 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 "FORWARD-LOOKING STATEMENTS").

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of this Official Statement relating to the Certificates will be submitted to the Municipal Securities Rulemaking Board, and will be available through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Town's undertaking to provide certain information on a continuing basis

## THE CERTIFICATES

### General Description

The Certificates will be dated June 1, 2017 (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, 2018, and on each September 1 and March 1 thereafter, until maturity or prior redemption. Principal is payable at the designated offices of the Paying Agent/Registrar for the Certificates, initially BOKF, NA, Dallas, Texas.; 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. 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" herein.

### Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State, including Texas Local Government Code, Subchapter C, Chapter 271, as amended, the Town's Home Rule Charter and the Certificate Ordinance.

### Security for Payment

The Certificates constitute direct obligation 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").

**Use of Certificate Proceeds**

Proceeds from the sale of the Certificates will be used for the purpose of providing funds for: (a) designing, developing, constructing improving, extending and expanding parking facilities for Town public parks, including driveway improvements and related storm drainage improvements, and including the acquisition of land therefor (b) designing, developing, constructing, improving, extending, and expanding streets, thoroughfares, sidewalks, bridges, and other public ways of the Town, including streetscaping, streetlighting, right-of-way protection, utility relocation, and related storm drainage improvements; and acquiring rights-of-way in connection therewith ((a) and (b) together, the "Project"); and (c) 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, 2028 on September 1, 2027, 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.

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.

Mandatory Sinking Fund Redemption: The Certificates maturing September 1, 2029, September 1, 2031, September 1, 2033, September 1, 2035 and September 1, 2037 (the "Term Certificates") are subject to mandatory sinking fund redemption in part prior to their stated maturity, and will be redeemed by the Issuer 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:

<u>Term Certificate September 1, 2029</u>		<u>Term Certificate September 1, 2031</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
September 1, 2028	\$190,000	September 1, 2030	\$200,000
September 1, 2029*	195,000	September 1, 2031*	205,000
<u>Term Certificate September 1, 2033</u>		<u>Term Certificate September 1, 2035</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
September 1, 2032	\$210,000	September 1, 2034	\$225,000
September 1, 2033*	215,000	September 1, 2035*	230,000
<u>Term Certificate September 1, 2037</u>			
<u>Redemption Date</u>	<u>Principal Amount</u>		
September 1, 2036	\$235,000		
September 1, 2037*	240,000		

\* Final Maturity

The Paying Agent/Registrar shall select by lot the numbers of the Term Certificates to be redeemed on the next following September 1 from moneys set aside for that purpose in the Debt Service Fund (as defined in the Resolution). 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 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 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.

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 the payment of any debt obligations.

#### **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 by Bracewell 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.

#### **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 limits 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.

#### **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 Obligations 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 Obligations; 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 respective Ordinances.

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 respective Ordinances do 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 consent of or notice to any Owners, from time to time and at any time, amend the Ordinance in any manner not detrimental to the interests of the Owners, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the Town may, with the written consent of the Owners of the Certificates holding a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Ordinances; provided that, without the consent of all Owners of outstanding Certificates, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Certificates, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Certificates, (ii) give any preference to any Certificate over any other required, or (iii) reduce the aggregate principal amount of Certificates required to be held by Owners for consent to any such amendment, addition, or rescission.

### **Default and Remedies**

The Ordinance authorizing the issuance of the Bonds establishes the following Events of Default with respect to the Bonds: (i) failure to make payment of principal of or interest on any of the Bonds when due and payable; or (ii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Ordinance which materially and adversely affects the rights of the related Owners, including but not limited to their prospect or ability to be repaid in accordance with the Ordinances, and the continuation thereof for a period of sixty days after notice of such default is given by any Owner to the City. Under State law, there is no right to the acceleration of maturity of the Bonds upon an event of default under the Ordinance.

Although a registered Owner could presumably obtain a judgment against the City if a default occurred in any payment of the principal of or interest on any such Bonds, such judgment could not be satisfied by execution against any property of the City. Such registered Owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds 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. No assurance can be given that a mandamus or other legal action to enforce a default under the Ordinances would be successful.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3rd 325 (Tex. 2006), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's governmental immunity from a suit for money damages, registered owners may not be able to bring such a suit against the City for breach of the Obligations or covenants in the Ordinances. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 59 Tex. Sup. Ct. J. 524 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In *Wasson*, the Court recognized that the distinction

between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the City is not using the authority provided by Chapter 1371 and has not waived sovereign immunity in the proceedings authorizing the Bonds.

The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition. Furthermore, the City 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 or revenues, the pledge of ad valorem 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 Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City 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 opinions of Bond Counsel will note that the rights of holders of the Bonds 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 BOKF, NA, 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 Bonds, 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. Interest will be paid by check mailed on each interest payment 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 its stated maturity or its prior redemption upon presentation to the Paying Agent/Registrar at its designated office in Dallas, Texas; provided, however, that so long as DTC's Book-Entry-Only System is utilized, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. 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 Paying Agent/Registrar is located are authorized by law or executive order to close, 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 original 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 (15th) 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 an Obligation 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**

The Certificates are initially to be issued utilizing the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"). In the event such Book-Entry-Only System should be discontinued, printed certificates will be issued to the owners of the Certificates and thereafter, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates 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 designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. 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 to be initially 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 Certificates or any portion thereof during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date. 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 Certificate 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**

In the Ordinance, provision is made for the replacement of mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or the receipt of satisfactory evidence of destruction, loss, or theft, and the receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

## **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.)

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Town, the Financial Advisor, or the initial purchaser of the Certificates.

## **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 Ordinances 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 February 28, 2017, the following percentages of the Town's investable funds were invested in the following categories of investments.

Investment Description	Total Invested	Percent
TexPool Investment Pool Accounts	\$ 3,152,251.53	16.72%
Logic Investment Pool Accounts	1,933,263.50	10.26%
Lone Star Investment Pool Accounts	765.37	0%
Certificates of Deposit	2,216,199.51	11.76%
First Financial Bank Checking Account	359,182.08	1.91%
Texas Class – Investment Pool Accounts	11,187,755.76	59.35%
Total	\$ 18,849,417.75	100.000%

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.

**EMPLOYEE BENEFITS**

**Pension Plan**

Plan Description and Benefits Provided

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.

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the town, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the town-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and Town-financed monetary credits, with interest. 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:

Employee deposit rate	7%
Matching ratio (Town to Employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to retirees)	30% of CPI Repeating

The Town also participates in Social Security.

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	28
Inactive employees entitled but not yet receiving benefits	81
Active employees	<u>71</u>
Total	<u>180</u>

### Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) 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, 2014 valuation is effective for rates beginning January 2016).

### Net Pension Liability

The Town's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. This experience study was for the period December 31, 2010 through December 31, 2015, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2015 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.80%
International Equity	17.50%	6.05%
Core Fixed Income	30.00%	1.50%
Non-Core Fixed Income	10.00%	3.50%
Real Return	5.00%	1.75%
Real Estate	10.00%	5.25%
Absolute Return	5.00%	4.25%
Private Equity	5.00%	8.50%
Total	100.00%	

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7.0% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

### Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) – (b)
Balance at 12/31/2014	\$14,967,739	\$13,116,278	\$1,851,461
Changes for the year:			
Service Cost			
Interest	804,453	-	804,453
Changes in benefit terms	1,053,745	-	1,053,745
Difference between expected and actual experience			
Changes in assumptions	(237,279)	-	(237,279)
Contributions - employer	368,895		368,895
Contributions – employee	-	658,543	(658,543)
Net Investment Income		340,458	(340,458)
Benefit payments, including refunds of employee contributions		19,357	(19,357)
Administrative expense	(632,921)	(632,921)	
Other Changes	-	(11,788)	11,788
Net Changes	-	(582)	582
Balance at 12/31/2015	\$ 16,324,632	\$ 13,489,345	\$ 2,835,287

The following presents the net pension liability of the Town, calculated using the discount rate of 6.75%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
Town's net pension liability	\$ 5,484,790	\$ 2,835,287	\$ 696,836

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

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

For the year ended September 30, 2016, the Town recognized an increase in pension expense of \$1,061,428. This amount is included as part of expenses within the functional program activities.

At September 30, 2016, the Town reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 439,528	\$ -
Difference between projected and actual investment earnings	810,405	-
Difference between actuarial assumptions and actual experience	-	203,428
Changes in actuarial assumptions used	276,440	-
Total	\$ 1,526,373	\$ 203,428

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$439,528 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2016 (i.e. recognized

in the Town's financial statements ending September 30, 2017). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended Dec 31	
2016	\$ 231,360
2017	231,360
2018	240,939
2019	<u>179,758</u>
Total	\$ 883,417

Pursuant to TMRS policy of conducting experience studies every four years, the TMRS Board at their July 31, 2015 meeting determined that they would be changing certain actuarial assumptions including reducing the long term expected rate of return from the current 7% to 6.75% and changing the inflation assumption from 3% to 2.5%. Reduction of expected investment return and related discount rate increased projected pension liabilities. Reducing the inflation assumption reduces liabilities as future annuity levels and future cost of living adjustments are not projected to be as large as originally projected. The Town has experienced some upward pressure on its total pension liability and upward pressure on its 2017 actuarially determined contribution (ADC) due to this change.

**Other Post-Employment 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, 2016, membership consisted of:

Retirees and beneficiaries receiving benefits -	-
Active employees	<u>69</u>
Total	69

The three optional benefit levels, TML Plan P85-50-20, TML Plan P85-100-25 and TML Plan P85- 200-43.5, 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 P85-100-20	TML Plan P85-200-43.5
Single Coverage	\$ 932	\$ 891	\$ 661
Single + Spouse	2,595	2,383	1,765
Single + Children	1,821	1,689	1,252
Single + Family	3,288	3,003	2,225

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.

Annual Required Contribution	\$ 15,320
Interest on Net OPEB Obligation	3,277
Adjustment to Annual Required Contribution	<u>(3,013)</u>
Annual OPEB Cost	15,584
Contributions Made	-
Change in OPEB Obligation	<u>15,584</u>
Net OPEB Obligation (Asset) - Beginning of Year	<u>72,16</u>
Net OPEB Obligation (Asset) - End of Year	<u>\$ 88,400</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, 2015, and 2016 were as follows:

Fiscal Year	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 15,141	0.00%	\$ 57,136
2015	15,680	0.00%	72,816
2016	15,584	0.00%	88,400

### Funded Status and Funding Progress

As of October, 2015 the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$90,490, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) for fiscal year 2016 was \$4,822,763, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 1.88%.

### 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 October, 2015 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%.

## **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 and Tarrant County Appraisal Districts (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 District is required under the Property Tax Code to appraise all property within the Appraisal District 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 District are subject to review and change by the Appraisal Review Board (the "Appraisal Review Board") consisting of members appointed by the Board of Directors of the Appraisal District. Such appraisal rolls, as approved by the Appraisal Review Board, are used by the Town in establishing its tax roll and tax rate. The Appraisal District is 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 Board.

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 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. Senate Joint Resolution 1 ("SJRI"), passed during the 84th Texas Legislature, authorized a constitutional amendment to allow the Legislature to prohibit a municipality that adopts an optional homestead exemption from reducing or repealing the amount of the exemption. SJRI was approved by the voters in the November 2015 Constitutional election, and Senate Bill 1, also passed during the 84th Texas Legislature, prohibits municipalities from reducing or repealing the amount of their optional homestead exemption that was in place for the 2014 tax year for a period running through December 31, 2019.

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 total amount of ad valorem 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 who are disabled. Upon providing for such exemption, 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 living in such homestead if (1) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (2) the surviving spouse 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. 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 year. Once established such freeze cannot be repealed or rescinded.

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.

On November 4, 2013 a constitutional amendment was approved, 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 residence 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. Following approval by voters at a November 2015 statewide election, the surviving spouse of a totally disabled veteran who died on or before January 1, 2010 and who would have qualified for the full exemption on the homestead's entire value if it had been available at that time, will be entitled to an exemption from ad valorem taxation of all or part of the market value of the residence homestead if the spouse has not remarried.

*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; provided, however, that beginning in the 2009 tax year, 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:* 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.

*Tax Abatements:* 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.

*Chapter 380 Agreements:* 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.

### **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, the 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 penalty 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 participate in a Tax Increment Financing Zone called the Trophy Club Reinvestment Zone #1 (The Trophy Wood District). The District encompasses 30.5 acres and when fully developed will contain hotels, restaurants, retail shopping area and the Town Hall.

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. Net collections on a fiscal year basis are shown in Table 15 of Appendix A.

### **Optional Sales Tax**

The Tax Code provides certain cities and counties the option of assessing a maximum one-half percent ( $\frac{1}{2}\%$ ) 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 ( $\frac{1}{2}\%$ ) 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 ( $\frac{1}{2}\%$ ) 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 ( $\frac{1}{2}\%$ ) 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 ( $\frac{1}{2}\%$ ) to one-quarter percent ( $\frac{1}{4}\%$ ) and, at the same time, voted a one-quarter percent ( $\frac{1}{4}\%$ ) 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 ( $\frac{1}{4}\%$ ) to one-half percent ( $\frac{1}{2}\%$ ) 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 ( $\frac{1}{2}\%$ ) to one-quarter percent ( $\frac{1}{4}\%$ ). 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 ( $\frac{1}{4}\%$ ) 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 ( $\frac{1}{4}\%$ ) sales tax pursuant to Chapter 363, Texas Local Government Code, as amended to fund the CCPD. This  $\frac{1}{4}\%$  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 rate of  $8\frac{1}{4}\%$ , including the State portion of  $6\frac{1}{4}\%$ , has been reached.

## **TAX MATTERS**

### **Tax Exemption**

In the opinion of Bracewell 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, that 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 Certificates, 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 otherwise 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 initial purchasers have 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 Town 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 2017, 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 2017. 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 respective 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 shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the Town, financial information and operating data with respect to the Town of the general type included in the final Official Statement, being information described in Tables 1-3, 9-14 and 20 of Appendix A, including financial statements of the Town if audited financial statements of the Town are then available, and (2) if not provided as part of such financial information and operating data, audited financial statements of the Town, when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles the accounting principles described in Exhibit B hereto or such other accounting principles as the Town may be required to employ, from time to time, by State law or regulation, and (ii) audited, if the Town commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Town shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

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 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 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 clause (12) in the immediately preceding paragraph 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 Issuer 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 Issuer has agreed to update information and to provide notices of certain specified events only as described above. The Issuer 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 Issuer 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 Issuer 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 Issuer to comply with its agreement.

The Issuer 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 Issuer, 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 Issuer (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Certificates. The Issuer 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 Issuer 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 Issuer 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 other 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 Town Attorney, 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 does not anticipate the issuance of additional debt within the next twelve 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 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 subdivision, 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.

Additionally, with respect to the Certificates, Section 271.051 of the Texas Local Government Code expressly provides that certificates of obligation approved by the Attorney General of Texas are legal authorized investments for banks, savings banks, trust companies, and savings and loan associations, insurance companies, fiduciaries, trustees, and guardians, and sinking funds of municipalities, counties, school districts, or other political corporations or subdivisions of the State. The Certificates are eligible to secure deposits of any public funds of the State, municipalities, school and other political subdivisions of the State, and are legal security for those deposits to the extent of the market value.

### **Ratings**

Standard & Poor's Ratings 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.

### **Legal Opinions and No-Litigation Certificate**

The Town will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificates and to the effect that the Certificates are valid and legally binding special obligations of the Town, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from 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 said 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. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry- Only System.

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 legal opinions 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.

### **Initial Purchase of the Certificates**

On May 23, 2017, after requesting competitive bids for the Certificates, the Town accepted the bid of Stifel Nicolaus & Company, Inc. (the "Initial Certificate Purchaser") to purchase the Certificates at the interest rates shown on page ii of the Official Statement at a price of 102.88% of par. The Purchaser can give no assurance that any trading market will be developed or 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.

The initial Paying Agent/Registrar, BOKF, NA, Dallas, Texas, is a member of the syndicate of underwriters purchasing the Certificates.

**Financial Advisor**

SAMCO Capital Markets, Inc. 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.

**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 the proper officials of the Town acting in their official capacity, to the effect that: (a) the descriptions and statements of or pertaining to the Town contained in its Official Statement relating to the Certificates, and any addenda, supplement or amendment thereto, on the date of such 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, such 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 statement therein, in the light of the circumstances under which they were made, not misleading; (c) to their knowledge, insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the Town and its activities, contained in such 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, 2015, the date of the last audited financial statements of the Issuer, portions of which appear in the Official Statement.

