

ADDENDUM

TO

OFFICIAL STATEMENT

Dated August 24, 2021

Relating to

\$4,305,000

Town of Trophy Club, Texas

**Combination Tax and Limited Pledge Revenue Certificates of Obligation,
Series 2021**

PLEASE BE ADVISED that the referenced Official Statement, dated August 24, 2021, relating to the captioned obligations (the "Certificates") is hereby amended in the following manner as a result of an error on page 5 referencing the Record Date.

Correct language for Record Date on page 5:

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

September 22, 2021

Stickers will be mailed out for the hard copies

OFFICIAL STATEMENT
Dated: August 24, 2021

In the opinion of Bond Counsel, under existing law, interest on the Certificates is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and is not a specific preference item for purposes of the alternative minimum tax". See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

THE CERTIFICATES WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.
See "PURCHASE OF TAX-EXEMPT OBLIGATIONS BY FINANCIAL INSTITUTIONS" herein.

\$4,305,000
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021
TOWN OF TROPHY CLUB, TEXAS
(DENTON AND TARRANT COUNTIES)

Dated Date: September 1, 2021**Due: March 1, as shown on page ii**

The Town of Trophy Club, Texas (the "Town" or the "Issuer" \$4,305,000 Combination Tax and Revenue Certificates of Obligation, Series 2021 (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, and 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 September 1, 2021 (the "Dated Date") as shown above and will be payable on March 1, 2022, 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: (i) designing, developing, constructing and acquiring drainage improvements and facilities within the Town, including the acquisition of land therefor; (ii) designing, developing, constructing, improving and renovating Town park and recreation facilities, including the acquisition of land therefor, (iii) 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, (iv) professional services incurred in connection with items (i) through (iii) and (iv) to pay the costs incurred in connection with 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 March 1, 2031, on March 1, 2030, 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. 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 September 22, 2021.

STATED MATURITY SCHEDULE FOR THE CERTIFICATES
Base CUSIP – 897062

\$4,305,000 Combination Tax and Revenue Certificates of Obligation, Series 2021
(Due March 1)

\$2,335,000 Serial Certificates

Stated Maturity	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix ^(a)
<u>3/1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Suffix ^(a)</u>
2022	\$ 645,000	4.000%	0.17%	KE4
2023	575,000	4.000%	0.23%	KF1
2024	55,000	4.000%	0.28%	KG9
2025	100,000	4.000%	0.40%	KH7
2026	145,000	4.000%	0.55%	KJ3
2027	150,000	4.000%	0.65%	KK0
2028	155,000	4.000%	0.80%	KL8
2029	165,000	4.000%	1.00%	KM6
2030	170,000	4.000%	1.02%	KN4
2031	175,000	3.000%	1.10% ^(b)	KP9

\$1,970,000 Term Certificates

\$365,000 2.000% Term Certificates due March 1, 2033 and priced to yield 1.3%^(b) CUSIP Suffix KR5
\$375,000 2.000% Term Certificates due March 1, 2035 and priced to yield 1.45%^(b) CUSIP Suffix KT1
\$395,000 2.000% Term Certificates due March 1, 2037 and priced to yield 1.60%^(b) CUSIP Suffix KV6
\$410,000 2.000% Term Certificates due March 1, 2039 and priced to yield 1.80%^(b) CUSIP Suffix KX2
\$425,000 2.000% Term Certificates due March 1, 2041 and priced to yield 2.00%^(b) CUSIP Suffix KZ7

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

The Issuer reserves the right to redeem the Certificates maturing on and after March 1 2031, on March 1, 2030, 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. Additionally, the Certificates maturing on March 1, 2033, March 1, 2035, March 1, 2037, March 1, 2039 and March 1, 2041 (the "Term Certificates") will also be subject to mandatory sinking fund redemption. See "THE CERTIFICATES - Redemption Provisions" herein.)

^(a) 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.

^(b) Yield calculated is based on the assumption that the Certificates denoted and sold at premium will be redeemed on March 1, 2030, the first optional call date for the Certificates, at a redemption of par plus accrued interest to the date of redemption.

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>
Alicia Fleury	Mayor	May 2017	2023	Pilot
Greg Lamont	Mayor Pro Tem	May 2013	2023	Retired
Greg Wilson	Council Member	November 2020	2023	Chief Information Security Officer/Director
Dennis Sheridan	Council Member	May 2021	2024	Retired
Karl Monger	Council Member	May 2018	2024	Executive Director
Michael Geraci	Council Member	May 2019	2022	Director
Phillip Shoffner	Council Member	November 2013	2022	Business Owner

ADMINISTRATION

<u>Name</u>	<u>Position</u>	<u>Years of Municipal Experience</u>
Wade Carroll	Town Manager	30 years
Mike Erwin	Finance Manager	30 years
Leticia Vacek	Town Governance Officer/Town Secretary	30 years
J. Taylor	Fire Chief	26 years
Patrick Arata	Police Chief	6 years
Haley Archer	Human Resources Manager	7 years
Matt Cox	Director of Community Development	10 years
Jill Lind	Communications & Marketing Manager	17 years
Tony Jaramillo	Parks & Recreation Director	18 years

CONSULTANTS AND ADVISORS

Bond Counsel	Bracewell LLP Dallas, Texas
Financial Advisor	SAMCO Capital Markets, Inc. San Antonio, Texas
Certified Public Accountants	BrooksWatson & Company Dallas, Texas

For Additional Information Please Contact:

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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 as having been authorized by the Town or any other person. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.

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.

This Official Statement includes descriptions and summaries of certain events, matters and documents. Such descriptions and summaries do not purport to be complete, and all such descriptions, summaries and references thereto are qualified in their entirety by reference to this Official Statement in its entirety and to each such document, copies of which may be obtained from the Town or from the Financial Advisor to the Town for this issuance. Any statements made in this Official Statement or the appendices hereto involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized. CUSIP Numbers have been assigned to this issue by CUSIP Global Services for the convenience of the owners of the Certificates.

This Official Statement is delivered in connection with the sale of securities referred to herein and may not be produced or used, in whole or in part, for any other purpose.

The cover page contains certain information for general reference only and is not intended as a summary of this offering. Investors should read the entire Official Statement, including all schedules and appendices attached hereto, to obtain information essential to making an informed investment decision.

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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TABLE OF CONTENTS

INTRODUCTORY STATEMENT	1	TOWN'S APPLICATION OF THE	
THE CERTIFICATES	1	PROPERTY TAX CODE	20
REGISTRATION TRANSFER AND EXCHANGE.....	5	ADDITIONAL TAX COLLECTIONS	20
BOOK-ENTRY-ONLY SYSTEM	6	TAX MATTERS	21
INVESTMENT AUTHORITY AND INVESTMENT		ADDITIONAL FEDERAL INCOME	
PRACTICES OF THE ISSUER.....	7	TAX CONSIDERATIONS	22
EMPLOYEE BENEFITS	10	PURCHASE OF TAX-EXEMPT OBLIGATIONS BY	
AD VALOREM TAX PROCEDURES.....	16	FINANCIAL INSTITUTIONS.....	22
PUBLIC HEARING AND MAINTENANCE		CONTINUING DISCLOSURE OF INFORMATION	23
AND OPERATIONS TAX RATE LIMITATIONS.....	18	OTHER PERTINENT INFORMATION	24

Financial Information of the Issuer	Appendix A
General Information Regarding the Town of Trophy Club and Denton County, Texas	Appendix B
Form of Legal Opinion of Bond Counsel	Appendix C
The Issuer's General Purpose Audited Financial Statements for the Fiscal Year Ended September 30, 2020	Appendix D

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer	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 12,451. (See "APPENDIX B - GENERAL INFORMATION REGARDING THE TOWN OF TROPHY CLUB AND DENTON COUNTY, TEXAS" herein.)
The Certificates	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.)
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas, Texas.
Security	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.)
Redemption Provisions	The Issuer reserves the right to redeem the Certificates maturing on and after March 1, 2031 on March 1, 2030, 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. Additionally, the Certificates maturing on March 1, 2033, March 1, 2035, March 1, 2037, March 1, 2039 and March 1, 2041 (the "Term Certificates") will also be subject to mandatory sinking fund redemption. See "THE CERTIFICATES - Redemption Provisions" herein.)
Tax Matters	In the opinion of Bond Counsel, under existing law, interest on the Certificates will be excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and is not a specific preference item for purposes of the alternative minimum tax. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel. (See "TAX MATTERS" and APPENDIX C - FORM OF LEGAL OPINION OF BOND COUNSEL" herein.)
Use of Proceeds	Proceeds from the sale of the Certificates will be used for the purpose of providing funds for: (i) designing, developing, constructing and acquiring drainage improvements and facilities within the Town, including the acquisition of land therefor; (ii) designing, developing, constructing, improving and renovating Town park and recreation facilities, including the acquisition of land therefor, (iii) 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, (iv) professional services incurred in connection with items (i) through (iii) and (iv) to pay the costs incurred in connection with the issuance of the Certificates. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)
Qualified Tax-Exempt Obligations	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.)
Book-Entry-Only System	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.)
Ratings	S&P Global Ratings ("S&P") has assigned an unenhanced, underlying rating of "AA+" to the Certificates. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)
Issuance of Additional Debt	The Town does not anticipate the issuance of additional debt within the next twelve months.
Payment Record	The Town has never defaulted in the payment of its general obligation tax debt.
Delivery	It is anticipated the Certificates will be available for delivery through DTC on or about September 22, 2021.
Legality	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.

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 \$4,305,000 Combination Tax and Revenue Certificates of Obligation, Series 2021 (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 are dated September 1, 2021 (the "Dated Date"). The Certificates are stated to mature on March 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, 2022, 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 Town 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 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: (i) designing, developing, constructing and acquiring drainage improvements and facilities within the Town, including the acquisition of land therefor; (ii) designing, developing, constructing, improving and renovating Town park and recreation facilities, including the acquisition of land therefor, (iii) 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, (iv) professional services incurred in connection with items (i) through (iii) and (iv) to pay the costs incurred in connection with 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 March 1, 2031 on March 1, 2030, 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.

The Certificates scheduled to mature on March 1 in the years 2033, 2035, 2037, 2039, and 2041 (the "Term Certificates") are subject to scheduled mandatory sinking fund redemption by the Paying Agent/Registrar by lot, or by any other customary method that results in a random selection, at a price equal to the principal amount thereof, plus accrued interest to the redemption date, out of moneys available for such purpose in the interest and sinking fund for the Certificates, on the dates, and in the respective principal amounts, set forth in the following schedule:

Term Certificates to Mature on March 1, 2033		Term Certificates to Mature on March 1, 2035		Term Certificates to Mature on March 1, 2037	
Year	Principal Amount	Year	Principal Amount	Year	Principal Amount
2032	\$ 180,000	2034	\$ 185,000	2036	\$ 195,000
2033*	185,000	2035*	190,000	2037*	200,000

Term Certificates to Mature on March 1, 2039		Term Certificates to Mature on March 1, 2041	
Year	Principal Amount	Year	Principal Amount
2038	\$ 205,000	2040	\$ 210,000
2039*	205,000	2041*	215,000

*Payable at Stated Maturity

The principal amount of a Term Certificate required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the Town, by the principal amount of any Term Certificates of such stated maturity which, at least forty-five (45) days prior to the mandatory redemption date (1) shall have been defeased or acquired by the Town and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Town, or (3) 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 Certificates 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 Certificates establishes the following Events of Default with respect to the Certificates: (i) failure to make payment of principal of or interest on any of the Certificates 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 Town. Under State law, there is no right to the acceleration of maturity of the Certificates upon an event of default under the Ordinance.

Although a registered Owner could presumably obtain a judgment against the Town if a default occurred in any payment of the principal of or interest on any such Certificates, such judgment could not be satisfied by execution against any property of the Town. Such registered Owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the Town to assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Certificates as they become due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. 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 Town's governmental immunity from a suit for money damages, registered owners may not be able to bring such a suit against the Town for breach of the Obligations or covenants in the Ordinances. Even if a judgment against the Town could be obtained, it could not be enforced by direct levy and execution against the Town's property. Further, the registered owners cannot themselves foreclose on property within the Town or sell property within the Town to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates.

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 Town with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a Town. Texas jurisprudence has generally held that proprietary functions are those conducted by a Town 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 Town, permits the Town to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the Town is not using the authority provided by Chapter 1371 and has not waived sovereign immunity in the proceedings authorizing the Certificates.

The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Certificates upon any failure of the Town to perform in accordance with the terms of the Ordinance, or upon any other condition. Furthermore, the Town is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9

provides for the recognition of a security interest represented by a specifically pledged source 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 Town avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that the rights of holders of the Certificates are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Certificates is 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. The Town covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Certificates, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class, postage prepaid.

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

The Certificates will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. 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 of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the town 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) 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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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 State law, the Town is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State 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 is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation 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) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the Town selects from a list the Town Council or a designated investment committee of the Town adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the Town selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the Town's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the Town appoints as the Town's custodian of the banking deposits issued for the Town's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of Chapter 2256, Texas Government Code (the "Public Funds Investment Act"), that are issued by an institution that has its main office or a branch office in the State 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 (8) or in any other manner and provided for by law for Town deposits, or (ii) certificates of deposits 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 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 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), Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the Town with respect to the certificates of deposit; (10) fully collateralized repurchase agreements as defined in the Public Funds Investment Act, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph, 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 are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) 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 (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the Town, held in the Town's name 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; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than "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 United States or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the Town with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a- 1 et seq.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed

investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract.

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.

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.

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 June 30, 2021, 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	\$5,423,012.35	30.62%
InterBank CDRS	8,504,149.15	48.03%
Wells Fargo Checking Account	1,662,499.87	9.40%
Texas Class	2,116,272.94	11.95%
Total	\$17,705,934.31	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, Texas participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas.

All eligible employees of the Town are required to participate in TMRS.

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.