The Official Statement will be approved as to form and content and the use thereof in the offering of the Certificates will be 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 certified 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' 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.

The Certificate Ordinance authorizing the issuance of the Certificates will also approve the form and content of this Official Statement and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Purchasers.

ATTEST:  
/s/ Holly Fimbres  
Town Secretary

TOWN OF TROPHY CLUB, TEXAS  
/s/ Nick Sanders  
Mayor  
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.)

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**FINANCIAL INFORMATION OF THE ISSUER**

<b>ASSESSED VALUATION</b>	<b>TABLE 1</b>
2016 Actual Market Value of Taxable Property (100% of Actual)	\$ 1,865,401,378
Less Exemptions/Losses:	
Local, Optional Over-65 and/or Disabled Homestead Exemptions	(28,818,239)
Disabled and Deceased Veterans' Exemptions	(7,628,603)
Productivity Value Loss	(472,058)
10% Value Cap Loss	(17,584,578)
House Bill 366 Exempt Property	(7,532)
Pollution Control/Other	(9,000)
Total Exempt Property	<u>(36,873,100)</u>
	(91,393,110)
2016 Net Taxable Assessed Valuation <sup>(a)</sup>	<u>1,774,008,268</u>
Value Loss to Over 65 / Disabled Freeze	\$ (227,349,243)
2016 Freeze Adjusted Net Taxable Assessed Valuation <sup>(a)</sup>	<u>\$ 1,546,659,025</u>

<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. Net of TIRZ Increment Financing Zone.  
 Source: Denton Central Appraisal District and Tarrant Central Appraisal District

<b>GENERAL OBLIGATION BONDED DEBT</b>	<b>TABLE 2</b>
<b>General Obligation Debt Principal Outstanding: (As of May 1, 2017)</b>	
Combination Tax and Revenue Certificates of Obligation, Series 2004	\$ 266,000
General Obligation Bonds, Series 2007	320,000
General Obligation Bonds, Series 2010	3,970,000
General Obligation Refunding Bonds, Series 2010	1,160,000
Combination Tax and Revenue Certificates of Obligation, Series 2013	2,215,000
Combination Tax and Revenue Certificates of Obligation, Series 2014	2,325,000
General Obligation Refunding Bonds, Series 2015	1,680,000
Combination Tax and Revenue Certificates of Obligation, Series 2016	4,210,000
General Obligation Bonds, Series 2016	<u>5,245,000</u>
Total Gross General Obligation Debt Principal Outstanding:	\$ 21,391,000
<b>Current Issues General Obligation Debt Principal</b>	
Combination Tax and Revenue Certificates of Obligation, Series 2017 (the "Certificates")	\$ 4,445,000
	<u>4,445,000</u>
Total <b>Gross</b> General Obligation Debt Principal Outstanding following the issuance of the Certificates:	\$ 25,836,000
<b>Less: Self-Supporting Debt Principal: <sup>(a)</sup></b>	
General Obligation Bonds, Series 2007 (11% supported by Drainage Fund)	\$ 35,200
Combination Tax & Revenue Certificates of Obligation, Series 2013 (aprox. 51.02% supported by Drainage Fund)	1,130,000
General Obligation Refunding Bonds, Series 2015 (11% supported by Drainage Fund)	184,800
Combination Tax and Revenue Certificates of Obligation, Series 2016 (aprox. 53.68% supported by Crime Control Sales Tax Revenues)	<u>2,260,000</u>
Total Self-Supporting General Obligation Debt Principal	\$ 3,610,000
Total <b>Net</b> General Obligation Debt Principal Outstanding Following the Issuance of the Bonds and the Certificates	\$ 22,226,000
General Obligation Interest and Sinking Fund Balance as of February 28, 2017 (Unaudited)	\$ 1,522,322
Ratio of <b>Gross</b> General Obligation Debt Principal to 2016 Freeze Adjusted Net Taxable Assessed Valuation	1.67%
Ratio of <b>Net</b> General Obligation Debt Principal to 2016 Freeze Adjusted Net Taxable Assessed Valuation	1.44%
2016 Freeze Adjusted Net Taxable Assessed Valuation ("FANTAV") <sup>(b)</sup>	\$ 1,546,659,025
Population: 1990 -3,922; 2000 - 6,350; 2010 - 10,500; Current (Estimate) -	12,446
Per Capita 2016 Freeze Adjusted Net Taxable Assessed Valuation -	\$124,270
Per Capita <b>Gross</b> General Obligation-	\$2,076
Per Capita <b>Net</b> General Obligation Debt Principal -	\$1,786

<sup>(a)</sup> See Table 7 for a description of Drainage Fund self-supporting debt.  
<sup>(b)</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.

<b>OTHER OBLIGATIONS</b>	<b>TABLE 3</b>
-NONE-	

**PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

**TABLE 4**

Fiscal Year Ending 9-30	The Certificates				Total	Combined Debt Service <sup>(a)</sup>	Less: Self- Supporting Debt <sup>(b)</sup>	Net General Obligation Debt Service <sup>(c)</sup>
	Current Total Debt Service <sup>(a)</sup>	Principal	Interest					
	\$	\$	\$	\$				
2017	2,044,822	-	-	-	-	2,044,822	353,637	1,691,185
2018	1,944,020	275,000	164,281	439,281	439,281	2,383,301	352,727	2,030,574
2019	1,944,055	390,000	123,175	513,175	513,175	2,457,230	356,093	2,101,137
2020	1,954,460	445,000	111,475	556,475	556,475	2,510,935	354,214	2,156,721
2021	1,940,934	155,000	98,125	253,125	253,125	2,194,059	350,949	1,843,110
2022	1,952,901	160,000	93,475	253,475	253,475	2,206,376	358,453	1,847,923
2023	1,739,470	165,000	88,675	253,675	253,675	1,993,145	355,695	1,637,450
2024	1,734,736	170,000	83,725	253,725	253,725	1,988,461	357,569	1,630,892
2025	1,524,091	175,000	78,625	253,625	253,625	1,777,716	176,619	1,601,097
2026	1,291,200	180,000	73,375	253,375	253,375	1,544,575	145,781	1,398,794
2027	1,290,719	185,000	67,975	252,975	252,975	1,543,694	148,031	1,395,663
2028	1,289,988	190,000	62,425	252,425	252,425	1,542,413	145,588	1,396,825
2029	1,165,000	195,000	57,675	252,675	252,675	1,417,675	148,144	1,269,531
2030	1,164,319	200,000	52,800	252,800	252,800	1,417,119	150,444	1,266,675
2031	776,988	205,000	46,800	251,800	251,800	1,028,788	147,475	881,313
2032	783,863	210,000	40,650	250,650	250,650	1,034,513	154,350	880,163
2033	780,063	215,000	34,350	249,350	249,350	1,029,413	150,975	878,438
2034	779,813	225,000	27,900	252,900	252,900	1,032,713	147,263	885,450
2035	603,225	230,000	21,150	251,150	251,150	854,375	148,550	705,825
2036	606,900	235,000	14,250	249,250	249,250	856,150	149,350	706,800
2037	-	240,000	7,200	247,200	247,200	247,200	-	247,200
	<u>\$ 27,311,562</u>	<u>\$ 4,445,000</u>	<u>\$ 1,348,106</u>	<u>\$ 5,793,106</u>	<u>\$ 5,793,106</u>	<u>\$ 33,104,668</u>	<u>\$ 4,651,907</u>	<u>\$ 27,498,761</u>

<sup>(a)</sup> Includes self-supporting debt.

<sup>(b)</sup> See Table 2 and Table 7 for a breakdown on the portions of specific issues that are considered self-supporting debt.

<sup>(c)</sup> Excludes self-supporting debt.

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

**TABLE 5A**

2016 Freeze Adjusted Net Taxable Assessed Valuation	\$ 1,546,659,025
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-20)	\$ 2,510,935
Indicated required I&S Fund Tax Rate at 99% Collections to produce Maximum Debt Service requirements	\$ 0.16399

Note: Above computations are exclusive of investment earnings, delinquent tax collections and interest on delinquent tax collections.

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

**TABLE 5B**

2016 Freeze Adjusted Net Taxable Assessed Valuation	\$ 1,546,659,025
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-20)	\$ 2,156,721
Indicated required I&S Fund Tax Rate at 99% Collections to produce Maximum Debt Service requirements	\$ 0.14085

Note: Above computations are exclusive of investment earnings, delinquent tax collections and interest on delinquent tax collections.

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

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2016 (Unaudited)	\$ 143,174
FY 2016-2017 Interest and Sinking Fund Tax Levy of \$0.11 at 99% Collections Produces	1,684,312
Estimated I&S Tax Collections on Frozen Property	<u>201,746</u>
Total Available for Debt Service	<u>\$ 2,029,232</u>
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-17 <sup>(a)</sup>	<u>1,691,185</u>
Estimated Surplus at Fiscal Year Ending 9-30-17 <sup>(b)</sup>	<u>\$ 338,047</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.

Note: 2016 financials are from the unapproved Audit for fiscal year ending September 30, 2016 audit. The Town Administration has reviewed the unapproved audit and believes that the numbers shown will not change between now and the approval date.

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

Drainage Fund Revenues Available, Fiscal Year Ended September 30, 2016 (Unaudited)	\$ 271,705
Plus: September 30, 2016 Unrestricted Cash	<u>253,702</u>
Balance Available for Other Purposes	<u>\$ 525,407</u>
Portion of Self-Supporting General Obligation Debt Available to be Paid From Drainage Fund Revenues for Fiscal Year Ended September 30, 2017	\$ 203,662
Percentage of FY 2017 allocated Self-Supporting General Obligation Debt Covered by Drainage Fund Revenues	100%

Note: 2016 financials are from the unapproved Audit for fiscal year ending September 30, 2016 audit. The Town Administration has reviewed the unapproved audit and believes that the numbers shown will not change between now and the approval date.

**COMPUTATION OF CRIME CONTROL AND PREVENTION DISTRICT FUND SELF-SUPPORTING DEBT ("CCPD")**

CCPD Tax Collections, Fiscal Year Ended September 30, 2016. (Unaudited)	\$ 198,725
Portion of Self-Supporting General Obligation Debt available paid from CCPD sales tax collections. for Fiscal Year Ended September 30, 2017	\$ 149,975
Percentage of FY 2017 allocated Self-Supporting General Obligation Debt Covered by CCPD	100%

Note: 2016 financials are from the unapproved Audit for fiscal year ending September 30, 2016 audit. The Town Administration has reviewed the unapproved audit and believes that the numbers shown will not change between now and the approval date.

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

Fiscal Year Ending 9/30	Principal Repayment Schedule			Bonds Unpaid at End of Year	Percent of Principal Retired (%)
	Outstanding Principal <sup>(a)</sup>	The Certificates	Total		
2017	\$ 1,188,000	\$ -	\$ 1,188,000	\$ 24,648,000	4.60%
2018	1,338,000	275,000	1,613,000	23,035,000	10.84%
2019	1,378,000	390,000	1,768,000	21,267,000	17.68%
2020	1,428,000	445,000	1,873,000	19,394,000	24.93%
2021	1,458,000	155,000	1,613,000	17,781,000	31.18%
2022	1,518,000	160,000	1,678,000	16,103,000	37.67%
2023	1,353,000	165,000	1,518,000	14,585,000	43.55%
2024	1,390,000	170,000	1,560,000	13,025,000	49.59%
2025	1,220,000	175,000	1,395,000	11,630,000	54.99%
2026	1,025,000	180,000	1,205,000	10,425,000	59.65%
2027	1,055,000	185,000	1,240,000	9,185,000	64.45%
2028	1,085,000	190,000	1,275,000	7,910,000	69.38%
2029	990,000	195,000	1,185,000	6,725,000	73.97%
2030	1,020,000	200,000	1,220,000	5,505,000	78.69%
2031	665,000	205,000	870,000	4,635,000	82.06%
2032	690,000	210,000	900,000	3,735,000	85.54%
2033	705,000	215,000	920,000	2,815,000	89.10%
2034	725,000	225,000	950,000	1,865,000	92.78%
2035	570,000	230,000	800,000	1,065,000	95.88%
2036	590,000	235,000	825,000	240,000	99.07%
2037	-	240,000	240,000	-	100.00%
	<u>\$ 21,391,000</u>	<u>\$ 4,445,000</u>	<u>\$ 25,836,000</u>		

<sup>(a)</sup> Includes self-supporting debt principal.

**FUND BALANCES**

**TABLE 9**

	<b>Unaudited Amount as of 9/30/2016</b>	<b>Amount as of 2/28/2017</b>
General Fund	\$ 4,194,162	\$ 8,234,663
Debt Service Fund	143,174	1,522,322
Capital Projects Fund	8,764,936	6,887,966
Drainage Fund	253,702	434,979
Economic Development Fund	3,112,006	672,002
Crime Control Prevention District Fund	210,189	267,045
<b>Total</b>	<b>\$ 16,678,169</b>	<b>\$ 18,018,977</b>

Source: The Issuer

Note: 2016 financials are from the unapproved Audit for fiscal year ending September 30, 2016 audit. The Town Administration has reviewed the unapproved audit and believes that the numbers shown will not change between now and the approval date.

**MUNICIPAL SALES TAX**

**TABLE 10**

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 the 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 (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. Re-allocated collections began in October, 2006.

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 8 ¼%, including the State portion 6 ¼%, 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%	
						Economic and Community Development	0.25% Crime Prevention
2007	\$ 948,672 <sup>(a)</sup>	474,336	118,584	18.55%	0.08	355,752 <sup>(a)</sup>	N/A
2008	952,191 <sup>(a)</sup>	476,096	119,024	16.33%	0.07	357,072 <sup>(a)</sup>	N/A
2009	919,647 <sup>(a)</sup>	459,824	114,956	16.17%	0.07	344,868 <sup>(a)</sup>	N/A
2010	1,059,364 <sup>(a)</sup>	529,682	132,420	17.17%	0.08	397,261 <sup>(a)</sup>	N/A
2011	997,580 <sup>(a)</sup>	498,790	124,698	14.06%	0.07	374,093 <sup>(a)</sup>	N/A
2012	1,181,846 <sup>(a)</sup>	590,923	147,731	15.24%	0.08	443,192 <sup>(a)</sup>	N/A
2013	1,173,134 <sup>(a)</sup>	586,567	146,642	13.94%	0.07	432,422 <sup>(a)</sup>	N/A
2014	1,153,125 <sup>(b)</sup>	658,929	164,732	14.18%	0.07	329,464 <sup>(b)</sup>	145,941 <sup>(b)</sup>
2015	1,280,578 <sup>(b)</sup>	731,759	182,940	13.72%	0.07	365,879 <sup>(b)</sup>	171,321 <sup>(b)</sup>
2016	1,419,227 <sup>(b)</sup>	810,987	202,747	13.56%	0.07	405,493 <sup>(b)</sup>	198,725 <sup>(b)</sup>

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

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

Sources: Texas Comptroller of Public Accounts Website and the Issuer.