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	60/5, 0/20
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, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	40
Inactive employees entitled but not yet receiving benefits	109
Active employees	<u>77</u>
Total	<u>226</u>

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the Town matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the Town. Under the state law governing TMRS, the contribution rate for each town is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the Town of Trophy Club, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Town of Trophy Club, Texas were 12.95% and 13.09% in calendar years 2019 and 2020, respectively. The Town's contributions to TMRS for the year ended September 30, 2020, were \$719,013 and were equal to the required contributions.

Net Pension Liability

The Town's Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5%, including inflation
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 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The postretirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. 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 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
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

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) – (b)</u>
Balance at 12/31/2018	\$ 19,854,961	\$17,072,317	\$ 2,782,644
Changes for the year:			
Service Cost	980,663		980,663
Interest	1,354,175		1,354,175
Changes in benefit terms			
Difference between expected and actual experience	(3,497)		(3,497)
Changes in assumptions	(802)		(802)
Contributions - employer		710,975	(710,975)
Contributions – employee		384,574	(384,574)
Net Investment Income		2,642,216	(2,642,216)
Benefit payments, including refunds of employee contributions	(566,895)	(566,895)	
Administrative expense		(14,914)	14,914
Other Changes		(448)	448
Net Changes	<u>1,763,644</u>	<u>3,155,508</u>	<u>(1,391,864)</u>
Balance at 12/31/2019	<u>\$ 21,618,605</u>	<u>20,227,825</u>	<u>\$ 1,390,780</u>

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:

	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Town's net pension liability	\$4,820,954	\$1,390,780	\$1,374,467

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.

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

For the year ended September 30, 2020, the Town recognized an increase in pension expense of \$615,030. This amount is included as part of expenses within the functional program activities.

At September 30, 2020, the Town reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual investment earnings		\$ 609,044
Changes in actuarial assumptions		550
Differences between expected and actual economic experience		115,038
Contributions subsequent to the measurement date	\$ 539,353	
Total	<u>\$ 539,353</u>	<u>\$ 724,632</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$539,353 will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. 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	
2020	\$ (261,395)
2021	(202,532)
2022	37,262
2023	(297,967)
2024	0
Thereafter	<u>\$ (724,632)</u>

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 a single-employer plan with United Healthcare, which covers both active and retired members.

The retiree pays 195% of the active participant contribution rate for the coverage selected.

As of September 30, 2020, membership consisted of:

Retirees or beneficiaries currently receiving benefits	
Active employees	67
Total	67

The three optional benefit levels, Plan 05X8617, 05X8569 and 05X8589, 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:

	High Plan 05X8589	Standard Plan 05X8569	HSA Plan 05X8617
Single Coverage	\$ 488	\$ 440	\$ 330
Single + Spouse	1,302	1,174	881
Single + Children	923	832	625
Single + Family	1,641	1,479	1,111

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.

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

Annual OPEB Expense and Net OPEB Liability

The Town's annual OPEB cost is calculated based on actuarially assumptions determined in accordance with the parameters of GASB 75.

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

Service Cost	\$ 5,389
Interest Cost	2,624
Difference between expected and actual exp	(1,194)
Changes in assumptions	(6,481)
Annual OPEB cost expense	338
Contributions made	-
Change in net OPEB liability	338
Net OPEB Liability-beginning of year	59,249
Net OPEB Liability-end of year	\$59,587

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	27
Inactive employees entitled to but not yet receiving benefits	29
Active employees	<u>77</u>
Total	<u>133</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB liability for 2020 and the preceding year are as follows:

Fiscal Year	Annual OPEB Expense	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability	
			Beginning	Ending
2018	\$7,198	0.00%	\$ 44,561	\$ 51,759
2019	7,490	0.00%	51,759	59,249
2020	338	0.00%	59,249	59,587

Funded Status and Funding Progress

As of September 30, 2019, the actuarial accrued liability for benefits was \$59,587, all of which was unfunded. The actuarial accrued liability for benefits was determined based on the September 30, 2020 valuation, the most recent actuarial valuation date available. The covered payroll (annual payroll of active employees covered by the plan) for fiscal year 2020 was \$5,449,088, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 1.09%.

Actuarial valuations of an ongoing program involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

Amounts determined regarding the funded status of the Program and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Program, assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions:

The Net OPEB Liability in the September 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Health care cost trend	Level 5.00%
Discount rate	2.25% (-0.25% real rate of return plus 2.50% inflation)
Salary scale	3.50%
Mortality	RPH-2014 Total Table with Projection MP-2019

Projections of benefits are based on a 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.

The GASB statement requires that the discount rate used to determine the plan liabilities for retiree healthcare benefits be based on the earnings rate of the plan assets if the projected assets are sufficient to cover the projected benefit payments. If the projected assets are not sufficient then a municipal bond index rate must be used for discounting benefits not covered by the projected assets. Since there are no plan assets held in trust the Bond Buyer GO Bond 20 Index is used for determining the discount rate of 4.06%.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Town, calculated using the both the trend and discount rate of 4.5% and 2.25%, respectively, as well as what the Town’s total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1- percentage-point higher than the current rate:

<u>Trend Rate</u>		
1% Decrease 3.50%	Current Single Rate Assumption 4.50%	1% Increase 5.50%
<u>\$50,799</u>	<u>\$59,587</u>	<u>\$70,147</u>

<u>Discount Rate</u>		
1% Decrease 1.25%	Current Single Rate Assumption 2.25%	1% Increase 3.25%
<u>\$53,067</u>	<u>\$59,587</u>	<u>\$66,852</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,042
Changes in assumptions	<u>5,656</u>
Total	<u>\$ 6,698</u>

The Town reported no deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2021.

Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2021	\$ (977)
2022	(977)
2023	(977)
2024	(977)
2025	(977)
Thereafter	(1,813)
	<u>\$(6,698)</u>

Aggregate Amount of OPEB Expense and Deferred Outflows and Inflows of Resources

The following summaries the aggregate amount of OPEB expense and deferred outflows and inflows of resources for fiscal year ending September 30, 2020.

	<u>SDBF</u>	<u>Healthcare</u>	<u>Total</u>
OPEB Liability	\$ (251,655)	\$ (59,587)	\$ (311,242)
OPEB contributions	824	-	824
OPEB experience	35,374	(1,042)	34,332
OPEB change in assumptions	(4,195)	(5,656)	(9,851)
OPEB expense	29,354	7,036	36,390

AD VALOREM TAX PROCEDURES

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Reference is made to Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

VALUATION OF TAXABLE PROPERTY . . . 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 (an "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the Town is the responsibility of the Dallas Central Appraisal District (the "Appraisal District"). Except as described below, the Appraisal District is required 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 market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a 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 homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised. See Table 1 for the reduction in taxable valuation attributable to the 10% Homestead Cap.

State law provides that eligible owners of both agricultural land and open-space land, 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 ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land. See Table 1 for the reduction in taxable valuation attributable to valuation by Productivity Value.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board.

The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the Town, in establishing their tax rolls and tax rates. See "AD VALOREM PROPERTY TAXATION – Issuer and Taxpayer Remedies."

STATE MANDATED HOMESTEAD EXEMPTIONS. . . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. See Table 1 for the reduction in taxable valuation attributable to state-mandated homestead exemptions.

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a town, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than \$5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. See "AD VALOREM PROPERTY TAXATION – Town Application of Tax Code" and Table 1 for the reduction in taxable valuation of the Town attributable to local option homestead exemptions.

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED . . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded. The Town has established an ad valorem tax freeze on the residence homesteads of persons 65 years of age or older and the disabled.

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

FREEPORT EXEMPTIONS . . . Certain goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing,

processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. See Table 1 for the reduction in taxable valuation, if any, attributable to Goods-in-Transit or Freeport Property exemptions.

OTHER EXEMPT PROPERTY . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

TAX INCREMENT FINANCING ZONES . . . A town or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones ("TIRZ") within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located 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 is known as the "Incremental Value", and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit 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 such taxing units. See "AD VALOREM PROPERTY TAXATION – Tax Increment Financing Zones #1 through #6 herein for descriptions of the TIRZ created in the Town.

TAX ABATEMENT AGREEMENTS . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, 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.

See "AD VALOREM PROPERTY TAXATION – Tax Abatement Policy" for a general description of the Town's tax abatement agreements. Table 1 for the reduction in taxable valuation, if any, attributable to tax abatement agreements.

For a discussion of how the various exemptions described above are applied by the Town, see "AD VALOREM PROPERTY TAXATION – Town Application of The Property Tax Code" herein.

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER . . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code. Section 11.35 of the Tax Code was enacted during the 2019 legislative session, and there is no judicial precedent for how the statute will be applied. Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

DEBT TAX RATE LIMITATIONS . . . All taxable property within the Town is subject to the assessment, levy and collection by the Town of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the Town, and limits its maximum ad valorem tax rate to \$2.50 per \$100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

TOWN'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the Town 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 Town, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the Town 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 Town 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 county 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.

PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS

The following terms as used in this section have the meanings provided below:

“adjusted” means lost values are not included in the calculation of the prior year’s taxes and new values are not included in the current year’s taxable values.

“de minimis rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year’s taxable value, plus the debt service tax rate.

“effective tax rate” means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year’s total tax levy (adjusted) from the current year’s total taxable values (adjusted).

“no-new-revenue tax rate” means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year’s total tax levy (adjusted) from the current year’s total taxable values (adjusted).

“rollback tax rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted) multiplied by 1.08, plus the debt service tax rate.

“special taxing unit” means a town for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

“unused increment rate” means the cumulative difference between a town’s voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a town’s tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

“voter-approval tax rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the

“unused increment rate”. The Town’s tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the “maintenance and operations tax rate”), and (2) a rate for funding debt service in the current year (the “debt service tax rate”). Under State law, the assessor for the Town must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the Town to the Town Council by August 1 or as soon as practicable thereafter.

A town must annually calculate its “voter-approval tax rate” and “no-new-revenue tax rate” (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the town and the county tax assessor-collector for each county in which all or part of the town is located. A town must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a town fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the town for the preceding tax year.

As described below, the Property Tax Code provides that if a town adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its “de minimis rate”, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A town may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such town participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the town has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that town must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the town must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a town has a population of less than 30,000 as of the most recent federal decennial

census and does not qualify as a special taxing unit, if a town's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the town's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the town would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any town located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its "voter-approval tax rate" using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such town's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred. State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use 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 sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the Town's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the Town's tax-supported debt obligations, including the Obligations.

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.

ISSUER AND TAXPAYER REMEDIES . . . Under certain circumstances, the Town and its taxpayers may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the Town may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value of at least \$50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the Town and provides for taxpayer referenda that could result in the repeal of certain tax increases (See "– Public Hearing and Maintenance and Operation Tax Rate Limitations".) The Property Tax Code also 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.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the Town is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September. 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 become due October 1 of the same year, and become delinquent on February 1 of the following year.

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 the 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:

Month	Penalty	Interest	Total
February	6%	1%	7%
March	7%	2%	9%
April	8%	3%	11%
May	9%	4%	13%
June	10%	5%	15%
July	32% ⁽¹⁾	6% ⁽²⁾	38%

(1) Includes an additional 20% penalty to defray attorney's fees.

(2) Interest continues to accrue after July 1 at the rate that increases 1% per month until paid. After July, penalty remains at 12%, and interest increases at the rate of 1% each month. 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. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. A taxpayer who is 65 years of age or older or is disabled may defer the collection of delinquent property taxes on his or her residence homestead and prevent the filing of a lawsuit to collect delinquent taxes until the 181st day after the taxpayer no longer owns and occupies the property as a residence homestead.

However, taxes and interest continue to accrue against the property, and the delinquent taxes incur a penalty of 8% per annum with no additional penalties or interest assessed. The lien securing such taxes and interest remains in existence during the deferral or abatement period. 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.

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. 2021 Tax Increment is \$14,553,489.

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 Certificates 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 (½%) to one-quarter percent (¼%) and, at the same time, voted a one-quarter percent (¼%) additional sales tax to be collected and designated for street repairs.

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

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

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

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Certificates should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Certificates.

Tax Exemption

In the opinion of Bracewell LLP, Bond Counsel, under existing law, interest on the Certificates is excludable from gross income for federal income tax purposes under section of 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not a specific preference item of purposes of the alternative minimum tax.

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.

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.

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

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 a portion of the Certificates exceeds 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 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 2021, 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 2021. 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.

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, 10, 12, 13 and 18 of Appendix A thereof and (2) if not provided as part of such financial information and operating data, audited financial statements of the Town within 12 months after the end of the fiscal year, 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 financial information by the last day in March in each year and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 of each year, unless the Town changes its fiscal 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"; (15) Incurrence of a Financial Obligation of the Town, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Town, any of which affect security holders, if material; and (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Town, any of which reflect financial difficulties. 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, (A) any event described in the immediately preceding clause (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Town in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Town, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets of business of the Town, and (B) the Town intends the words used in clauses (15) and (16) in the immediately preceding paragraph and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018. The Ordinances define "Financial Obligation" as a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided

that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

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.

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

S&P Global Ratings, a division of S&P Global Inc. ("S&P") has assigned an unenhanced, underlying rating of "AA+" to the Certificates. 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 Matters

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. 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 opened 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 August 24, 2021, after requesting competitive bids for the Certificates, the Town accepted the bid of Raymond James & Associates (the "Initial Certificate Purchaser") to purchase the Certificates at the interest rates shown on page iii of the Official Statement at a price of \$4,576,824.28 plus accrued interest from the dated date of the Certificates. 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.

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) 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, 2020, the date of the last audited financial statements of the Issuer, portions of which appear in the Official Statement.