**CLASSIFICATION OF ASSESSED VALUATION**

**TABLE 11**

Category	2016-17	% of Total	2015-16	% of Total	2014-15	% of Total	2013-14	% of Total	2012-13	% of Total
Real, Residential, Single-Family <sup>(a)</sup>	\$ 1,639,838,132	87.91%	\$ 1,461,137,142	88.30%	\$ 1,263,994,600	87.69%	\$ 1,070,584,862	85.82%	\$ 916,419,496	84.32%
Real, Residential, Multi-Family	19,087,197	1.02%	17,623,254	1.07%	14,344,144	1.00%	12,663,305	1.02%	11,632,333	1.07%
Real, Vacant Lots/Tracts	19,038,453	1.02%	14,640,566	0.88%	27,741,144	1.92%	27,051,896	2.17%	17,176,207	1.58%
Real, Acreage (Land Only)	2,644,749	0.14%	497,683	0.03%	478,428	0.03%	889,893	0.07%	12,157,137	1.12%
Real Farm & Ranch Improvements	2,579,282	0.14%	6,905,808	0.42%	8,026,735	0.56%	10,072,124	0.81%	-	0.00%
Real, Commercial / Industrial	103,856,843	5.57%	71,317,707	4.31%	62,650,671	4.35%	57,179,969	4.58%	51,405,527	4.73%
Real, Minerals / Oil and Gas	-	0.00%	99,767	0.01%	129,085	0.01%	188,401	0.02%	230,023	0.02%
Real & Tangible, Personal Utilities	9,278,665	0.50%	8,984,428	0.54%	2,004,938	0.14%	7,881,848	0.63%	7,245,158	0.67%
Tangible Personal, Commercial & Industrial	20,519,773	1.10%	18,881,926	1.14%	14,641,527	1.02%	17,602,313	1.41%	16,635,477	1.53%
Real / Residential Inventory	14,878,235	0.80%	18,931,877	1.14%	12,306,725	0.85%	10,373,143	0.83%	19,058,602	1.75%
Totally Exempt Property	33,680,049	1.81%	35,679,597	2.16%	35,181,230	2.44%	33,051,947	2.65%	34,878,811	3.21%
<b>Total Appraised Value</b>	<b>\$ 1,865,401,378</b>	<b>100.00%</b>	<b>\$ 1,654,699,755</b>	<b>100.00%</b>	<b>\$ 1,441,499,227</b>	<b>100.00%</b>	<b>\$ 1,247,539,701</b>	<b>100.00%</b>	<b>\$ 1,086,838,771</b>	<b>100.00%</b>
<b>Less Exemptions:</b>										
Local Optional Over-65/Disabled Homestead	\$ 28,818,239		\$ 27,385,970		\$ 24,805,767		\$ 23,219,814		\$ 21,405,403	
Disabled and Deceased Veterans	7,628,603		5,780,104		4,325,415		3,678,985		3,598,990	
Productivity Value Loss	472,058		472,022		472,058		882,268		4,042,175	
10% Homestead Cap Loss <sup>(a)</sup>	17,584,578		16,971,984		7,873,723		1,787,641		2,702,243	
House Bill 366 Exempt Property	7,532		424,635		134,456		460,107		4,300	
Pollution Control/Other	9,000		-		-		-		-	
Totally Exempt Property	36,873,100		35,254,962		35,046,774		32,591,840		34,874,511	
Total Exemptions	91,393,110		86,289,677		72,658,193		62,620,655		66,627,622	
<b>Net Taxable Assessed Valuation</b>	<b>\$ 1,774,008,268</b>		<b>\$ 1,568,410,078</b>		<b>\$ 1,368,841,034</b>		<b>\$ 1,184,919,046</b>		<b>\$ 1,020,211,149</b>	
Freeze Loss for Over 65 / Disabled	(227,349,243)		(198,107,409)		(161,129,798)		(139,099,755)		(121,019,092)	
<b>Net Taxable Assessed Valuation after Freeze Loss</b>	<b>\$ 1,546,659,025</b>		<b>\$ 1,370,302,669</b>		<b>\$ 1,207,711,236</b>		<b>\$ 1,045,819,291</b>		<b>\$ 899,192,057</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.

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 and Information from the Issuer.

**PRINCIPAL TAXPAYERS 2016-2017**

**TABLE 12**

<u>Name</u>	<u>Type of Business</u>	<u>2016 Net Taxable Assessed Valuation</u>	<u>% of Total 2016 Assessed Valuation</u>
Trophy Club Medial Center LP	Medical Building	\$ 18,000,000	1.16%
Trophy Club 12 LLC	Real Estate Development	14,500,000	0.94%
Armore Trophy Club LLC	Real Estate Development	10,759,326	0.70%
Trophy Lodging	Hotel	10,090,000	0.65%
Hydra Hotels LLC	Hotel	6,792,937	0.44%
Trophy Club Equities LLC	Mixed Use Office Building	6,547,680	0.42%
CW Trophy LLC	Real Estate Development	6,250,000	0.40%
Shri Siddhi Vinayak LLC	Real Estate Development	5,854,660	0.38%
Oncor Electric	Utility	5,474,193	0.35%
First Texas Homes, Inc.	Home Builder	5,393,413	0.35%
<b>Total</b>		<b>\$ 89,662,209</b>	<b>5.80%</b>

Based on a 2016 Freeze Adjusted Net Taxable Assessed Valuation of \$ 1,546,659,025

Source: Denton & Tarrant Central Appraisal Districts and the Issuer.

**PROPERTY TAX RATES AND COLLECTIONS**

**TABLE 13**

<u>Tax Year</u>	<u>Net Taxable Assessed Valuation</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>% Collections<sup>(a)</sup></u>		<u>Fiscal Year Ended</u>
				<u>Current</u>	<u>Total</u>	
2007	\$ 728,999,969	0.430510	\$ 3,650,949	99.19%	99.97%	9-30-08
2008	789,440,500	0.455510	3,563,202	98.93%	99.97%	9-30-09
2009	840,801,505	0.470000	3,864,014	99.29%	99.95%	9-30-10
2010	873,332,464	0.515000	4,446,960	99.27%	99.85%	9-30-11
2011	929,165,550	0.530000	4,858,136	99.59%	99.87%	9-30-12
2012	1,020,211,149	0.518543	5,259,719	99.71%	99.86%	9-30-13
2013	1,184,919,046	0.499300	5,904,591	99.41%	99.85%	9-30-14
2014	1,368,841,034	0.490000	6,665,119	99.66%	99.83%	9-30-15
2015	1,568,410,078	0.484000	7,477,394	99.72%	99.72%	9-30-16
2016	1,774,008,268	0.473000	6,153,131	98.81% <sup>(b)</sup>	98.89%	9-30-17

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

<sup>(b)</sup> As of February 28, 2017.

Source: Denton & Tarrant Appraisal Districts, Denton County Tax Assessor/Collector and The Issuer.

**TAX RATE DISTRIBUTION**

**TABLE 14**

	<u>2016-2017</u>	<u>2015-2016</u>	<u>2014-2015</u>	<u>2013-2014</u>	<u>2012-2013</u>
General Fund	\$0.363000	\$0.374000	\$0.380000	\$0.384300	\$0.403543
I & S Fund	0.110000	0.110000	0.110000	0.115000	0.115000
<b>TOTAL</b>	<b>\$0.473000</b>	<b>\$0.484000</b>	<b>\$0.490000</b>	<b>\$0.499300</b>	<b>\$0.518543</b>

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

**TAXABLE ASSESSED VALUATION FOR TAX YEARS 2007-2016**

**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>
2007	\$ 728,999,969	62,547,649	9.39%
2008	789,440,500	60,440,531	8.29%
2009	840,801,505	51,361,005	6.51%
2010	873,332,464	32,530,959	3.87%
2011	929,165,550	55,833,086	6.39%
2012	1,020,211,149	91,045,899	9.80%
2013	1,184,919,046	164,707,597	16.14%
2014	1,368,841,034	183,921,988	15.52%
2015	1,568,410,078	199,569,044	14.58%
2016	1,774,008,268	205,598,190	13.11%

<sup>(a)</sup> Excludes freeze.

Source: Denton & Tarrant Appraisal Districts and Denton County Tax Assessor/Collector

**DIRECT AND OVERLAPPING DEBT DATA INFORMATION**

**TABLE 16**

(As of February 28, 2017)

<u>Taxing Body</u>	<u>Gross Debt</u>		<u>Amount</u>
	<u>Principal</u>	<u>% Overlapping</u>	
Carroll ISD	\$ 192,030,246	0.17%	\$ 326,451
Denton County	608,895,000	1.98%	12,056,121
Northwest Independent School District	716,987,028	10.11%	72,487,389
Tarrant County	344,185,000	0.06%	206,511
Tarrant County Hospital District	20,835,000	0.06%	12,501
Trophy Club MUD #1	10,160,000	83.67%	8,500,872
Total Overlapping Debt Principal	\$ 1,893,092,274		\$ 93,589,845
Town of Trophy Club	25,836,000 <sup>(a)</sup>	100.00%	25,836,000 <sup>(a)</sup>
<b>Total Gross Direct and Overlapping Debt Principal</b>	<b>\$ 1,918,928,274</b>		<b>\$ 119,425,845 <sup>(a)</sup></b>
Ratio of Direct and Overlapping Debt Principal to 2016 Freeze Adjusted Net Taxable Assessed Valuation			7.72% <sup>(a)</sup>
Ratio of Direct and Overlapping Debt Principal to 2016 Actual Market Value			6.40% <sup>(a)</sup>
Per Capita Gross Direct and Overlapping Debt			\$ 9,595.52 <sup>(a)</sup>

Note: The above figures show Gross General Obligation Debt Principal for the Town of Trophy Club.

The Issuer's Net General Obligation Debt Principal is	\$ 22,226,000 <sup>(b)</sup>
Calculations on the basis of the Issuer's Net General Obligation Debt would change the above figures as follows:	
Total Net Direct and Overlapping Debt Principal is	<b>\$ 115,815,845 <sup>(b)</sup></b>
Ratio of Direct and Overlapping Debt Principal to 2016 Freeze Adjusted Net Taxable Assessed Valuation	7.49% <sup>(b)</sup>
Ratio of Direct and Overlapping Debt Principal to 2016 Actual Market Value	6.21% <sup>(b)</sup>
Per Capita Direct and Overlapping Debt	\$ 9,305.47 <sup>(b)</sup>

<sup>(a)</sup> Includes the Certificates and self-supporting debt. (See "TABLE 2 - GENERAL OBLIGATION BONDED DEBT" herein.)

<sup>(b)</sup> Includes the Certificates but excludes self-supporting debt. (See "TABLE 2 - GENERAL OBLIGATION BONDED DEBT" herein.)

Source: The most recent Texas Municipal Report published by the Municipal Advisory Council of Texas.

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

**TABLE 17**

<u>Governmental Entity</u>	<u>2016 Net Taxable Assessed Valuation</u>	<u>% of Actual</u>	<u>2016 Tax Rate</u>
Carroll ISD	\$ 7,408,797,867	100%	\$ 1.390000
Denton County	78,259,024,841	100%	0.248000
Northwest Independent School District	12,620,107,909	100%	1.453000
Tarrant County	143,208,841,539	100%	0.254000
Tarrant County College District	143,670,377,088	100%	0.145000
Tarrant County Hospital District	143,387,710,471	100%	0.228000
Trophy Club MUD #1	1,357,277,374	100%	0.127000

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

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

**TABLE 18**

<u>Taxing Body</u>	<u>Date</u>		<u>Amount</u>	<u>Issued</u>	<u>Unissued</u>
	<u>Authorized</u>	<u>Purpose</u>	<u>Authorized</u>	<u>To Date</u>	
Denton County	01/16/99	Road	\$ 85,320,000	\$ 77,629,375	\$ 7,690,625
	05/15/04	Equipment	2,000,000	-	2,000,000
	11/04/08	Road	310,000,000	259,555,447	50,444,553
	11/04/08	County Buildings	185,000,000	126,726,882	58,273,118
			<u>\$ 582,320,000</u>	<u>\$ 463,911,704</u>	<u>\$ 118,408,296</u> (a)
Northwest ISD	05/10/08	School Building	\$ 260,000,000	\$ 215,000,000	\$ 45,000,000
	11/06/12	School Building	255,000,000	200,000,000	55,000,000
			<u>\$ 515,000,000</u>	<u>\$ 415,000,000</u>	<u>\$ 100,000,000</u>
Tarrant County	08/08/98	Law Enforcement Center	\$ 70,600,000	\$ 63,100,000	\$ 7,500,000
	08/08/98	Healthcare Facility	9,100,000	1,000,000	8,100,000
	05/13/06	County Buildings	62,300,000	47,300,000	15,000,000
			<u>\$ 142,000,000</u>	<u>\$ 111,400,000</u>	<u>\$ 30,600,000</u> (b)
Tarrant County College District	None				
Tarrant County Hospital District	None				
Trophy Club MUD #1	10/29/88	Water and Sewer	<u>\$ 2,500,000</u>	<u>\$ 2,495,783</u>	<u>\$ 4,217</u> (c)
			<u>\$ 2,500,000</u>	<u>\$ 2,495,783</u>	<u>\$ 4,217</u> (c)

(a) Includes premiums received in connection with these obligations which the County has elected to apply all to the voted authorization, thereby reducing the unissued balance to the amount indicated above.

(b) Excludes authorizations from the following election propositions (s) because the remaining authorization is deemed too small or too old: 04/04/1987 - \$ 500,000 Courthouse Improvements

(c) The District does not plan to issue this remaining authorization.

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

**AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF THE ISSUER**

**TABLE 19**

<u>Taxing Body</u>	<u>Date</u>	<u>Purpose</u>	<u>Amount</u>	<u>Issued</u>	<u>This</u>	<u>Unissued</u>
	<u>Authorized</u>		<u>Authorized</u>	<u>To Date</u>	<u>Issue</u>	
Trophy Club, Town of	None					

Source: The 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**

	<b>Fiscal Year Ended September 30</b>				
	<b>Unaudited</b>				
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Revenues:</b>					
Ad Valorem Taxes	\$ 5,769,797	\$ 5,205,437	\$ 4,547,901	\$ 4,149,900	\$ 3,852,874
Sales and Beverage Taxes	821,227	751,510	662,722	609,888	606,714
Franchise Taxes	953,622	811,052	772,621	718,952	693,722
Licenses, Permits, Fees and Fines	598,586	697,378	904,251	968,285	1,128,234
Intergovernmental	-	126,134	376,470	158,987	119,972
Charges for Services	300,337	282,957	596,188	592,146	668,146
Fines	356,307	574,558	118,771	160,614	149,134
Investment Income	33,477	7,829	2,942	4,921	5,632
Miscellaneous	259,315	88,993	183,172	336,497	299,807
Grant Revenue	-	73,343	58,892	75,599	-
<b>Total Revenues</b>	<b>\$ 9,092,668</b>	<b>\$ 8,619,191</b>	<b>\$ 8,223,930</b>	<b>\$ 7,775,789</b>	<b>\$ 7,524,235</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Emergency Medical Services	\$ 907,161	\$ 824,881	\$ 808,788	\$ 768,367	\$ 695,139
Manager's Office	826,562	1,030,977	829,603	707,166	636,758
Human Resources	159,216	99,862	74,282	102,771	94,839
Finance	400,642	345,775	392,220	372,816	528,143
Information Services	469,364	400,866	333,769	342,319	330,204
Legal	307,245	176,384	196,520	171,157	154,236
Court	75,421	80,754	79,573	68,731	78,929
Police	2,168,115	1,971,431	2,015,923	2,068,309	1,638,863
Recreation	569,445	539,987	542,178	543,762	518,440
Facilities Management	99,528	108,065	81,550	75,344	65,341
Parks	1,308,277	1,240,250	1,280,781	947,734	1,141,216
Community Development	576,508	516,035	326,821	319,168	248,339
Streets	356,472	346,965	403,868	766,411	-
Planning and Zoning	-	-	260,939	257,138	233,134
Fire	-	-	-	-	417,998
Capital Outlay	201,697	301,791	82,670	-	-
<b>Total Expenditures</b>	<b>\$ 8,425,653</b>	<b>\$ 7,984,023</b>	<b>\$ 7,709,485</b>	<b>\$ 7,511,193</b>	<b>\$ 6,781,579</b>
Excess (Deficit) of Revenues Over Expenditures	\$ 667,015	\$ 635,168	\$ 514,445	\$ 264,596	\$ 742,656
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In	\$ 111,702	\$ 11,000	\$ 11,000	\$ 12,300	\$ 64,019
Operating Transfers Out	(275,744)	-	(10,818)	(780,734)	(100,615)
Capital Lease Proceeds	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (164,042)</b>	<b>\$ 11,000</b>	<b>\$ 182</b>	<b>\$ (768,434)</b>	<b>\$ (36,596)</b>
Excess (Deficit) of Revenues/Other Sources Sources Over Expenditures/Other Uses	502,973	646,168	514,627	(503,838)	706,060
Beginning Fund Balance (restated)	3,691,189	3,045,021	2,530,394 <sup>(a)</sup>	3,131,102 <sup>(a)</sup>	2,642,792
<b>Ending Fund Balance</b>	<b>\$ 4,194,162</b>	<b>\$ 3,691,189</b>	<b>\$ 3,045,021</b>	<b>\$ 2,627,264</b>	<b>\$ 3,348,852 <sup>(a)</sup></b>
<b>Less: Constraints on Fund Balance</b>					
Reservations of Fund Balance*	-	-	-	-	-
Nonspendable	-	(1,816)	(796)	(796)	(796)
Restricted	-	-	-	-	-
Assigned for capital expenditures	-	(228,138)	(228,138)	(228,138)	(228,138)
Committed for Police	-	(200,000)	-	-	-
<b>Total Assigned Fund Balance</b>	<b>\$ -</b>	<b>\$ (429,954)</b>	<b>\$ (228,934)</b>	<b>\$ (228,934)</b>	<b>\$ (228,934)</b>
<b>Ending Unassigned Fund Balance</b>	<b>\$ 4,194,162</b>	<b>\$ 3,261,235</b>	<b>\$ 2,816,087</b>	<b>\$ 2,398,330</b>	<b>\$ 3,119,918</b>

<sup>(a)</sup> Restated

\* 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.

Note: 2016 financials are from the unapproved Audit for fiscal year ending September 30, 2016 audit. The Town Administration has reviewed the unapproved audit and believes that the numbers shown will not change between now and the approval date.

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**APPENDIX B**

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

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

**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 2010 Census was 10,500, which is a 60.5% increase over the 2000 Census. The Town's current population estimate is 12,446.

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



**Population Trends:**

<b>Census Report</b>	<b>Town of Trophy Club</b>	<b>Denton County</b>
Current Estimate	12,446	806,180
2010	10,500	662,614
2000	6,350	432,976
1990	3,922	273,525
1980	N/A	143,126

*Sources: U.S. Census Bureau and the Issuer.*

**Principal Employers in the Town of Trophy Club:**

<u>Employer</u>	<u>Product or Type of Business</u>	<u>Number of Employees (2016)</u>
Northwest Independent School District	Public School District	472
Baylor Medical Center at Trophy Club	Healthcare Services	223
Trophy Club Country Club	Country Club and Golf Course	215
Town of Trophy Club	Municipal Government	181
Tom Thumb	Retail Grocery	75
Christina's Mexican Restaurant	Restaurant	55
Premier Academy - Trophy Club	Preschool	45
Fellowship United Methodist Church	Church	43
Trophy Lake Academy	Preschool	30
Merryhill Preschool	Church	25

*Source: The Issuer*

**Trophy Club Public Improvement District**

Trophy Club Public Improvement District No. 1 (the "PID") was created principally to finance certain improvement projects for the remaining portions of the residential component of a master-planned residential community located within the boundaries of the Town known as "The Highlands at Trophy Club" (the "Development"). The PID is located entirely within the Town limits and is not a political subdivision of the State and does not function as an autonomous entity, but rather is a part of the Town. The PID is also located within the boundaries of the Development and contains approximately 610 of the 697 acres of the Development, and is located 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 District contains approximately 129 acres of land for parks and open space. Hiking and biking trails are located within the open spaces, as well as cart path access to the Trophy Club Country Club. Pocket parks surround the hiking and biking trails, which parks include benches, gazebos, picnic tables and activity areas for children, along with other small park amenity items. The Development remains under construction but is almost entirely built out. At final build-out, the Development will be comprised of approximately 1,408 residential units, two parks, entry monuments and associated rights-of-way, landscaping and infrastructure necessary to provide roadways, drainage and utilities to the Development. The Town has levied assessments within the PID. Such assessments are billed to the residents within the PID on their annual property tax bills. The Town has issued revenue bonds backed by a pledge of the assessments to fund certain public infrastructure within the PID. In 2015, the Town issued assessment revenue bonds to refinance the original assessment bonds. Such assessments are pledged only to assessment revenue bonds and are not available to pay debt service on the Town's ad valorem tax bonds.

**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 17 primary schools for grades pre- kindergarten through fifth, 5 middle schools for grades sixth through eighth, 4 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 has an estimated enrollment of 21,029 students.

*Source: Information from the Town of Trophy Club*

**Residential and Commercial Building Construction:**

Fiscal Year Ended 9-30	Residential <sup>(a)</sup>		Commercial <sup>(b)</sup>		Total	
	Number of Permits	AV Property Value \$\$ Amount	Number of Permits	AV Property Value \$\$ Amount	Number of Permits	AV Property Value \$\$ Amount
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
2014	193	99,698,578	5	15,295,596	198	114,994,174
2015	154	77,663,874	2	10,804,300	156	88,648,194
2016	118	62,254,440	7	14,765,380	125	77,019,820
2017*	17	9,852,571	0	0	17	9,852,571

<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.

\* Current fiscal year figures are as of March 30, 2017 (unaudited)

Sources: The Issuer.

**DENTON COUNTY**

**General**

Denton County (the “County”) is located in north central Texas. The County was created in 1846 from Fannin County. The 2010 Census was 662,614, which is a 53.0% increase since 2000. The current population estimate for the County is 806,180, according to the U.S., Census website. 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.

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.

**Labor Force Statistics:**

	Denton County		State of Texas	
	February 2017	February 2016	February 2017	February 2016
Civilian Labor Force	453,943	437,197	13,466,399	13,185,966
Total Employed	436,251	422,691	12,777,968	12,604,648
Total Unemployed	17,692	14,506	688,431	581,318
% Unemployed	3.9%	3.3%	5.1%	4.4%
% Unemployed (United States)	4.9%	5.2%	4.9%	5.2%

Source: Texas Workforce Commission, Labor Market Information Department.

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**APPENDIX C**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

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[Form of Bond Counsel Opinion]

[Date]

\$4,445,000

TOWN OF TROPHY CLUB, TEXAS  
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION  
SERIES 2017

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 2016, dated June 1, 2017, issued in the principal amount of \$4,445,000.

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 otherwise 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**

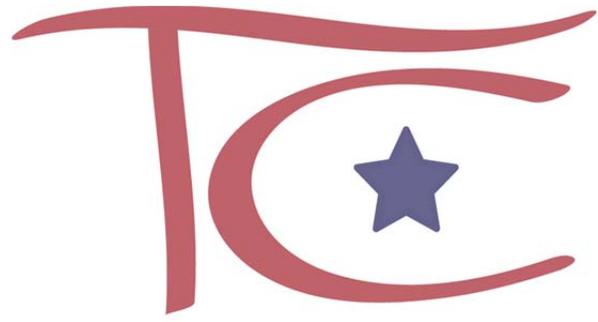
**THE ISSUER'S GENERAL PURPOSE AUDITED FINANCIAL STATEMENTS FOR THE  
FISCAL YEAR ENDED SEPTEMBER 30, 2015**

(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.)

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**TOWN OF TROPHY CLUB, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2015**

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



TOWN OF  
TROPHY CLUB

**TOWN OF TROPHY CLUB, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

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March 11, 2016

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

The Town's Finance Department has prepared a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) which were audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The Comprehensive Annual Financial Report (CAFR) for the Town of Trophy Club, Texas for the fiscal year ended September 30, 2015 is hereby issued.

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

The Town's financial records have been audited by Weaver LLP, Certified Public Accountants, as required by the Town Charter. This CAFR has been prepared based upon those audited records. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town are presented fairly, in all material respects, for the fiscal year ended September 30, 2015. This independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town's financial statements for the fiscal year ended September 30, 2015, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the report of the independent auditor.

### **Profile of the Town**

The Town of Trophy Club, Texas incorporated in 1985 as Texas' first premiere master planned community, is located in the North Central portion of Texas. This area of the State has proven to be one of the top growth areas in Texas and the United States. The Town currently occupies a land area

of just over 4 square miles and serves a growing population of approximately 13,000. The Town is empowered to levy a property tax on real property located within its boundaries. Trophy Club is also empowered, by State statute, to extend its corporate limits by annexation, which has occurred periodically when deemed appropriate by the governing council of the Town.

Trophy Club has operated as a Home Rule municipality utilizing the Council-Manager form of government since 2004. With the Charter Amendments passed at the May 11, 2013 election policy-making and legislative authority are vested in the Town Council consisting of the Mayor and six other council members. The Town Council is responsible for, among other things, passing ordinances, adopting the budget, appointing boards and committees, and hiring the Town Manager, Town Secretary, Municipal Judge, and Town Attorney. The Town Council is elected on a non-partisan basis. With the Charter Amendments passed at the May 9, 2009 election, Council members are elected from the Town at-large-by-place in the manner, for a term of three (3) years or until their successors have been elected and take office. Each Council member shall be elected to and occupy a place on the Council, such Places being numbered (e.g., Place 1, Place 2, Place 3, etc.). No person shall serve as Mayor or Council member for successive elected full terms totaling more than six years. The Town Manager is responsible for carrying out the policies and ordinances of the Town Council, overseeing the day-to-day operations of the government and for appointing the heads of the various Town departments.

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

### **Local Economy**

Fast-paced growth is one of the Town's identifying characteristics, identified by both the Dallas Business Journal and Fort Worth Builders Association. Trophy Club's location between DFW and Alliance Airports is ideal for businesses and residents, as well as those who commute to Dallas, Denton, Las Colinas, and Fort Worth. Trophy Club maintains a small-town, picturesque feel while taking advantage of nearby metro areas. The Town offers an outstanding quality of life, with great educational and recreational amenities as well as two 18-hole premier golf courses including the only course designed by Ben Hogan.

The North Texas region possesses diverse research and education institutions, logistics, oil and gas, manufacturing and industrial, and a professional services base that has contributed to the relative stability of the unemployment rate with approximately half of the local workforce employed in management, professional, and related occupations. Figures from the Bureau of Labor Statistics indicate a Denton County unemployment rate of 3.2% while the national unemployment rate is 5.0% as of December 2015.

Trophy Club has worked diligently to position itself for a significant future within DFW and the Alliance corridor. The Town has issued over 1,000 building permits for high end homes over the past 5 years, with another 100 building permits anticipated for Fiscal Year 2016. Additionally, the Town's tax base exceeded \$1.2 billion net taxable value in 2015. Business growth continues to be strong in Trophy Club and the Highway 114 region. The Town directly benefits from those businesses locating within the Town or professionals moving to our neighborhoods who work at nearby corporations.

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

In FY 2015 the Town refunded the 2007 General Obligation bonds and realized interest savings in the amount of \$218,561. Additionally, in FY 2015, the 4B Economic Development Corporation issued \$2,690,000 in Certificates of Obligation for the purpose of economic development in town. In November of 2015, residents approved a \$5.4M General Obligation bond package for the

construction of a new joint Town Hall and Police Facility. The Town plans to issue a total of \$9.8M in debt in 2016 for the joint facility and street and drainage improvements. In December of 2015, the Town refunded the Trophy Club Public Improvement District #1 (PID) bonds which will help residents of the PID realize over \$16.4M in savings over the life of the debt.

## **Budgeting Process**

The Town of Trophy Club uses a program-based budgeting process. Each budgeting unit provides for the expenditures associated with services and supplies appropriated for in the prior year budget. Personnel expenditures are compiled by the Finance and Human Resource departments. Any funding request that represents new expenditures and programs must be submitted as a separate supplemental request. Capital items are funded based on a replacement schedule, need, and available resources.

### *Revenue Projection*

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

### *Proposed Budget Analysis/Compilation*

The Finance Department reviews and compiles a preliminary departmental budget to present to the Budget Team, which is comprised of the Town Manager, Assistant Town Manager/CFO, Controller, and Strategic Services Coordinator. During Budget Team discussions, each department director answers questions from the entire group concerning their budget.

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

### *Proposed Budget Development*

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

### *Town Council Budget Study*

Each fund's information, supplemental items, capital replacement data, and the five-year capital improvement program are presented individually to the Council during Council meetings from May until the budget is adopted. This approach allows the Council to discuss items and give direction prior to the proposed budget being submitted.

### *Capital Program*

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

### *Public Hearing/Budget Adoption*

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

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

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

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

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

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

### **Relevant Financial Policies**

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

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

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

In December 2013, Town Council adopted a debt management policy in order to provide parameters for the issuance and management of debt used to construct or acquire major capital assets.

## Major Initiatives

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

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

## Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Trophy Club for its CAFR for the fiscal year ended September 30, 2014. This was the fifth consecutive year that the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

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

Respectively submitted,



Stephen Seidel  
Town Manager



Steven Glickman, CPA  
Assistant Town Manager/CFO



## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2015, 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the Town, as of September 30, 2015, 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.

### ***Change in Accounting Principle***

As discussed in Note 14 to the financial statements, in 2015 the Town adopted new accounting guidance, GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". 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), TMRS pension schedules (pages 58-59), retiree health plan schedule of funding progress (page 60), and budgetary comparison information (pages 61-62) 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 11, 2016

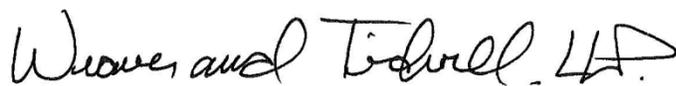
Page 3

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 11, 2016, 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 11, 2016



**TOWN OF TROPHY CLUB, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2015**

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, 2015. 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 and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended September 30, 2015, by \$57,884,288 (net position). Of this amount, \$2,442,241 (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 \$2,656,304 primarily as a result of developer contributions in the amount of \$1,254,997 and operating grants in the amount of \$550,495.
- The Town's governmental funds reported combined ending fund balances of \$6,223,583.
- The unassigned portion of the General Fund balance at the end of the year was \$3,261,235 or 40.8% of total General Fund expenditures.
- The governmental long-term debt obligations of the Town decreased by \$908,000 during the fiscal year. This decrease was comprised primarily of debt service principal payments totaling \$1,088,000 offset by the difference in new bonds issued of \$2,030,000 and bonds retired of \$1,850,000 in a refunding.

**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, liabilities and deferred inflows/outflows with the difference 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, 2015**

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, community development, parks and recreation, streets, court, council and administration. Normally, these operations are financed by property taxes, sales taxes, and franchise fees.

The 4B Economic Development Corporation and Tax Increment Reinvestment Zone #1 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 funds balance sheet and the governmental funds 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 eleven individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, 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 seven 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 operations at Trophy Club Park and storm water operations. Proprietary fund financial statements provide the same type of information as the government-wide financial statements only in more detail.

*Component units* - The 4B Economic Development Corporation and Tax Increment Reinvestment Zone #1 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.

**TOWN OF TROPHY CLUB, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015**

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

**Notes to the financial statements**--The notes provide additional information that is essential to gain a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-56.

**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 58-62.

**Government-wide Financial Analysis**

At the end of fiscal year 2015, the Town's net position (assets exceeding liabilities) totaled \$57,884,288. 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, \$54,615,787 or 94.35%, 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, \$826,260 or 1.43% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$2,442,241 or 4.22% 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 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Current and other assets	\$ 7,597,775	\$ 9,428,347	\$ 532,217	\$ 914,954	\$ 8,129,992	\$ 10,343,301
Capital assets	64,431,671	62,447,934	1,687,338	1,403,885	66,119,009	63,851,819
<b>Total Assets</b>	<u>72,029,446</u>	<u>71,876,281</u>	<u>2,219,555</u>	<u>2,318,839</u>	<u>74,249,001</u>	<u>74,195,120</u>
Total deferred outflows of resources	1,001,592	33,499	-	-	1,001,592	33,499
Long-term liabilities outstanding	14,528,397	13,560,104	1,454,619	1,599,038	15,983,016	15,159,142
Other liabilities	1,257,870	1,079,232	87,959	163,715	1,345,829	1,242,947
<b>Total Liabilities</b>	<u>15,786,267</u>	<u>14,639,336</u>	<u>1,542,578</u>	<u>1,762,753</u>	<u>17,328,845</u>	<u>16,402,089</u>
Total deferred inflows of resources	37,460	-	-	-	37,460	-
<b>Net Position</b>						
Net investment in capital assets	54,101,857	53,586,441	513,930	560,931	54,615,787	54,147,372
Restricted	826,260	564,472	-	-	826,260	564,472
Unrestricted	2,279,194	\$ 3,119,531	163,047	(4,845)	2,442,241	3,114,686
<b>Total Net Position</b>	<u>\$ 57,207,311</u>	<u>\$ 57,270,444</u>	<u>\$ 676,977</u>	<u>\$ 556,086</u>	<u>\$ 57,884,288</u>	<u>\$ 57,826,530</u>

**TOWN OF TROPHY CLUB, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015**

**Changes in Net Position**--The net position of the Town increased by \$2,656,304 for the fiscal year ended September 30, 2015, exclusive of the cumulative effect of a change in accounting principle.

*Governmental Activities.* Governmental activities increased the Town's net position by \$2,535,413 from the prior year. This was primarily the result of current period benefits changes to the Town's pension plan that reduced net pension liability by \$1,544,038.

*Business-type Activities.* From the prior year, net position from business-type activities increased by \$120,891. This increase is primarily due to a \$174,827 increase in net position in the Town Storm Drainage fund despite a \$27,350 transfer to other funds.