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

APPENDIX A

**FINANCIAL INFORMATION RELATING TO
THE TOWN OF TROPHY CLUB, TEXAS**

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION

TABLE 1

2021 Certified Market Value of Taxable Property (100% of Market Value).....	\$ 2,506,591,585
Less Exemptions:	
Optional Over 65 or Disabled.....	\$ 35,952,083
Veterans' Exemptions.....	21,651,515
Open-Space Land and Timberland.....	3,418,067
Homestead Exemption.....	20,703,942
Pollution Control.....	11,890
Loss to 10% HO Cap.....	21,793,647
TOTAL EXEMPTIONS	<u>\$ 103,531,144</u>
2021 Certified Assessed Value of Taxable Property.....	\$ 2,403,060,441
Less: Freeze Adjustment.....	386,061,424
2021 Certified Freeze Adjusted Certified Assessed Value of Taxable Property.....	<u>\$ 2,016,999,017</u>

Source: Denton and Tarrant County Appraisal Districts

GENERAL OBLIGATION BONDED DEBT

TABLE 2

(as of August 1, 2021)

General Obligation Debt Principal Outstanding

Combination Tax and Revenue Certificates of Obligation, Series 2004	\$ 134,000
Combination Tax and Revenue Certificates of Obligation, Series 2013	1,260,000
Combination Tax and Revenue Certificates of Obligation, Series 2014	1,900,000
General Obligation Refunding Bonds, Series 2015	1,170,000
Combination Tax and Revenue Certificates of Obligation, Series 2016	3,585,000
General Obligation Bonds, Series 2016	4,285,000
Combination Tax and Revenue Certificates of Obligation, Series 2017	3,335,000
General Obligation Refunding Bonds, Series 2020	3,550,000
Combination Tax and Revenue Certificates of Obligation, Series 2021 (the "Obligations")	4,305,000
Total Gross General Obligation Debt	<u>\$ 23,524,000</u>
2021 Preliminary Net Taxable Assessed Valuation	\$ 2,403,060,441
Ratio of Total Gross General Obligation Debt to 2021 Preliminary Net Taxable Assessed Valuation	0.98%
Population: 1990 - 3,992; 2000 - 6,350; 2010 - 10,500; est. 2021 - 13,688	
Per Capita Certified Net Taxable Assessed Valuation - \$193,001.40	
Per Capita Gross General Obligation Debt Principal - \$1,889.33	

CITY DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE

TABLE 3

(As of September 30, 2020)

NONE

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

TABLE 4

Fiscal Year Ending <u>Sept. 30</u>	Current Total Outstanding <u>Debt^(a)</u>	The Obligations			Combined Debt Service ^(a)
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2022	\$ 2,093,096	\$ 645,000	\$ 118,150	\$ 763,150	\$ 2,856,246
2023	1,878,445	575,000	93,750	668,750	2,547,195
2024	1,876,976	55,000	81,150	136,150	2,013,126
2025	1,664,790	100,000	78,050	178,050	1,842,840
2026	1,430,749	145,000	73,150	218,150	1,648,899
2027	1,429,368	150,000	67,250	217,250	1,646,618
2028	1,428,128	155,000	61,150	216,150	1,644,278
2029	1,303,975	165,000	54,750	219,750	1,523,725
2030	1,304,988	170,000	48,050	218,050	1,523,038
2031	1,028,788	175,000	42,025	217,025	1,245,813
2032	1,034,513	180,000	37,600	217,600	1,252,113
2033	1,029,413	185,000	33,950	218,950	1,248,363
2034	1,032,713	185,000	30,250	215,250	1,247,963
2035	854,375	190,000	26,500	216,500	1,070,875
2036	856,150	195,000	22,650	217,650	1,073,800
2037	247,200	200,000	18,700	218,700	465,900
2038	-	205,000	14,650	219,650	219,650
2039	-	205,000	10,550	215,550	215,550
2040	-	210,000	6,400	216,400	216,400
2041	-	215,000	2,150	217,150	217,150
Total	<u>\$ 20,493,664</u>	<u>\$ 4,305,000</u>	<u>\$ 920,875</u>	<u>\$ 5,225,875</u>	<u>\$ 25,719,539</u>

^(a) Includes self-supporting debt.

TAX ADEQUACY (Includes Self-Supporting Debt)

TABLE 5

2021 Preliminary Freeze Adjusted Net Taxable Assessed Valuation	\$ 2,016,999,017
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2022)	2,856,246.00
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.1445

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

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE**TABLE 6***(as of July 1, 2021)***Principal Repayment Schedule**

FYE (9/30)	Principal Repayment Schedule			Principal Unpaid at End of Year*	Percent of Principal Retired (%)*
	Currently Outstanding ^(a)	The Obligations*	Total*		
2021	\$ 1,983,000		\$ 1,983,000	\$ 21,541,000	8.43%
2022	1,658,000	\$ 645,000	2,303,000	19,238,000	18.22%
2023	1,483,000	575,000	2,058,000	17,180,000	26.97%
2024	1,520,000	55,000	1,575,000	15,605,000	33.66%
2025	1,345,000	100,000	1,445,000	14,160,000	39.81%
2026	1,145,000	145,000	1,290,000	12,870,000	45.29%
2027	1,170,000	150,000	1,320,000	11,550,000	50.90%
2028	1,195,000	155,000	1,350,000	10,200,000	56.64%
2029	1,095,000	165,000	1,260,000	8,940,000	62.00%
2030	1,120,000	170,000	1,290,000	7,650,000	67.48%
2031	870,000	175,000	1,045,000	6,605,000	71.92%
2032	900,000	180,000	1,080,000	5,525,000	76.51%
2033	920,000	185,000	1,105,000	4,420,000	81.21%
2034	950,000	185,000	1,135,000	3,285,000	86.04%
2035	800,000	190,000	990,000	2,295,000	90.24%
2036	825,000	195,000	1,020,000	1,275,000	94.58%
2037	240,000	200,000	440,000	835,000	96.45%
2038	-	205,000	205,000	630,000	97.32%
2039	-	205,000	205,000	425,000	98.19%
2040	-	210,000	210,000	215,000	99.09%
2041	-	215,000	215,000	-	100.00%
Total	\$ 19,219,000	\$ 4,305,000	\$ 23,524,000		

^(a) *Includes self-supporting debt.***INTEREST AND SINKING FUND MANAGEMENT INDEX****TABLE 7**

Interest and Sinking Fund Balance, FYE 2020	\$ 706,640
FY 2020-21 Interest and Sinking Fund Tax Levy at 99% of Collections*	2,479,135
Estimated I&S Tax Collections on Frozen Property	<u>296,765</u>
Total Available for Debt Service	\$ 3,482,540
Less: General Obligation Debt Service Requirements for FYE 2021	<u>2,708,530</u>
Estimated Surplus at FYE 2021	\$ 774,010

* *Does not include delinquent tax collections, penalties and interest on delinquent tax collections earnings on the debt service fund.*

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2013-2021**TABLE 8**

Tax Year	Net Taxable	Change From Preceding Year	
	Assessed Valuation	Amount (\$)	Percent
2013-14	\$ 1,184,919,046	---	0.00%
2014-15	1,368,841,034	183,921,988	15.52%
2015-16	1,568,410,078	199,569,044	14.58%
2016-17	1,774,008,268	205,598,190	13.11%
2017-18	1,963,766,966	189,758,698	10.70%
2018-19	2,103,729,572	139,962,606	7.13%
2019-20	2,143,330,485	39,600,913	1.88%
2020-21	2,276,524,688	133,194,203	6.21%
2021-22	2,403,060,441	126,535,753	5.56%