**Table 2  
Changes in Net Position**

	Governmental Activities		Business Type Activities		Total	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,454,680	\$ 1,678,867	\$ 484,874	\$ 550,617	\$ 1,939,554	\$ 2,229,484
Operating grants and contributions	550,495	423,960	-	-	550,495	423,960
Capital grants and contributions	1,254,997	761,196	-	-	1,254,997	761,196
General revenues:						
Ad valorem taxes	6,689,869	5,955,398	-	-	6,689,869	5,955,398
Sales and mixed beverage taxes	1,104,298	965,969	-	-	1,104,298	965,969
Franchise taxes	762,699	784,758	-	-	762,699	784,758
Occupancy taxes	264,708	235,796	-	-	264,708	235,796
Investment income	10,922	4,973	143	25	11,065	4,998
Miscellaneous revenues	99,872	185,922	-	26,001	99,872	211,923
<b>Total revenues</b>	<b>12,192,540</b>	<b>10,996,839</b>	<b>485,017</b>	<b>576,643</b>	<b>12,677,557</b>	<b>11,573,482</b>
<b>Expenses:</b>						
General government	125,199	164,769	-	-	125,199	164,769
Town storm drainage	234,339	231,370	-	-	234,339	231,370
Emergency medical services	523,448	890,454	-	-	523,448	890,454
Manager's office	816,283	838,182	-	-	816,283	838,182
Human resources	74,861	74,282	-	-	74,861	74,282
Finance	299,044	393,946	-	-	299,044	393,946
Information systems	397,002	364,415	-	-	397,002	364,415
Legal	135,495	196,520	-	-	135,495	196,520
Police	1,713,150	2,147,093	-	-	1,713,150	2,147,093
Court	70,011	88,030	-	-	70,011	88,030
Recreation	487,874	564,180	-	-	487,874	564,180
Facilities management	108,065	81,550	-	-	108,065	81,550
Parks	1,766,108	1,991,664	-	-	1,766,108	1,991,664
Community development	436,090	358,334	-	-	436,090	358,334
Planning and zoning	-	261,875	-	-	-	261,875
Streets	1,716,531	1,764,396	-	-	1,716,531	1,764,396
Water and sewer	319,054	311,677	-	-	319,054	311,677
Interest on long-term debt	469,923	412,561	-	-	469,923	412,561
Trophy Club Park	-	-	123,445	134,625	123,445	134,625
Storm drainage	-	-	205,331	103,001	205,331	103,001
<b>Total expenses</b>	<b>9,692,477</b>	<b>11,135,298</b>	<b>328,776</b>	<b>237,626</b>	<b>10,021,253</b>	<b>11,372,924</b>
<b>Increase (decrease) in net position before transfers</b>	<b>2,500,063</b>	<b>(138,459)</b>	<b>156,241</b>	<b>339,017</b>	<b>2,656,304</b>	<b>200,558</b>
<b>Transfers</b>	<b>35,350</b>	<b>28,607</b>	<b>(35,350)</b>	<b>(28,607)</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in net position</b>	<b>2,535,413</b>	<b>(109,852)</b>	<b>120,891</b>	<b>310,410</b>	<b>2,656,304</b>	<b>200,558</b>
<b>Net Position - Beginning, as previously stated</b>	<b>57,270,444</b>	<b>57,541,169</b>	<b>556,086</b>	<b>283,440</b>	<b>57,826,530</b>	<b>57,824,609</b>
<b>Cumulative effect of change in accounting principle</b>	<b>(2,598,546)</b>	<b>(160,873)</b>	<b>-</b>	<b>(37,764)</b>	<b>(2,598,546)</b>	<b>(198,637)</b>
<b>Net Position - Ending</b>	<b>\$ 57,207,311</b>	<b>\$ 57,270,444</b>	<b>\$ 676,977</b>	<b>\$ 556,086</b>	<b>\$ 57,884,288</b>	<b>\$ 57,826,530</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.

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 \$6,223,583.

**TOWN OF TROPHY CLUB, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2015**

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 \$3,261,235. The fund balance of the General Fund increased by \$646,168 during the fiscal year. The increase can be attributed to budgeted transfers out to the capital projects fund not occurring during the fiscal year. Revenue categories experiencing significant increases/decreases include:

- Property tax revenue increased from the previous year - \$657,536
- Sales tax revenue increased from the previous year - \$88,788
- Franchise tax revenue increased from the previous year - \$38,431
- Licenses and permits decreased from the previous year - \$206,873

The Debt Service Fund experienced an increase of \$450 in fund balance. Funds are restricted for the payment of debt service. The Capital Projects Fund experienced a decrease in fund balance of \$2,810,727, which is due to the construction of major capital assets with debt proceeds obtained in prior years. Other governmental funds had a total increase in fund balance of \$257,312. This increase was primarily due to increased collection of hotel occupancy taxes.

In the General Fund, the Town originally budgeted for a fund balance decrease in the current year of \$144,245. Due primarily to actual revenues being more than budgeted, expenditures being less than budgeted, and transfers out being less than budgeted, the actual budget basis fund balance variance from budget was an increase of \$790,413 for fiscal year 2015.

**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 (\$52,106) at year end while the unrestricted net position of the Town Storm Drainage Fund amounted to \$215,153. 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: ad valorem taxes were \$38,971 over budget; licenses and permits were (\$13,253) under budget; revenues from sales and mixed beverage taxes were \$53,377 over budget; revenues from charges for services were (\$17,895) under budget; and miscellaneous revenue was (\$29,557) under budget. Overall, in the general fund, actual revenues exceeded final budgeted amounts by \$30,703.

**Expenditures:** Overall expenditures were below the budgeted amount by \$374,710 in fiscal year 2015. The Police Department came in \$57,502 under budget primarily due personnel expenditure savings. The Parks Department came in \$32,870 under budget primarily due to personnel expenditure and capital outlay savings. The Manager's Office came in \$40,101 under budget due to personnel expenditure savings. The Recreation Department had a budget savings of \$66,753 due to decreased water usage and personnel savings. The Streets and Finance Departments had budget savings of \$58,907 and \$23,322 respectively, primarily due to personnel vacancies during the fiscal year.

### **Capital Assets**

**Capital Assets:** The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2015, amounts to \$66,119,009 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements other than buildings,

**TOWN OF TROPHY CLUB, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015**

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 3.6%.

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

- Construction in progress:
  - Pebble Beach, Timberline, and Pin Oak Reconstruction
  - Town Hall
- Completion of Indian Creek Drive reconstruction and Timber Ridge/Fresh Meadow drainage improvements
- Town Hall Land Purchase
- Completion of the Dino Playground at Freedom Park
- Bobcat Track Loader Purchase
- Energov software upgrade
- Laserfiche software purchase
- Two fully equipped Police vehicles
- Crosswalk flashers

**Table 3  
Capital Assets at Year-End  
Net of Accumulated Depreciation**

	Governmental Activities		Business Type Activities		Total	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Land	\$ 10,446,722	\$ 9,099,889	\$ -	\$ -	\$ 10,446,722	\$ 9,099,889
Construction in progress	635,782	722,046	78,478	1,403,885	714,260	2,125,931
Buildings	1,258,309	1,308,939	-	-	1,258,309	1,308,939
Improvements other than buildings	36,324,178	35,370,104	-	-	36,324,178	35,370,104
Machinery and equipment	959,970	761,956	22,303	-	982,273	761,956
Vehicles	301,412	360,573	-	-	301,412	360,573
Water system	4,608,935	4,784,702	-	-	4,608,935	4,784,702
Infrastructure	9,896,363	10,039,725	1,586,557	-	11,482,920	10,039,725
<b>Total</b>	<b>\$ 64,431,671</b>	<b>\$ 62,447,934</b>	<b>\$ 1,687,338</b>	<b>\$ 1,403,885</b>	<b>\$ 66,119,009</b>	<b>\$ 63,851,819</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 principal outstanding of \$13,679,000. Of this amount, \$8,305,000 comprises bonded debt backed by the full faith and credit of the Town and \$5,374,000 represents contractual obligations.

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

Bond Ratings:

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

**TOWN OF TROPHY CLUB, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015**

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

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

	Governmental Activities		Business Type Activities		Total	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
General obligation bonds	\$ 8,305,000	\$ 9,035,000	\$ -	\$ -	\$ 8,305,000	\$9,035,000
Contractual obligations	3,954,000	4,132,000	1,420,000	1,560,000	5,374,000	5,692,000
Issuance premium	115,126	130,699	34,619	39,038	149,745	169,737
Net Pension Liability	1,851,461	3,316,112	-	-	1,851,461	3,316,112
OPEB Liability	72,816	57,136	-	-	72,816	57,136
Compensated absences	229,994	205,269	-	-	229,994	205,269
Totals	<u>\$ 14,528,397</u>	<u>\$16,876,216</u>	<u>\$ 1,454,619</u>	<u>\$ 1,599,038</u>	<u>\$15,983,016</u>	<u>\$18,475,254</u>

Additional information on the Town's long-term debt can be found in the Note 6 on pages 45-48 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The Town continues to experience high residential growth as well as commercial and retail development. The Town issued 154 residential construction permits in FY 2015, a decrease of 75 from the previous year. The permits are averaging approximately \$504,000. The Town budgeted for 100 residential building permits for FY16. Residential development is expected to decrease significantly beginning in FY 2016 as the Town approaches substantial build out.

In addition to the strong residential growth, the Town is experiencing commercial development as well. Two more hotels are set to open in FY 16 as well as three new destination restaurants that should provide increased sales tax revenue for the Town.

In fiscal year 2016, General Fund revenues are budgeted to increase 4.4% over FY 2015 estimated revenues while expenditures are budgeted to increase by 7.8% over FY 2015 estimated expenditures. For fiscal year 2016, Tarrant County and Denton County certified net freeze taxable property values of \$1,380,460,699 which reflected an increase of 13.2% over the previous fiscal year 2015 net freeze taxable property values of \$1,219,626,745. The fiscal year 2016 budget decreased the ad valorem tax rate to \$0.484 per hundred dollars of assessed value, down from \$0.490 in fiscal year 2015.

**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 Assistant Town Manager, 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**

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**TOWN OF TROPHY CLUB, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 7,190,165	\$ 279,486	\$ 7,469,651	\$ 2,934,480
Sales taxes receivable	211,198	-	211,198	69,992
Ad valorem taxes receivable	68,861	-	68,861	4,211
Franchise fees receivable	74,811	-	74,811	-
Accounts receivable, net	195,911	34,494	230,405	-
Due from other governments	69,408	-	69,408	-
Internal balances	(214,395)	214,395	-	-
Prepaid items	1,816	3,842	5,658	-
Inventory	-	-	-	69,051
<b>Total current assets</b>	<b>7,597,775</b>	<b>532,217</b>	<b>8,129,992</b>	<b>3,077,734</b>
Noncurrent assets:				
Unamortized bond insurance	-	-	-	11,310
Capital Assets:				
Land	10,446,722	-	10,446,722	-
Construction in progress	635,782	78,478	714,260	-
Buildings	1,993,440	-	1,993,440	-
Improvements other than buildings	54,865,731	-	54,865,731	-
Machinery and equipment	2,012,512	24,112	2,036,624	-
Vehicles	1,154,666	-	1,154,666	-
Water System	5,362,005	-	5,362,005	-
Infrastructure	14,332,062	1,617,408	15,949,470	-
Accumulated depreciation	(26,371,249)	(32,660)	(26,403,909)	-
Total noncurrent assets	<b>64,431,671</b>	<b>1,687,338</b>	<b>66,119,009</b>	<b>11,310</b>
<b>Total assets</b>	<b>72,029,446</b>	<b>2,219,555</b>	<b>74,249,001</b>	<b>3,089,044</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	191,004	-	191,004	-
Pension contributions after measurement date	688,749	-	688,749	-
Difference in projected and actual earnings on pension assets	121,839	-	121,839	-
<b>Total deferred outflows of resources</b>	<b>1,001,592</b>	<b>-</b>	<b>1,001,592</b>	<b>-</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	601,996	84,858	686,854	450
Accrued liabilities	361,411	-	361,411	-
Interest payable	32,911	3,101	36,012	8,335
Unearned revenue, franchise fees	261,552	-	261,552	-
<b>Total current liabilities</b>	<b>1,257,870</b>	<b>87,959</b>	<b>1,345,829</b>	<b>8,785</b>
Noncurrent liabilities:				
Debt due within one year	1,448,630	149,419	1,598,049	103,673
Debt due in more than one year	11,228,306	1,305,200	12,533,506	2,559,788
Net pension liability	1,851,461	-	1,851,461	-
Total noncurrent liabilities	<b>14,528,397</b>	<b>1,454,619</b>	<b>15,983,016</b>	<b>2,663,461</b>
<b>Total liabilities</b>	<b>15,786,267</b>	<b>1,542,578</b>	<b>17,328,845</b>	<b>2,672,246</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Difference in expected and actual pension experience	37,460	-	37,460	-
<b>Total deferred inflows of resources</b>	<b>37,460</b>	<b>-</b>	<b>37,460</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	54,101,857	513,930	54,615,787	-
Restricted for:				
Anniversary Events	3,497	-	3,497	-
Court	43,422	-	43,422	-
Crime Control	134,265	-	134,265	-
Debt Service	100,627	-	100,627	-
Recreation programs	3,395	-	3,395	-
Street Maintenance	65,306	-	65,306	-
Tourism	475,748	-	475,748	-
Unrestricted	2,279,194	163,047	2,442,241	416,798
<b>Total net position</b>	<b>\$ 57,207,311</b>	<b>\$ 676,977</b>	<b>\$ 57,884,288</b>	<b>\$ 416,798</b>

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

**TOWN OF TROPHY CLUB, TEXAS  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General Government	\$ 125,199	\$ 170,688	\$ 99,964	\$ 48,377
Emergency medical services	523,448	154,325	-	-
Manager's office	816,283	5,250	-	-
Human resources	74,861	-	-	-
Finance	299,044	16,712	-	-
Information Services	397,002	-	-	-
Legal	135,495	-	-	-
Court	70,011	130,999	-	-
Police	1,713,150	4,091	250,470	-
Recreation	487,874	270,037	-	-
Facilities management	108,065	-	-	-
Parks	1,766,108	-	-	-
Community Development	436,090	702,578	-	-
Streets	1,716,531	-	200,061	970,613
Water and sewer	319,054	-	-	-
Interest on long-term debt	469,923	-	-	-
Town Storm Drainage	234,339	-	-	236,007
<b>Total governmental activities</b>	<b>9,692,477</b>	<b>1,454,680</b>	<b>550,495</b>	<b>1,254,997</b>
Business-type activities:				
Storm Drainage Utility	205,331	407,371	-	-
Trophy Club Park	123,445	77,503	-	-
Total business-type activities	328,776	484,874	-	-
<b>Total primary government</b>	<b>\$ 10,021,253</b>	<b>\$ 1,939,554</b>	<b>\$ 550,495</b>	<b>\$ 1,254,997</b>
<b>Component units:</b>				
Economic Development Corporation	\$ 299,491	\$ -	\$ -	\$ -
TIRZ #1	-	-	-	-
<b>Total component units</b>	<b>\$ 299,491</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

General revenues and transfers:

Ad valorem taxes

Sales and mixed beverage taxes

Franchise taxes

Occupancy taxes

Investment income

Miscellaneous revenues

Transfers

**Total general revenues and transfers**

Change in net position

Net position - beginning, as previously stated

Cumulative effect of change in accounting principle

Net position - ending

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

<b>Net (Expense) Revenue and Changes in Net Position</b>			
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ 193,830	\$ -	\$ 193,830	\$ -
(369,123)	-	(369,123)	-
(811,033)	-	(811,033)	-
(74,861)	-	(74,861)	-
(282,332)	-	(282,332)	-
(397,002)	-	(397,002)	-
(135,495)	-	(135,495)	-
60,988	-	60,988	-
(1,458,589)	-	(1,458,589)	-
(217,837)	-	(217,837)	-
(108,065)	-	(108,065)	-
(1,766,108)	-	(1,766,108)	-
266,488	-	266,488	-
(545,857)	-	(545,857)	-
(319,054)	-	(319,054)	-
(469,923)	-	(469,923)	-
1,668	-	1,668	-
<u>(6,432,305)</u>	<u>-</u>	<u>(6,432,305)</u>	<u>-</u>
-	202,040	202,040	-
-	(45,942)	(45,942)	-
-	156,098	156,098	-
<u>(6,432,305)</u>	<u>156,098</u>	<u>(6,276,207)</u>	<u>-</u>
\$ -	\$ -	\$ -	\$ (299,491)
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(299,491)</u>
6,689,869	-	6,689,869	10,273
1,104,298	-	1,104,298	365,764
762,699	-	762,699	-
264,708	-	264,708	-
10,922	143	11,065	537
99,872	-	99,872	-
35,350	(35,350)	-	-
<u>8,967,718</u>	<u>(35,207)</u>	<u>8,932,511</u>	<u>376,574</u>
2,535,413	120,891	2,656,304	77,083
57,270,444	556,086	57,826,530	339,715
(2,598,546)	-	(2,598,546)	-
<u>\$ 57,207,311</u>	<u>\$ 676,977</u>	<u>\$ 57,884,288</u>	<u>\$ 416,798</u>

**TOWN OF TROPHY CLUB, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015**

	<u>General</u>	<u>Debt Service</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,289,917	\$ 118,596
Ad Valorem taxes receivable	53,919	14,942
Sales taxes receivable	141,961	-
Franchise taxes receivable	74,811	-
Accounts, net	164,773	-
Due from other governments	69,408	-
Due from other Funds	77,276	-
Prepays	1,816	-
<b>Total assets</b>	<b>\$ 4,873,881</b>	<b>\$ 133,538</b>
<b>LIABILITIES</b>		
Accounts Payable	\$ 422,350	\$ -
Accrued liabilities	361,411	-
Due to other funds	3,142	-
Unearned revenue	261,552	-
<b>Total liabilities</b>	<b>1,048,455</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue-ad valorem taxes	54,084	14,996
Unavailable revenue-court fines	705	-
Unavailable revenue-emergency medical services	76,458	-
Unavailable revenue-property liens	2,990	-
<b>Total deferred inflows of resources</b>	<b>134,237</b>	<b>14,996</b>
<b>FUND BALANCES (DEFICITS)</b>		
Nonspendable for:		
Prepays	1,816	-
Restricted for:		
Debt Service	-	118,542
Capital projects	-	-
Tourism	-	-
Street maintenance	-	-
Crime control and prevention	-	-
Anniversary	-	-
Court	-	-
Committed for:		
Police	200,000	-
Recreation programs	-	-
Assigned for:		
Capital expenditures	228,138	-
Unassigned	3,261,235	-
<b>Total fund balances (deficits)</b>	<b>3,691,189</b>	<b>118,542</b>
<b>Total liabilities, deferred inflows of resources, and fund balances (deficits)</b>	<b>\$ 4,873,881</b>	<b>\$ 133,538</b>

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

<u>Capital Projects</u>	<u>Grant</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,147,705	\$ 4,134	\$ 629,813	\$ 7,190,165
-	-	-	68,861
-	-	69,237	211,198
-	-	-	74,811
-	-	31,138	195,911
-	-	-	69,408
-	-	3,142	80,418
-	-	-	1,816
<u>\$ 2,147,705</u>	<u>\$ 4,134</u>	<u>\$ 733,330</u>	<u>\$ 7,892,588</u>
\$ 171,949	\$ -	\$ 7,697	\$ 601,996
-	-	-	361,411
281,210	10,461	-	294,813
-	-	-	261,552
<u>453,159</u>	<u>10,461</u>	<u>7,697</u>	<u>1,519,772</u>
-	-	-	69,080
-	-	-	705
-	-	-	76,458
-	-	-	2,990
<u>-</u>	<u>-</u>	<u>-</u>	<u>149,233</u>
-	-	-	1,816
-	-	-	118,542
1,694,546	-	-	1,694,546
-	-	475,748	475,748
-	-	65,306	65,306
-	-	134,265	134,265
-	-	3,497	3,497
-	-	43,422	43,422
-	-	-	200,000
-	-	3,395	3,395
-	-	-	228,138
-	(6,327)	-	3,254,908
<u>1,694,546</u>	<u>(6,327)</u>	<u>725,633</u>	<u>6,223,583</u>
<u>\$ 2,147,705</u>	<u>\$ 4,134</u>	<u>\$ 733,330</u>	<u>\$ 7,892,588</u>

**TOWN OF TROPHY CLUB, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015**

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Total fund balances of governmental funds		\$6,223,583
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.		64,431,671
Long term liabilities are not due and payable in the current period and, therefore are not reported in the governmental fund financial statements. This amount is the net effect of:		
General Obligation Bonds	(8,305,000)	
Contractual Obligations	(3,954,000)	
Issuance premiums	(115,126)	
Net Pension liability	(1,851,461)	
OPEB liability	(72,816)	
Compensated absences	<u>(229,994)</u>	(14,528,397)
Deferred outflows (inflows) of resources not reported in the governmental funds:		
Deferred charge on refunding	191,004	
Pension contributions after measurement date	688,749	
Difference in projected and actual earnings on pension assets	121,839	
Difference in expected and actual pension experience	<u>(37,460)</u>	964,132
Interest payable on long-term debt does not require the use of current financial resources; therefore, interest payable is not reported as liability in the governmental funds balance sheet.		(32,911)
Revenues earned but not available within sixty days of year-end are not recognized as revenue in the fund financial statements.		149,233
Net position of governmental activities		<u><u>\$57,207,311</u></u>

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



**TOWN OF TROPHY CLUB, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2015**

	General	Debt Service	Capital Projects
<b>REVENUES</b>			
Ad valorem taxes	\$ 5,205,437	\$ 1,507,275	\$ -
Sales and mixed beverage taxes	751,510	-	-
Franchise taxes	811,052	-	-
Occupancy taxes	-	-	-
Licenses and permits	697,378	-	-
Intergovernmental	126,134	-	200,061
Charges for service	282,957	-	-
Fines and Fees	574,558	-	-
Investment income	7,829	350	2,066
Miscellaneous	88,993	-	-
Grant revenue	73,343	-	-
<b>Total revenues</b>	<b>8,619,191</b>	<b>1,507,625</b>	<b>202,127</b>
<b>EXPENDITURES</b>			
Current:			
General Government	-	-	38,558
Emergency medical services	824,881	-	-
Manager's office	1,030,977	-	-
Human resources	99,862	-	-
Finance	345,775	-	-
Information Services	400,866	-	-
Legal	176,384	-	-
Court	80,754	-	-
Police	1,971,431	-	-
Recreation	539,987	-	-
Facilities management	108,065	-	-
Parks	1,240,250	-	-
Community Development	516,035	-	-
Streets	346,965	-	-
Debt service:			
Bond Issuance Cost	-	42,736	-
Interest and Fiscal Charges	-	432,079	-
Principal retirement	-	1,088,000	-
Capital outlay:			
General Government	-	-	1,649,056
Emergency medical services	40,818	-	-
Information Services	108,436	-	-
Police	3,165	-	-
Parks	52,106	-	121,416
Community Development	46,461	-	-
Streets	50,805	-	1,203,824
<b>Total expenditures</b>	<b>7,984,023</b>	<b>1,562,815</b>	<b>3,012,854</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>635,168</b>	<b>(55,190)</b>	<b>(2,810,727)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issurance of long-term debt	-	2,030,000	-
Payment to refund bond escrow agent	-	(2,026,710)	-
Transfers in	11,000	52,350	-
Transfers out	-	-	-
<b>Total other financing source (uses)</b>	<b>11,000</b>	<b>55,640</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>646,168</b>	<b>450</b>	<b>(2,810,727)</b>
<b>Fund Balances - beginning</b>	<b>3,045,021</b>	<b>118,092</b>	<b>4,505,273</b>
<b>Fund Balances - ending</b>	<b>\$ 3,691,189</b>	<b>\$ 118,542</b>	<b>\$ 1,694,546</b>

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

Grant	Total Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 6,712,712
-	352,788	1,104,298
-	-	811,052
-	264,708	264,708
-	-	697,378
-	-	326,195
-	10,054	293,011
-	6,090	580,648
6	670	10,921
-	10,879	99,872
<u>74,348</u>	<u>-</u>	<u>147,691</u>
<u>74,354</u>	<u>645,189</u>	<u>11,048,486</u>
-	72,960	111,518
-	-	824,881
-	-	1,030,977
-	-	99,862
-	-	345,775
-	-	400,866
-	-	176,384
-	5,921	86,675
-	13,645	1,985,076
-	18,967	558,954
-	-	108,065
-	-	1,240,250
-	-	516,035
-	132,512	479,477
-	-	42,736
-	-	432,079
-	-	1,088,000
-	-	1,649,056
-	-	40,818
-	-	108,436
74,348	115,872	193,385
-	-	173,522
-	-	46,461
-	-	1,254,629
<u>74,348</u>	<u>359,877</u>	<u>12,993,917</u>
<u>6</u>	<u>285,312</u>	<u>(1,945,431)</u>
-	-	2,030,000
-	-	(2,026,710)
-	-	63,350
-	(28,000)	(28,000)
<u>-</u>	<u>(28,000)</u>	<u>38,640</u>
6	257,312	(1,906,791)
(6,333)	468,321	8,130,374
<u>\$ (6,327)</u>	<u>\$ 725,633</u>	<u>\$ 6,223,583</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, 2015**

Net change in fund balances - total governmental funds \$ (1,906,791)

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays and developer infrastructure contributions exceeded depreciation expense in the current period.

Capital outlays	3,466,307	
Asset retirements/disposals	(6,923)	
Developer infrastructure contributions	1,254,997	
Depreciation expense	<u>(2,730,644)</u>	1,983,737

The issuance of long term debt provides current financial resources to governmental funds, while the repayment of principal consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

2015 General obligation refunding bond proceeds	(2,030,000)	
Payment to refunding bond escrow agent	2,026,710	
Debt principal paid	<u>1,088,000</u>	1,084,710

Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Amortization of premium	15,573	
Amortization of deferred loss on refunding	<u>(19,205)</u>	(3,632)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Ad valorem taxes	(22,843)	
Emergency medical services	(13,359)	
Franchise fees	(48,352)	
Property liens	(676)	
Court fines	<u>(25,714)</u>	(110,944)

Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	(24,725)	
Pension costs, net	1,520,213	
Accrued interest	8,525	
OPEB	<u>(15,680)</u>	1,488,333

Change in net position of governmental activities \$ 2,535,413

**TOWN OF TROPHY CLUB, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2015**

	<b>Business-type Activities</b>		
	<b>Trophy Club Park</b>	<b>Storm Drainage Utility</b>	<b>Total Proprietary Funds</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 100	\$ 279,386	\$ 279,486
Accounts, net	1,026	33,468	34,494
Due from other funds	-	281,210	281,210
Prepays	3,842	-	3,842
<b>Total current assets</b>	<b>4,968</b>	<b>594,064</b>	<b>599,032</b>
Noncurrent assets:			
Nondepreciable capital assets	-	78,478	78,478
Infrastructure	-	1,617,408	1,617,408
Machinery and Equipment	24,112	-	24,112
Accumulated Depreciation	(1,808)	(30,852)	(32,660)
Total noncurrent assets	22,304	1,665,034	1,687,338
<b>Total assets</b>	<b>27,272</b>	<b>2,259,098</b>	<b>2,286,370</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts Payable	13,184	71,674	84,858
Due to other funds	66,194	621	66,815
Accrued Interest	-	3,101	3,101
<b>Total current liabilities</b>	<b>79,378</b>	<b>75,396</b>	<b>154,774</b>
Noncurrent liabilities:			
Debt due within one year	-	149,419	149,419
Debt due in more than one year	-	1,305,200	1,305,200
Total noncurrent liabilities	-	1,454,619	1,454,619
<b>Total liabilities</b>	<b>79,378</b>	<b>1,530,015</b>	<b>1,609,393</b>
<b>NET POSITION</b>			
Net investment in capital assets	-	513,930	513,930
Unrestricted	(52,106)	215,153	163,047
<b>Total net position</b>	<b>\$ (52,106)</b>	<b>\$ 729,083</b>	<b>\$ 676,977</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, 2015**

	<b>Business-type Activities</b>		
	<b>Trophy Club Park</b>	<b>Storm Drainage Utility</b>	<b>Total Proprietary Funds</b>
<b>OPERATING REVENUES</b>			
Charges for service	\$ 77,503	\$ 407,371	\$ 484,874
<b>Total operating revenues</b>	<u>77,503</u>	<u>407,371</u>	<u>484,874</u>
<b>OPERATING EXPENSES</b>			
Salaries and benefits	46,311	24,458	70,769
Supplies and materials	20,648	24,334	44,982
Repairs and maintenance	19,432	1,692	21,124
Utilities	8,901	-	8,901
Other operating expenses	28,153	129,058	157,211
<b>Total operating expenses</b>	<u>123,445</u>	<u>179,542</u>	<u>302,987</u>
Operating income (loss)	<u>(45,942)</u>	<u>227,829</u>	<u>181,887</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest and fiscal charges	-	(25,789)	(25,789)
Investment income	6	137	143
Total nonoperating revenues (expenses)	<u>6</u>	<u>(25,652)</u>	<u>(25,646)</u>
Income (loss) before transfers	(45,936)	202,177	156,241
Transfers out	(8,000)	(27,350)	(35,350)
Change in net position	(53,936)	174,827	120,891
<b>Total net position - beginning</b>	<u>1,830</u>	<u>554,256</u>	<u>556,086</u>
<b>Total net position - ending</b>	<u>\$ (52,106)</u>	<u>\$ 729,083</u>	<u>\$ 676,977</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, 2015**

	<b>Business-type Activities</b>		
	<b>Trophy Club Park</b>	<b>Storm Drainage Utility</b>	<b>Total Proprietary Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 76,477	\$ 407,572	\$ 484,049
Other payments	(1,808)	(30,852)	(32,660)
Payments to employees	(46,310)	(24,457)	(70,767)
Payments to suppliers	(64,008)	(206,836)	(270,844)
<b>Net cash provided (used) by operating activities</b>	<b>(35,649)</b>	<b>145,427</b>	<b>109,778</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Repayments of amounts from other funds	26,497	483,966	510,463
Transfers to other funds	(8,000)	(27,350)	(35,350)
<b>Net cash provided by noncapital financing activities</b>	<b>18,497</b>	<b>456,616</b>	<b>475,113</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(22,304)	(261,150)	(283,454)
Interest and fiscal charges paid on debt	-	(33,349)	(33,349)
Principal paid on debt	-	(140,000)	(140,000)
<b>Net cash (used) by capital and related financing activities</b>	<b>(22,304)</b>	<b>(434,499)</b>	<b>(456,803)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment earnings	6	137	143
Net cash provided by investing activities	6	137	143
Net increase (decrease) in cash and cash equivalents	(39,450)	167,681	128,231
Balances - beginning of year	39,550	111,705	151,255
Balances - end of the year	<b>\$ 100</b>	<b>\$ 279,386</b>	<b>\$ 279,486</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating Income (loss)	\$ (45,942)	\$ 227,829	\$ 181,887
Changes in assets and liabilities:			
Accounts Payable - Suppliers	9,991	(82,604)	(72,613)
Customer Receivables	(1,026)	202	(824)
Inventory	1,328	-	1,328
<b>Net cash provided (used) by operating activities</b>	<b>\$ (35,649)</b>	<b>\$ 145,427</b>	<b>\$ 109,778</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, 2015**

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	<b>Agency Fund PID No. 1 Debt Service</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,229,068
Total assets	<u>4,229,068</u>
<b>LIABILITIES</b>	
Due to debt holders	<u>4,229,068</u>
Total liabilities	<u>\$ 4,229,068</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, 2015**

	<b>4B Economic Development Corporation</b>	<b>Tax Increment Reinvestment Zone #1</b>	<b>Total Component Units</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 2,928,418	\$ 6,062	\$ 2,934,480
Sales taxes receivable	69,992	-	69,992
Ad valorem taxes receivable	-	4,211	4,211
Inventory	69,051	-	69,051
Total current assets	<u>3,067,461</u>	<u>10,273</u>	<u>3,077,734</u>
Noncurrent assets:			
Unamortized bond insurance	11,310	-	11,310
Total noncurrent assets	<u>11,310</u>	<u>-</u>	<u>11,310</u>
Total assets	<u>3,078,771</u>	<u>10,273</u>	<u>3,089,044</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	450	-	450
Interest payable	8,335	-	8,335
Total current liabilities	<u>8,785</u>	<u>-</u>	<u>8,785</u>
Noncurrent liabilities:			
Debt due within one year	103,673	-	103,673
Debt due in more than one year	2,559,788	-	2,559,788
Total noncurrent liabilities	<u>2,663,461</u>	<u>-</u>	<u>2,663,461</u>
Total liabilities	<u>2,672,246</u>	<u>-</u>	<u>2,672,246</u>
<b>NET POSITION</b>			
Unrestricted	<u>406,525</u>	<u>10,273</u>	<u>416,798</u>
Total net position	<u>\$ 406,525</u>	<u>\$ 10,273</u>	<u>\$ 416,798</u>

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

**TOWN OF TROPHY CLUB, TEXAS  
COMBINING STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position		Total Component Units
		Charges for Services	4B Economic Development Corporation	Tax Increment Reinvestment Zone #1	
Economic Development Corporation					
4B Economic Development Corp.	\$ 299,491	\$ -	\$ (299,491)	\$ -	\$ (299,491)
Total Economic Development Corporation	299,491	-	(299,491)	-	(299,491)
Tax Increment Investment Zone #1	-	-	-	-	-
Total Tax Increment Reinvestment Zone #1	-	-	-	-	-
<b>Total component units</b>	<b>\$ 299,491</b>	<b>\$ -</b>	<b>\$ (299,491)</b>	<b>\$ -</b>	<b>\$ (299,491)</b>
General revenues:					
Ad valorem			-	10,273	10,273
Sales and mixed beverage taxes			365,764	-	365,764
Investment income			537	-	537
Total general revenues			366,301	10,273	376,574
Change in net position			66,810	10,273	77,083
Net position - beginning			339,715	-	339,715
Net position - ending			\$ 406,525	\$ 10,273	\$ 416,798

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.