Source: Denton and Tarrant County Appraisal Districts

PRINCIPAL TAXPAYERS 2020-2021**TABLE 9**

Name	Type of Business/Property	2021 Net Taxable	% of Total 2021
		Assessed Value	Assessed Valuation
NAP Trophy Club LP	Apartments	\$ 42,200,000	1.85%
Trophy Club 18 LLC	Property Management	16,335,450	0.76%
TC Town Center 1 LP	Real Estate/Development	14,328,008	0.67%
Quasar Hotels LLC	Hotels	11,214,061	0.52%
Oncor Electric Delivery Co	Utility	9,040,000	0.42%
Armcore II - Quorum LLC	Real Estate Development	6,993,186	0.33%
Clubcorp Golf Tex LP P/S	Golf Course/Country Club	6,479,626	0.30%
4663 Okeechobee Blvd & Palm Beach Holdings	Real Estate Development	6,200,000	0.29%
915 Trophy Club LLC	Preschool	6,008,327	0.28%
Wonderland Plaza LLC	Real Estate	4,227,500	0.20%
		123,026,158	5.62%

Source: Denton and Tarrant County Appraisal Districts

FUND BALANCES**TABLE 10**

(as of September 30, 2020)

General Fund	\$ 7,547,423
Debt Service Fund	706,640
Capital Projects Fund	1,984,646
Drainage Fund	1,731,975
Economic Development Fund	365,706
Crime Control Prevention District Fund	9,886
Total	\$ 12,346,276

CLASSIFICATION OF ASSESSED VALUATION

TABLE 11

	2021	% of Total	2020	% of Total	2019	% of Total
Real, Residential, Single-Family	\$ 2,232,230,685	89.05%	\$2,111,952,456	89.59%	\$ 2,009,264,815	90.36%
Real, Residential, Multi-Family	70,496,474	2.81%	30,650,978	1.30%	6,440,653	0.29%
Real, Vacant Lots/Tracts	5,491,701	0.22%	3,959,547	0.17%	5,087,579	0.23%
Real, Acreage (Land Only)	478,431	0.02%	483,665	0.02%	478,431	0.02%
Real, Farm and Ranch Improvements	329,992	0.01%	334,391	0.01%	337,958	0.02%
Real, Commercial and Industrial	154,827,272	6.18%	171,240,986	7.26%	159,972,546	7.19%
Real & Tangible, Personal Utilities	14,294,370	0.57%	13,232,630	0.56%	12,078,970	0.54%
Tangible Personal, Commercial & Industrial	26,947,645	1.08%	24,489,424	1.04%	22,860,614	1.03%
Real Property, Inventory	1,495,015	0.06%	1,000,387	0.04%	7,098,677	0.32%
Total Appraised Value	\$ 2,506,591,585	100.00%	\$2,357,344,464	100.00%	\$ 2,223,620,243	100.00%
Less:						
Optional Over 65 or Disabled	\$ 35,952,083		\$ 36,265,130		\$ 34,813,848	
Veterans' Exemptions	21,651,515		18,770,759		15,024,866	
Open-Space Land and Timberland	3,418,067		472,428		472,354	
Homestead Exemption	20,703,942		21,842,334		21,815,614	
Pollution Control	11,890		8,539		3,150	
Loss to 10% HO Cap	21,793,647		3,460,586		8,159,926	
Net Taxable Assessed Valuation	\$ 2,403,060,441		\$2,276,524,688		\$ 2,143,330,485	

Source: Denton and Tarrant County Appraisal Districts

TAX DATA

TABLE 12

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections Current	% of Collections Total	Year Ended
2012	\$ 1,020,211,149	\$ 0.518543	\$5,290,233	99.59%	99.86%	9/30/2013
2013	1,184,919,046	0.499300	5,916,301	99.71%	99.86%	9/30/2014
2014	1,368,841,034	0.490000	6,707,321	99.41%	99.87%	9/30/2015
2015	1,568,410,078	0.484000	7,591,105	99.66%	99.90%	9/30/2016
2016	1,774,008,268	0.473000	8,391,059	99.72%	99.71%	9/30/2017
2017	1,963,766,966	0.473000	9,288,618	99.58%	99.87%	9/30/2018
2018	2,103,729,572	0.451442	9,497,119	99.61%	100.00%	9/30/2019
2019	2,143,330,485	0.446442	9,568,727	98.91%	98.91%	9/30/2020
2020	2,276,524,688	0.446442	10,163,362	98.38%	100.00%	9/30/2021*
2021	2,403,060,441	-	-	(In process of collection)		9/30/2022

* As of June 30, 2021.

TAX RATE DISTRIBUTION

TABLE 13

	2020	2019	2018	2017	2016
General Fund	\$ 0.336442	\$ 0.336442	\$ 0.336442	\$0.341442	\$ 0.363000
I & S Fund	0.110000	0.110000	0.110000	0.110000	0.110000
Total Tax Rate	\$ 0.446442	\$ 0.446442	\$ 0.446442	\$0.451442	\$ 0.473000

Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, the Denton and Tarrant Central Appraisal Districts, the Issuer's Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2020, and information supplied by the Issuer.

MUNICIPAL SALES TAX COLLECTIONS

TABLE 14

The Issuer has adopted the provisions of Chapter 321, as amended, Texas Tax Code, authorizing the City to levy a 1% sales tax. In addition, some issuers are subject to a property tax relief and/or an economic and industrial development sales tax. The Issuer approved a ½¢ sales tax for economic development (4B) in 1996 and a ½¢ sales tax for economic development (4A) in 2000. In 2006 the Issuer approved reducing the sales tax for economic development (4B) to 1/4 cent sales tax and approved 1/4 cent sales tax for street repair/maintenance. In April 2013 the Issuer approved the reducing the economic development (4A) to 1/4 cent and increasing the sales tax for economic development (4B) to 1/2 cent. In October 2013 the Issuer approved eliminating its sales tax for economic development (4A) and increasing the sales tax for economic development (4B) to 1/2 cent and approved the levy of 1/4 cent sales tax for the Trophy Club Crime Control District. The City’s total sales tax rate is 2.00%. Net collections on calendar year basis are as follows:

Calendar Year	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2012	\$ 1,181,846	22.34%	0.116
2013	2,354,738	39.80%	0.199
2014	2,452,191	36.56%	0.179
2015	2,732,477	36.00%	0.174
2016	3,037,179	36.20%	0.171
2017	3,213,568	34.60%	0.164
2018	3,371,456	35.50%	0.160
2019	3,763,339	39.33%	0.176
2020	4,388,055	43.18%	0.193
2021	2,822,384	(As of July 2021)	

Source: State Comptroller's Office of the State of Texas.