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.

**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**

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 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 within the geographic boundaries of the Town.

The Tax Increment Investment Zone #1 (TIRZ #1) 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 TIRZ #1 and affect the day-to-day operations of the TIRZ #1 by removing appointed board members at will. The scope of public service of the TIRZ #1 benefits the Town and its citizens and is operated within the geographic boundaries of the Town.

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

**Blended Component Units**

The Crime Control and Prevention District (CCPD) was formed under Chapter 363 of the Texas Local Government Code, the Crime Control and Prevention Act. The CCPD is organized exclusively to act on behalf of the Town to finance crime control within the Town. The CCPD is governed by a seven member board appointed by the Town Council. The annual budget and issuance of debt must be approved by the Town Council. Since the CCPD provides services entirely to the Town, it has been reported as a blended component unit.

**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 Occupancy Tax 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.

**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 Fund**

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

**Recreation Programs Fund**

Accounts for revenues and expenditures associated with recreational programs.

**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 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**

**Town Storm Drainage Fund**

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

**3. Fiduciary Funds:**

The Town reports the following fiduciary fund:

**Public 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 governmental, 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 taxes, 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.

**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**

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

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

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 in the amount of \$5,613 was capitalized during the current fiscal year.

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	5-10 Years
Water system	25 Years
Infrastructure (storm drainage system)	40 Years

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

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

**H. Accumulated Vacation, Compensated Time and Sick Leave**

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

**I. Long-Term Obligations**

In the government-wide financial statements and fund financial statements for proprietary funds, 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 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 expensed when incurred.

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 Assistant Town Manager/CFO. The intention of use must be provided, in writing, by the Town Council or their designated body to the Assistant Town Manager/CFO, or by the Assistant Town Manager/CFO to the Town Council or their designated body.

**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**

Unassigned fund balance represents the residual classification of fund balance and includes all spendable amounts not contained within the other classifications. When multiple categories of fund balance are available for expenditure, the Town will start with the most restricted category and spend those funds first before moving down to the next category with available funds. Additionally, the implementation of GASB No. 54 required the Town to evaluate the classification of Special Revenue Funds. In accordance with GASB No. 54 Special Revenue Funds are used only to account for specific revenue sources that are externally restricted or committed by the government's highest level of decision making authority for specific purposes other than debt service or capital projects.

**K. Deferred outflows/ inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Town has three items that qualify for reporting in this category. They include the deferred charge on refunding reported in the government-wide statement of net position, pension plan contributions made after December 31<sup>st</sup>, 2014 reported in the government-wide statement of net position, and pension plan investment experience reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Pension plan contributions made after the pension plan's measurement period of December 31<sup>st</sup>, 2014 are recorded as a deferred outflow. Investment experience is the difference in projected and actual earnings on pension plan investments and is reported as a deferred outflow.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has two types of this item, one which arises only under a modified accrual basis of accounting that qualifies for reporting in this category and one that arises under a full accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, court fines, emergency medical services, and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows are recognized on the statement of net position in relation to pension plan actuarial gains or losses associated with the difference in expected and actual experience.

**L. Net Position**

In the government-wide financial statements, net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. 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.

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

**NOTE 2. CASH AND INVESTMENTS**

At September 30, 2015, the carrying amount of the Town's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$6,287,451 and the respective bank balances were \$6,401,482. The Town's cash on hand totaled \$802. The Town's cash deposits at September 30, 2015 and during the year ended September 30, 2015 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, and (8) investment staff quality and capabilities.

Statutes and the Town's investment policy authorize 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, 2015 are classified in the accompanying financial statements as follows:

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

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

Statement of Net Position

Primary Government:		
Cash and cash equivalents	\$	7,469,651
Fiduciary Fund:		
Cash and cash equivalents		4,229,068
Component Unit:		
Cash and cash equivalents		<u>2,934,480</u>
Total cash and cash equivalents	\$	<u><u>14,633,199</u></u>
Cash on hand	\$	802
Deposits with financial institutions		6,287,451
Investments		<u>8,344,946</u>
Total cash and investments	\$	<u><u>14,633,199</u></u>

**Disclosures relating to interest rate risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Town manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days, thus reducing the interest rate risk. The Town monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Town has no specific limitations with respect to this metric.

As of September 30, 2015, the Town had the following investments:

Local Government Investment Pool	Amount	Weighted Average Maturity
Lone Star	\$ 1,580,537	37 days
LOGIC	1,959,643	37 days
TexPool	<u>4,804,766</u>	40 days
Total Investments	<u><u>\$ 8,344,946</u></u>	

As of September 30, 2015, the Town did not invest in any securities which are highly sensitive to interest rate fluctuations.

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

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

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the Town’s investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Local Government Investment Pool	Minimum Legal Rating	Rating as of Year End
Lone Star	AAAm	AAAm
LOGIC	AAAm	AAAm
TexPool	AAAm	AAAm

**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, 2015, other than external investment pools, the Town did not have 5% or more of its investment with one issuer.

**Custodial credit risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

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

As of September 30, 2015, 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, LOGIC, and Lone Star investment pools.

The Texas Local Government Investment Pools (TexPool) have been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments.

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

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

The Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate the TexPool Portfolios. Pursuant to the TexPool Participation Agreement, administrative and investment services to the TexPool Portfolios are provided by Federated Investors, Inc., under an agreement with the Comptroller, acting on behalf of the Trust Company. The TexPool Portfolios are comprised of two investment alternatives: TexPool and TexPool Prime. This Information Statement relates only to TexPool. TexPool may invest in obligations of the United States Government or its agencies and instrumentalities, and repurchase agreements.

The Comptroller maintains oversight of the services provided to the TexPool Portfolios by Federated. In addition, the TexPool Advisory Board advises on the Investment Policies for the TexPool Portfolios and approves any fee increases. As required by the Public Funds Investment Act, the Advisory Board is composed equally of participants in the TexPool Portfolios and other persons who do not have a business relationship with the TexPool Portfolios who are qualified to advise the TexPool Portfolios.

Local Government Investment Cooperative (LOGIC) was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Public Funds Investment Act allows eligible local governments, state agencies, and nonprofit corporations of the State of Texas to jointly invest their funds in permitted investments.

LOGIC's governing body is a five-member Board of Directors comprised of employees, officers or elected officials of participant Government Entities or individuals who do not have a business relationship with the Cooperative and are qualified to advise it. A maximum of two advisory board members represent the Co-Administrators of the Cooperative.

The Lone Star Investment Pool is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. The objective of the Pool is to maintain the safety of principal, while providing participating government entities with the highest possible rate of return for invested funds. Participants in the Pool own pro rata interests in the underlying assets of the fund in which they participate. A Participant's sole source of payment from its investment in the Pool is the market value of such assets; although the Pool seeks to preserve the value of a Participant's investment, it is possible to lose money by investing in the Pool.

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

**NOTE 3. RECEIVABLES**

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

Governmental Funds	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Activities</u>
Receivables				
Property taxes	\$ 53,919	\$ 14,942	\$ -	\$ 68,861
Franchise taxes	74,811	-	-	74,811
Sales taxes	141,961	-	69,237	211,198
Hotel occupancy taxes	-	-	24,232	24,232
Accounts	<u>442,463</u>	<u>-</u>	<u>6,906</u>	<u>449,369</u>
Gross receivables	713,154	14,942	100,375	828,471
Less: allowance	<u>(277,690)</u>	<u>-</u>	<u>-</u>	<u>(277,690)</u>
Net total receivables	<u>\$ 435,464</u>	<u>\$ 14,942</u>	<u>\$ 100,375</u>	<u>\$ 550,781</u>

The September 30, 2015 Due from Other Governments of governmental activities balance is comprised of \$236 due from the PID administrator for purchases made by the Town and \$69,172 due from Trophy Club Municipal Utility District No. 1 for permitting services rendered and Fire payroll reimbursements.

Business-Type Activities	<u>Storm Drainage Utility</u>	<u>Trophy Club Park</u>	<u>Total Business- Type Activities</u>
Receivables			
Accounts	<u>\$ 33,468</u>	<u>\$ 1,026</u>	<u>\$ 34,494</u>
Gross receivables	33,468	1,026	34,494
Less: allowance	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 33,468</u>	<u>\$ 1,026</u>	<u>\$ 34,494</u>

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

**NOTE 3. RECEIVABLES - CONTINUED**

Component Units	Economic Development Corporation (EDC 4B)	Tax Increment Reinvestment Zone #1 (TIRZ #1)	Total Component Units
Receivables			
Property taxes	\$ -	\$ 4,211	\$ 4,211
Sales taxes	69,992	-	69,992
Gross receivables	69,992	4,211	74,203
Less: allowance	-	-	-
Net total receivables	<u>\$ 69,992</u>	<u>\$ 4,211</u>	<u>\$ 74,203</u>

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
<u>Governmental Activities:</u>				
Capital assets not depreciated:				
Land	\$ 9,099,889	\$ 1,346,833	\$ -	\$ 10,446,722
Construction in progress	722,046	1,627,462	(1,713,726)	635,782
Total capital assets not depreciated	<u>9,821,935</u>	<u>2,974,295</u>	<u>(1,713,726)</u>	<u>11,082,504</u>
Capital assets being depreciated:				
Buildings	1,993,440	-	-	1,993,440
Improvements other than buildings	52,070,710	1,081,295	1,713,726	54,865,731
Machinery and equipment	1,814,415	354,856	(156,759)	2,012,512
Vehicles	1,096,062	74,851	(16,247)	1,154,666
Water system	5,362,005	-	-	5,362,005
Infrastructure	14,096,106	236,007	(51)	14,332,062
Total capital assets being depreciated	<u>76,432,738</u>	<u>1,747,009</u>	<u>1,540,669</u>	<u>79,720,416</u>
Less accumulated depreciation for:				
Buildings	(684,501)	(50,630)	-	(735,131)
Improvements other than buildings	(16,700,606)	(1,840,947)	-	(18,541,553)
Machinery and equipment	(1,052,459)	(149,970)	149,887	(1,052,542)
Vehicles	(735,489)	(134,012)	16,247	(853,254)
Water system	(577,303)	(175,767)	-	(753,070)
Infrastructure	(4,056,381)	(379,318)	-	(4,435,699)
Total accumulated depreciation	<u>(23,806,739)</u>	<u>(2,730,644)</u>	<u>166,134</u>	<u>(26,371,249)</u>
Total capital assets being depreciated, net	<u>52,625,999</u>	<u>(983,635)</u>	<u>1,706,803</u>	<u>53,349,167</u>
Governmental activities capital assets, net	<u>\$ 62,447,934</u>	<u>\$ 1,990,660</u>	<u>\$ (6,923)</u>	<u>\$ 64,431,671</u>

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

**NOTE 4. CAPITAL ASSETS - CONTINUED**

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

General government	\$ 39,506
Emergency medical services	50,036
Information systems	27,950
Police	101,081
Parks and recreation	687,692
Community development	26,299
Streets and drainage	1,479,025
Water and sewer	319,054
	<u>319,054</u>
Total depreciation expense	<u>\$ 2,730,644</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Ending Balance</u>
<u>Business-Type Activities:</u>				
Capital assets not depreciated:				
Construction in progress	\$ 1,403,885	\$ 334,686	\$ (1,660,093)	\$ 78,478
Total capital assets not depreciated	<u>1,403,885</u>	<u>334,686</u>	<u>(1,660,093)</u>	<u>78,478</u>
Capital assets being depreciated:				
Machinery and equipment	-	24,112	-	24,112
Infrastructure	-	-	1,617,408	1,617,408
Total capital assets being depreciated	<u>-</u>	<u>24,112</u>	<u>1,617,408</u>	<u>1,641,520</u>
Less accumulated depreciation for:				
Machinery and equipment	-	(1,808)	-	(1,808)
Infrastructure	-	(30,852)	-	(30,852)
Total accumulated depreciation	<u>-</u>	<u>(32,660)</u>	<u>-</u>	<u>(32,660)</u>
Total capital assets being depreciated, net	<u>-</u>	<u>(8,548)</u>	<u>1,617,408</u>	<u>1,608,860</u>
Business-type activities capital assets, net	<u>\$ 1,403,885</u>	<u>\$ 326,138</u>	<u>\$ (42,685)</u>	<u>\$ 1,687,338</u>

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

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

A summary of interfund receivables and payables balances at September 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Grant Fund	\$ 10,461	Reimbursable expenditures moved to General Fund
General Fund	Trophy Club Park Fund	66,194	Flooding at park has created negative net position
General Fund	Storm Drainage Fund	621	Reimbursable expenditures moved to General Fund
Nonmajor Governmental Funds	General Fund	3,142	Reimbursable expenditures moved to Street Maintenance
Storm Drainage	Capital Projects	<u>281,210</u>	Storm Drainage Portion of 2013 CO Proceeds
	Total	<u>\$ 361,628</u>	

Transfers between funds during the year are as follows:

Transfer In	Transfer Out	Amount	Purpose
Debt Service Fund	Storm Drainage Fund	\$ 27,350	Debt Service
Debt Service Fund	Non-major Governmental Funds	25,000	Debt Service
General Fund	Trophy Club Park Fund	8,000	Administrative Support
General Fund	Non-major Governmental Funds	3,000	Administrative Support
	Total	<u>\$ 63,350</u>	

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

**NOTE 6. LONG-TERM DEBT**

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

At September 30, 2015, the Town's long-term debt consisted of the following:

Governmental Activities:

Description	Interest Rate		Year of Issue	Final Maturity	Original Amount	Balance 9/30/2015
General Obligation Bonds:						
Improvements	4.00-5.00 %		2007	2018	\$ 3,260,000	\$ 470,000
Improvements	3.00-4.13 %		2010	2030	5,000,000	4,170,000
Refunding	2.00-4.00 %		2010	2022	2,790,000	1,335,000
Tax notes	0.89% %		2014	2016	600,000	300,000
Refunding	2.18% %		2015	2025	2,030,000	2,030,000
						<u>\$ 8,305,000</u>

Contractual Obligations:

Combination Tax and Revenue-Series 2004	3.50-4.75 %		2004	2024	\$ 650,000	\$ 299,000
Certificates of Obligation Series 2013	2.50-3.25 %		2013	2028	1,300,000	1,230,000
Certificates of Obligation Series 2014	2.00-3.75 %		2014	2034	2,500,000	2,425,000
						<u>\$ 3,954,000</u>

Business-type Activities:

Description	Interest Rate		Year of Issue	Final Maturity	Original Amount	Balance 9/30/2015
Contractual Obligations:						
Certificates of Obligation Series 2013	2.50-3.00 %		2013	2024	\$ 1,700,000	\$ 1,420,000
						<u>\$ 1,420,000</u>

Component Units:

Description	Interest Rate		Year of Issue	Final Maturity	Original Amount	Balance 9/30/2015
Contractual Obligations:						
Certificates of Obligation Series 2015	1.00-4.75 %		2015	2035	\$ 2,690,000	\$ 2,690,000
						<u>\$ 2,690,000</u>

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

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

In August, 2015 the Town issued \$2,030,000 of Series 2015, General Obligation Refunding Bonds. The debt was issued to refund a portion of the Town's outstanding debt to achieve a present value debt service savings and maintain the Town's tax rate applicable to debt service at \$0.11 per \$100 of valuation. Net proceeds from the sale of the bonds totaled \$2,030,000. Of these proceeds, \$2,026,710 was placed with an escrow agent to provide for all future debt payments of the refunded bonds.

The refunding resulted in a decrease in the Town's debt service payments of \$218,561, which resulted in an economic gain (difference between the present value of the debt service payments of the old debt and new debt) of \$134,405.

In September, 2015 the Town in conjunction with the 4B Economic Development Corporation issued \$2,690,000 in Certificates of Obligation for the purpose of economic development in Town. The obligations are payable over the next 20 years.

The following is a summary of long-term debt transactions of the Town for the year ended September 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 9,035,000	\$ 2,030,000	\$ (2,760,000)	\$ 8,305,000	\$ 1,175,000
Contractual Obligations	4,132,000	-	(178,000)	3,954,000	203,000
Issuance Premium	130,699	-	(15,573)	115,126	14,345
Net Pension Liability	3,316,112	-	(1,464,651)	1,851,461	-
OPEB Liability	57,136	15,680	-	72,816	-
Compensated Absences	205,269	226,487	(201,762)	229,994	56,285
<b>Total Governmental Activities</b>					
Long-term Liabilities	<u>\$ 16,876,216</u>	<u>\$ 2,272,167</u>	<u>\$ (4,619,986)</u>	<u>\$ 14,528,397</u>	<u>\$ 1,448,630</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities:</b>					
Contractual Obligations	\$ 1,560,000	\$ -	\$ (140,000)	\$ 1,420,000	\$ 145,000
Issuance Premium	39,038	-	(4,419)	34,619	4,419
<b>Total Business-type Activities</b>					
Long-term Liabilities	<u>\$ 1,599,038</u>	<u>\$ -</u>	<u>\$ (144,419)</u>	<u>\$ 1,454,619</u>	<u>\$ 149,419</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Component Units:</b>					
Contractual Obligations	\$ -	\$ 2,690,000	\$ -	\$ 2,690,000	\$ 105,000
Issuance Discount	-	(26,650)	111	(26,539)	(1,327)
<b>Total Component Unit</b>					
Long-term Liabilities	<u>\$ -</u>	<u>\$ 2,663,350</u>	<u>\$ 111</u>	<u>\$ 2,663,461</u>	<u>\$ 103,673</u>

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

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

The annual requirements to amortize long-term debt outstanding of governmental activities as of September 30, 2015, are as follows:

**General Obligation Bonds**

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2016	\$ 1,175,000	\$ 269,229	\$ 1,444,229
2017	585,000	241,430	826,430
2018	610,000	222,658	832,658
2019	630,000	203,036	833,036
2020	655,000	185,858	840,858
2021-2025	2,950,000	616,557	3,566,557
2026-2030	1,700,000	214,088	1,914,088
Total	<u>\$ 8,305,000</u>	<u>\$ 1,952,857</u>	<u>\$ 10,257,857</u>

**Contractual Obligations**

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2016	\$ 203,000	\$ 121,114	\$ 324,114
2017	213,000	115,673	328,673
2018	218,000	110,047	328,047
2019	223,000	104,294	327,294
2020	228,000	98,502	326,502
2021-2025	1,189,000	387,276	1,576,276
2026-2030	1,050,000	201,188	1,251,188
2031-2034	630,000	58,850	688,850
Total	<u>\$ 3,954,000</u>	<u>\$ 1,196,946</u>	<u>\$ 5,150,946</u>

The annual requirements to amortize long-term debt outstanding of business-type activities as of September 30, 2015, are as follows:

**Contractual Obligations**

<u>Year Ending September 30,</u>	<u>Business-type Activities</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2016	\$ 145,000	\$ 35,400	\$ 180,400
2017	145,000	31,775	176,775
2018	150,000	28,088	178,088
2019	155,000	24,275	179,275
2020	155,000	20,400	175,400
2021-2024	670,000	38,869	708,869
Total	<u>\$ 1,420,000</u>	<u>\$ 178,807</u>	<u>\$ 1,598,807</u>

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

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

The annual requirements to amortize long-term debt outstanding of component units as of September 30, 2015, are as follows:

Year Ending September 30,	Component -Units		Total Requirements
	Principal	Interest	
2016	\$ 105,000	\$ 103,473	\$ 208,473
2017	100,000	102,423	202,423
2018	100,000	100,823	200,823
2019	105,000	99,023	204,023
2020	105,000	96,555	201,555
2021-2025	580,000	430,168	1,010,168
2026-2030	710,000	303,475	1,013,475
2031-2035	885,000	130,150	1,015,150
Total	<u>\$ 2,690,000</u>	<u>\$ 1,366,088</u>	<u>\$ 4,056,088</u>

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

**NOTE 7. PROPERTY TAX**

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all 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.

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 and Benefits Provided**

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.

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the town, within the options available in the state statutes governing TMRS.

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

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**NOTE 8. PENSION PLAN – CONTINUED**

At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the town-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

Benefits depend upon the sum of the employee’s contributions to the plan, with interest, and Town-financed monetary credits, with interest. 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:

Employee deposit rate	7%
Matching ratio (Town to Employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to retirees)	30% of CPI Repeating

The Town also participates in Social Security.

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	25
Inactive employees entitled but not yet receiving benefits	79
Active employees	<u>72</u>
Total	<u><u>176</u></u>

**Contributions**

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) 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

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

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**NOTE 8. PENSION PLAN – CONTINUED**

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, 2013 valuation is effective for rates beginning January 2015).

**Net Pension Liability**

The Town's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. This experience study was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

**NOTE 8. PENSION PLAN – CONTINUED**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.80%
International Equity	17.50%	6.05%
Core Fixed Income	30.00%	1.50%
Non-Core Fixed Income	10.00%	3.50%
Real Return	5.00%	1.75%
Real Estate	10.00%	5.25%
Absolute Return	5.00%	4.25%
Private Equity	5.00%	8.50%
Total	100.00%	

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7.0% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2013	\$ 15,231,441	\$ 11,915,329	\$ 3,316,112
Changes for the year:			
Service Cost	809,057	-	809,057
Interest	970,682	-	970,682
Changes in benefit terms	(1,544,038)	-	(1,544,038)
Difference between expected and actual experience	(49,303)	-	(49,303)
Changes in assumptions	-	-	-
Contributions - employer	-	660,364	(660,364)
Contributions - employee	-	316,613	(316,613)
Net Investment Income	-	681,774	(681,774)
Benefit payments, including refunds of employee contributions	(450,100)	(450,100)	-
Administrative expense	-	(7,117)	7,117
Other Changes	-	(585)	585
Net Changes	(263,702)	1,200,949	(1,464,651)
Balance at 12/31/2014	\$ 14,967,739	\$ 13,116,278	\$ 1,851,461

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

**NOTE 8. PENSION PLAN – CONTINUED**

The following presents the net pension liability of the Town, calculated using the discount rate of 7.0%, as well as what the Town’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
Town's net pension liability	\$ 4,323,936	\$ 1,851,461	\$ (140,779)

Detailed information about the pension plan’s Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

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

For the year ended September 30, 2015, the Town recognized a reduction in pension expense of \$888,666. This amount is included as part of expenses within the functional program activities.

At September 30, 2015, the Town reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 688,749	\$ -
Difference between projected and actual investment earnings	121,839	-
Difference between actuarial assumptions and actual experience	-	37,460
Changes in actuarial assumptions used	-	-
Total	<u>\$ 810,588</u>	<u>\$ 37,460</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$688,749 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2015 (i.e. recognized in the Town’s financial statements September 30, 2016). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended Dec 31	
2015	\$ 18,617
2016	18,617
2017	18,617
2018	28,528
Total	<u>\$ 84,379</u>

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

**NOTE 8. PENSION PLAN – CONTINUED**

Pursuant to TMRS policy of conducting experience studies every four years, the TMRS Board at their July 31, 2015 meeting determined that they would be changing certain actuarial assumptions including reducing the long term expected rate of return from the current 7% to 6.75% and changing the inflation assumption from 3% to 2.5%. Reduction of expected investment return and related discount rate will increase projected pension liabilities. Reducing the inflation assumption reduces liabilities as future annuity levels and future cost of living adjustments are not projected to be as large as originally projected. While the actual impact on the Town’s valuation for December 31, 2015 is not known, the Town does expect some upward pressure on its total pension liability and upward pressure on its 2017 actuarially determined contribution (ADC) due to this change.

**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, 2015, membership consisted of:

Retirees and beneficiaries receiving benefits	-
Active employees	<u>69</u>
Total	<u><u>69</u></u>

The three optional benefit levels, TML Plan P85-50-20, TML Plan P85-100-25 and TML Plan P85-200-43.5, 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 P85-200-43.5
Single Coverage	\$ 905	\$ 774	\$ 642
Single + Spouse	\$ 2,519	\$ 2,071	\$ 1,714
Single + Children	\$ 1,769	\$ 1,468	\$ 1,215
Single + Family	\$ 3,192	\$ 2,611	\$ 2,159

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.

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

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

**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.

Annual required contribution	\$	15,491
Interest on net OPEB obligation		2,571
Adjustment to annual required contribution		<u>(2,382)</u>
Annual OPEB cost		15,680
Contributions made		<u>-</u>
Change in OPEB obligation		15,680
Net OPEB obligation (asset) - beginning of year		<u>57,136</u>
Net OPEB obligation (asset) - end of year	\$	<u><u>72,816</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013, 2014, and 2015 were as follows:

Fiscal Year	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 13,990	29.26%	\$ 41,995
2014	\$ 15,141	0.00%	\$ 57,136
2015	\$ 15,680	0.00%	\$ 72,816

**Funded Status and Funding Progress**

As of October, 2014 the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$90,490, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) for fiscal year 2015 was \$4,617,652, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 1.96%.

**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.

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

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

In the October, 2014 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 \$89,964 from the 4B Economic Development Corporation (4B) during the year ended September 30, 2015 in order to repay debt payments related to the 4B and for 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 the 4B.

**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.

In December, 2015 the Town refunded the Public Improvement District No. 1 bonds. Total interest savings for the over 1,400 residences in the Public Improvement District exceeded \$16.4M, with a net present value savings of over 33% of the refunded amount.

**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 \$26,170 during the fiscal year ended September 30, 2015, and are recorded as intergovernmental revenue of the General Fund in the Town's statement of revenues, expenditures and changes in fund balance.

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

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**NOTE 14. NEW AND FUTURE FINANCIAL REPORTING REQUIREMENTS**

As a result of the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date" an adjustment has been made to record the Town's net pension liability as of October 1, 2014. As a result, the beginning net position of the governmental activities has been decreased \$2,598,546.

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

Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" – This statement changes the focus of accounting of postemployment benefits other than pensions from whether they are responsibly funding the benefits over time to a point-in time liability that is reflected on the employer's financial statements for any actuarially unfunded portion of benefits earned to date. This statement will become effective for the Town in fiscal year 2018.

Statement No. 77, "Tax Abatement Disclosures" – This statement requires governments that enter into tax abatement agreements to provide certain disclosures regarding these commitments. This statement will become effective for the Town in fiscal year 2017.

Management has not yet determined the effect of these statements on the financial statements.

**NOTE 15. SUBSEQUENT EVENTS**

The Town has evaluated all events and transactions that have occurred from October 1, 2015 up until March 11, 2016, the date the financial statements were issued, and determined that there are no transactions requiring additional recognition or disclosure.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF TROPHY CLUB, TEXAS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
LAST FISCAL YEAR (PREVIOUS YEARS ARE NOT AVAILABLE)**

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	Measurement Year 2014
Total pension liability:	
Service cost	\$ 809,057
Interest	970,682
Changes in benefit terms	(1,544,038)
Difference between expected and actual experience	(49,303)
Changes in assumptions	-
Benefit payments, including refunds of employment contributions	(450,100)
Net change in total pension liability	(263,702)
Total pension liability - beginning	15,231,441
Total pension liability - ending (a)	<u>14,967,739</u>
 Plan fiduciary net position:	
Contributions - employer	660,364
Contributions - employee	316,613
Net investment income	681,774
Benefit payments, including refunds of employment contributions	(450,100)
Administrative expense	(7,117)
Other	(585)
Net change in fiduciary net position	1,200,949
Plan fiduciary net position - beginning	11,915,329
Plan fiduciary net position - ending (b)	<u>13,116,278</u>
Net pension liability - ending (a) - (b)	<u>\$ 1,851,461</u>
 Plan fiduciary net position as a percentage of total pension liability	 87.63%
 Covered employee payroll	 \$ 4,523,041
 Net pension liability as a percentage of covered employee payroll	 40.93%

As of December 31



**TOWN OF TROPHY CLUB, TEXAS  
RETIREE HEALTH PLAN  
SCHEDULE OF FUNDING PROGRESS  
YEAR ENDED SEPTEMBER 30, 2015**

	2015	2014	2013
Annual required contribution	\$ 15,491	\$ 15,002	\$ 13,990
Interest on prior year Net OPEB obligation	2,571	1,890	1,444
Adjustment to annual required contribution	<u>(2,382)</u>	<u>(1,751)</u>	<u>(1,444)</u>
Annual OPEB cost	15,680	15,141	13,990
Contributions made	<u>-</u>	<u>-</u>	<u>4,094</u>
Increase in net OPEB obligation	15,680	15,141	9,896
Net Obligation - beginning of year	57,136	41,995	32,099
Net Obligation - end of year	<u>\$ 72,816</u>	<u>\$ 57,136</u>	<u>\$ 41,995</u>
Percentage of OPEB costs contributed	0.00%	0.00%	29.26%
Actuarial accrued liability	\$ 90,490	\$ 88,691	\$ 81,122
Actuarial value of plan assets	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability	<u>\$ 90,490</u>	<u>\$ 88,691</u>	<u>\$ 81,122</u>
Funded ratio	0.0%	0.0%	0.0%
Covered payroll	4,617,652	4,346,566	4,957,738
Unfunded actuarial accrued liability as a percentage of covered payroll	1.96%	2.04%	1.64%

**TOWN OF TROPHY CLUB, TEXAS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Ad valorem taxes	\$ 5,166,466	\$ 5,166,466	\$ 5,205,437	\$ 38,971
Sales and mixed beverage taxes	676,323	698,133	751,510	53,377
Franchise taxes	812,506	812,506	811,052	(1,454)
Licenses and permits	710,631	710,631	697,378	(13,253)
Intergovernmental	192,901	127,231	126,134	(1,097)
Charges for service	260,852	300,852	282,957	(17,895)
Fines and Fees	466,101	571,101	574,558	3,457
Investment income	6,000	6,000	7,829	1,829
Miscellaneous	118,550	118,550	88,993	(29,557)
Grant revenue	77,018	77,018	73,343	(3,675)
<b>Total revenues</b>	<b>8,487,348</b>	<b>8,588,488</b>	<b>8,619,191</b>	<b>30,703</b>
<b>EXPENDITURES</b>				
Current:				
Emergency medical services	837,362	823,362	824,881	(1,519)
Manager's office	899,938	1,071,078	1,030,977	40,101
Human resources	92,495	100,495	99,862	633
Finance	387,097	369,097	345,775	23,322
Information Services	391,699	490,699	400,866	89,833
Legal	193,389	188,389	176,384	12,005
Court	85,936	84,936	80,754	4,182
Police	2,110,098	2,032,098	1,971,431	60,667
Recreation	610,240	606,740	539,987	66,753
Facilities management	111,042	116,042	108,065	7,977
Parks	1,277,896	1,260,396	1,240,250	20,146
Community Development	572,921	562,921	516,035	46,886
Streets	411,677	401,677	346,965	54,712
Total current	7,981,790	8,107,930	7,682,232	425,698
Capital outlay:				
Emergency medical services	179,360	99,360	40,818	58,542
Information Services	31,613	31,613	108,436	(76,823)
Police	-	-	3,165	(3,165)
Parks	64,830	64,830	52,106	12,724
Community Development	-	-	46,461	(46,461)
Streets	-	55,000	50,805	4,195
Total capital outlay	275,803	250,803	301,791	(50,988)
<b>Total expenditures</b>	<b>8,257,593</b>	<b>8,358,733</b>	<b>7,984,023</b>	<b>374,710</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>229,755</b>	<b>229,755</b>	<b>635,168</b>	<b>405,413</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	11,000	11,000	11,000	-
Transfers out	(385,000)	(385,000)	-	385,000
<b>Total other financing source (uses)</b>	<b>(374,000)</b>	<b>(374,000)</b>	<b>11,000</b>	<b>385,000</b>
Net change in fund balances	(144,245)	(144,245)	646,168	790,413
<b>Fund balances - beginning, as restated</b>	<b>3,045,021</b>	<b>3,045,021</b>	<b>3,045,021</b>	<b>-</b>
<b>Fund balances - ending</b>	<b>\$ 2,900,776</b>	<b>\$ 2,900,776</b>	<b>\$ 3,691,189</b>	<b>\$ 790,413</b>

**TOWN OF TROPHY CLUB, TEXAS  
NOTES TO BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED SEPTEMBER 30, 2015**

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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 hearing(s) 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.

All appropriations lapse on September 30 of the fiscal year.



Financial Advisory Services  
Provided By:

**SAMCO CAPITAL MARKETS, INC.**