OVERLAPPING DEBT INFORMATION

TABLE 15

(As of July 1, 2021)

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the Town and the estimated percentages and amounts of such indebtedness attributable to property within the Town. Expenditures of the various taxing bodies overlapping the territory of the Issuer are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the Issuer. These political taxing bodies are independent of the Issuer and may incur borrowings to finance their expenditures. The following statements of direct and estimated overlapping ad valorem tax bonds was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Issuer, the Issuer has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

Taxing Body	Gross Debt (As of 7/1/2021)	% Overlapping	Amount Overlapping
Carroll ISD	\$ 330,630,000	0.29%	\$ 958,827
Denton Co	605,905,000	1.82%	11,027,471
Northwest ISD	1,040,921,739	7.99%	83,169,647
Tarrant Co	240,445,000	0.06%	144,267
Tarrant Co College District	264,175,000	0.06%	158,505
Tarrant Co Hospital District	14,495,000	0.06%	8,697
Trophy Club MUD #1	7,205,000	78.79%	5,676,820
Total Gross Overlapping Debt			<u>\$ 101,144,233</u>
Town of Trophy Club			\$ 23,524,000 *
Total Gross Direct and Overlapping Debt			<u>\$ 124,668,233 *</u>
Ratio of Gross Direct and Overlapping Debt to 2021 Certified Net Taxable Assessed Valuation			5.19% *
Per Capita Gross Direct and Overlapping Debt			\$ 9,042 *

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas

* Includes the Certificates.

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS**TABLE 16**

Governmental Subdivision	2020 Assessed Valuation	% of Actual	2020 Tax Rate
Carroll ISD	\$ 9,937,472,170	100%	\$ 1.286000
Denton Co	115,692,123,870	100%	0.225000
Northwest ISD	22,291,509,381	100%	1.466000
Tarrant Co	219,908,316,431	100%	0.234000
Tarrant Co College District	220,876,522,612	100%	0.130000
Tarrant Co Hospital District	220,311,777,399	100%	0.224000
Trophy Club MUD #1	1,914,799,192	100%	0.108000

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

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVT SUBDIVISIONS**TABLE 17**

Issuer	Date of Authorization	Purpose	Amount Authorized	Issued To-Date	Unissued
Carroll ISD	None				
Denton Co	None				
		School Building & Security,	\$ 745,700,000	\$ 200,000,000	\$ 545,700,000
		Technology			
Northwest ISD	5/1/2021	County Buildings	\$ 62,300,000	\$ 47,300,000	\$ 15,000,000
Tarrant Co	5/13/2006	College Facility	\$ 825,000,000	\$ 300,000,000	\$ 525,000,000
Tarrant Co College District	11/5/2019				
Tarrant Co Hospital District	None				
Trophy Club MUD #1	None				
Trophy Club, Town of	None				

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

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES**TABLE 18**

The following statements set forth in condensed form reflect the historical operations of the Issuer. Such summary has been prepared for inclusion herein based upon information obtained from the Issuer's audited financial statements and records. Reference is made to such statements for further and complete information.

	Fiscal Year Ended				
	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016
Fund Balance - Beginning of Year	\$ 5,823,253	\$ 5,440,518	\$ 4,611,119	\$ 4,194,162	\$ 3,691,189
Revenues	\$ 12,247,375	\$ 11,525,812	\$ 11,125,639	\$ 10,276,946	\$ 9,092,668
Expenditures	10,644,689	11,206,077	10,477,295	9,450,360	8,425,653
Excess (Deficit) of Revenues Over Expenditures	\$ 1,602,686	\$ 319,735	\$ 648,344	\$ 826,586	\$ 667,015
Other Financing Sources (Uses):					
Operating Transfers In	\$ 61,500	\$ 63,000	\$ 63,000	\$ 63,000	\$ 111,702
Operating Transfers Out	-	-	(35,817)	(720,934)	(275,744)
Capital Lease Proceeds	-	-	264,732	-	-
Sale of General Capital Assets	32,213	-	-	-	-
Insurance Recoveries	27,769	-	-	-	-
Total Other Financing Sources (Uses):	\$ 121,482	\$ 63,000	\$ 291,915	\$ (657,934)	\$ (164,042)
Fund Balance - End of Year	\$ 7,547,421 ⁽¹⁾	\$ 5,823,253	\$ 5,551,378	\$ 4,362,814	\$ 4,194,162

Source: The Issuer's Comprehensive Annual Financial Reports and information provided by the Issuer.

⁽¹⁾ The City anticipates ending the fiscal year ending September 30, 2021 with an unaudited general fund balance of \$6,700,000. The City transferred roughly \$1,000,000 to its capital replacement fund to fund one-time capital investments.

EMPLOYEE'S PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS**TABLE 19**

Information regarding the Issuer's pension plan can be found in the Issuer's Comprehensive Annual Financial Report under "Defined Benefit Pension Policies". (See "Appendix D - Financial Statements for the Fiscal Year Ended September 30, 2020.")

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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 estimated population estimate is 12,451.

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:

Census Report	Town of Trophy Club	Denton County
Current Estimate	12,451	887,207
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 (2020)</u>
Northwest Independent School District	Public School District	414
Baylor Medical Center at Trophy Club	Healthcare Services	230
Trophy Club Country Club	Country Club and Golf Course	215
Town of Trophy Club	Municipal Government	152
Tom Thumb	Retail Grocery	127
HG Sply Co.	Restaurant	67
Fellowship United Methodist Church	Church	39
Premier Academy – Trophy Club	Pre School	33
Trophy Lake Academy	Preschool	30
Church at Trophy Club Lake	Church	30

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 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 25,040 students.

Source: *Information from the Town of Trophy Club*

Residential and Commercial Building Construction:

Fiscal Year Ended 9-30	Residential ^(a)		Commercial ^(b)		Total	
	Number of Permits	AV Property Value \$\$ Amount	Number of Permits	AV Property Value \$\$ Amount	Number of Permits	AV Property Value \$\$ Amount
	2011	227	105,226,995	2	2,510,508	229
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	49	25,877,901	1	5,000,000	50	30,877,901
2018	29	15,651,991	8	47,276,566	37	62,928,557
2019	35	18,036,562	1	9,800,000	36	27,836,562
2020	39	13,313,284	0	0	39	13,313,284
2021*	1	685,000	0	0	1	685,000

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

^(b) This was the construction of a new high school, which is tax exempt.

* Current fiscal year figures are as of June 30, 2021 (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	
	June 2021	June 2020	June 2021	June 2020
Civilian Labor Force	514,387	504,314	14,127,096	14,074,215
Total Employed	487,484	458,499	13,188,254	12,620,076
Total Unemployed	26,903	45,815	938,842	1,454,139
% Unemployed	5.2%	9.1%	6.6%	10.3%
% Unemployed (United States)	6.1%	11.2%	6.1%	11.2%

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 Opinion]

[Date]

\$4,305,000
TOWN OF TROPHY CLUB, TEXAS
COMBINATION TAX AND
REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2021

WE HAVE represented the Town of Trophy Club, Texas (the "Issuer"), 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 2021, dated September 1, 2021, in the principal amount of \$4,305,000.

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 City Council of the Issuer authorizing their issuance (the "Ordinance").

WE HAVE represented the Issuer 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 Issuer or the disclosure thereof in connection with the sale of the Certificates. Our role in connection with the Issuer'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 Issuer; customary certificates of officers, agents and representatives of the Issuer and other public officials and other certified showings relating to the authorization and issuance of the Certificates. We also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. We have also examined executed Certificate No. 1 of this issue.

In providing the opinions set forth herein, we have relied on representations and certifications of the City and other parties involved with the issuance of the Certificates with respect to matters solely within the knowledge of the City and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Ordinance, including, but not limited to, covenants relating to the tax-exempt status of the Certificates.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

- (A) 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 Issuer; and
- (B) A continuing ad valorem tax upon all taxable property within the Town of Trophy Club 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 Issuer, 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 Issuer's municipal drainage system as provided in the Ordinance.
- (C) Interest on the Certificates is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Certificates is not a specific preference item for purposes of the alternative minimum tax.

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.

Except as stated above, we express no opinion as to the amount of interest on the Certificates or any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Certificates. This opinion is specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America. Further, in the event that the representations of the Issuer and other parties upon which we relied are determined to be inaccurate or incomplete or the Issuer fails to comply with the covenants of the Ordinance, interest on the Certificates could become includable in gross income for federal income tax purposes from the date of the original delivery of the Certificates, regardless of the date on which the event causing such inclusion occurs.

Our opinions are based on existing law and our knowledge of facts as of the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to

update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.

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APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

(Independent Auditor's Report, 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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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the Town Council
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, Texas (the "Town"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

The Town's 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 of 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 opinion.

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, 2020 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions to pension plan, schedule of changes in other postemployment benefits liability and related ratios, general fund budgetary comparison, and PID budgetary comparison information 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 of Trophy Club basic financial statements. The combining and

budgetary comparison schedules for the other governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information noted above is the responsibility of management and was derived from and relates 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and the 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 23, 2021 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 solely 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 the effectiveness of the Town's 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 the Town's internal control over financial reporting and compliance.



BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
March 23, 2021



Town of Trophy Club, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2020

As management of the Town of Trophy Club, Texas (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2020. 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-iv of this report.

Financial Highlights

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows (net position) at September 30, 2020 by \$65,032,094.
- The Town's total net position increased by \$369,643. The majority of the Town's net position is invested in capital assets or restricted for specific purposes.
- The Town's governmental funds reported combined ending fund balances of \$16,358,617 at September 30, 2020, an increase of \$851,580 from the prior fiscal year; this includes an increase of \$1,724,168 in the general fund, an increase of \$232,970 in the debt service fund, a decrease of \$1,583,426 in the capital projects fund, a decrease of \$992 in the PID No. 1 fund, and an increase of \$478,860 in the nonmajor governmental funds.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$6,988,719 or 66% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

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

The *statement of net position* presents information on all of the Town's assets and liabilities. The difference between the two is 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. Other non-financial factors, such as the Town's property tax base and the condition of the Town's infrastructure, need to be considered in order to assess the overall health of the Town.

Town of Trophy Club, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2020

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 for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, 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 business-type activities of the Town include Trophy Club Park and Storm Drainage Utility operations.

The government-wide financial statements include not only the Town itself (known as the *primary government*), but also the legally separate component units, 4B Economic Development Corporation, the Tax Increment Reinvestment Zone #1, and the Crime Control and Prevention fund, which the Town is financially accountable. Financial information for these component units are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 18-25 of this report.

FUND FINANCIAL STATEMENTS

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. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of

Town of Trophy Club, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2020

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 fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, the capital projects fund, and the PID, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in a separate section of the report.

The Town adopted an annual appropriated budget for each fund other than the grant fund. A budgetary comparison statement has been provided for each fund with an adopted budget to demonstrate compliance with their respective budget.

The basic governmental fund financial statements can be found on pages 26-33 of this report.

Proprietary Funds

The Town's proprietary funds are all enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses an enterprise fund to account for its Trophy Club Park and Storm Drainage operations. All activities associated with providing such services are accounted for in these funds, including salaries and benefits, supplies and materials, repairs and maintenance, utilities, and other operating expenses. The Town's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for Trophy Club Park, and Storm Drainage Utility, both of which are considered to be major funds of the Town.

The basic proprietary fund financial statements can be found on pages 36-39 of this report.

Component Units

The Town maintains the accounting and financial statements for three discretely presented component units. The 4B Economic Development Corporation, the Tax Increment Reinvestment Zone #1, and the Crime Control and Prevention fund are all discretely presented component units displayed on the government-wide financial statements.

Town of Trophy Club, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2020

Notes to Financial Statements

The notes provide additional information that is necessary to acquire 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 41-84 of this report.

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The required RSI includes a budgetary comparison schedule for the general fund, schedule of changes in the net pension liability and related ratios and schedule of employer contributions for the Texas Municipal Retirement System. RSI can be found after the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the Town's financial position. For the Town of Trophy Club, Texas, assets exceeded liabilities by \$65,032,094 as of September 30, 2020, in the primary government.

The largest portion of the Town's net position, \$52,182,832 reflects its investments in capital assets (e.g., land, buildings, water system, machinery and equipment, construction in progress), less any debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town of Trophy Club, Texas' net position of \$6,821,486 represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the Town of Trophy Club, Texas is able to report positive balances in all reported categories of net position for the primary government, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Town of Trophy Club, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2020

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2020			2019		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 18,646,044	\$ 721,486	\$ 19,367,530	\$ 18,125,219	\$ 754,874	\$ 18,880,093
Capital assets, net	69,044,358	1,803,997	70,848,355	71,314,642	1,824,936	73,139,578
Long-term receivables	23,031,503	-	23,031,503	24,371,503	-	24,371,503
Total Assets	110,721,905	2,525,483	113,247,388	113,811,364	2,579,810	116,391,174
Deferred Outflows of Resources	3,314,815	-	3,314,815	4,387,577	-	4,387,577
Current liabilities	5,117,270	175,286	5,292,556	5,013,048	168,549	5,181,597
Long-term liabilities	44,980,548	522,522	45,503,070	49,930,132	686,939	50,617,071
Total Liabilities	50,097,818	697,808	50,795,626	54,943,180	855,488	55,798,668
Deferred Inflows of Resources	734,483	-	734,483	317,632	-	317,632
Net Position:						
Net investment in capital assets	51,061,357	1,121,475	52,182,832	52,718,444	982,997	53,701,441
Restricted	6,821,486	-	6,821,486	6,112,682	-	6,112,682
Unrestricted	5,321,576	706,200	6,027,776	4,107,003	741,325	4,848,328
Total Net Position	\$ 63,204,419	\$ 1,827,675	\$ 65,032,094	\$ 62,938,129	\$ 1,724,322	\$ 64,662,451

Current and other assets of governmental activities were \$18,646,044 and \$18,125,219 as of September 30, 2020 and September 30, 2019, respectively. The increase is primarily due to grant funds received from the CARES Act to support expenses pertained to the COVID-19 pandemic response increasing cash, in addition to some nonrecurring grant receivables. Long-term receivables were \$23,031,503 and \$24,371,503 as of September 30, 2020 and September 30, 2019, respectively. The decrease is due to the current year collection of the assessments, which is consistent with the PID assessment service plan. Current liabilities of governmental activities were \$5,117,270 and \$5,013,048 as of September 30, 2020 and September 30, 2019, respectively. The increase is primarily a result of the increase in the current portion of long term debt in the current year, and is consistent with the debt service schedules. Total long-term liabilities decreased by \$4,949,584 or 10% due to principal payments made in the current year and the reduction in the net pension liability. Deferred outflows and inflows of resources experienced changes due to the market fluctuation and the changes in investment returns impacting pension liability balances.

Town of Trophy Club, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2020

Statement of Activities:

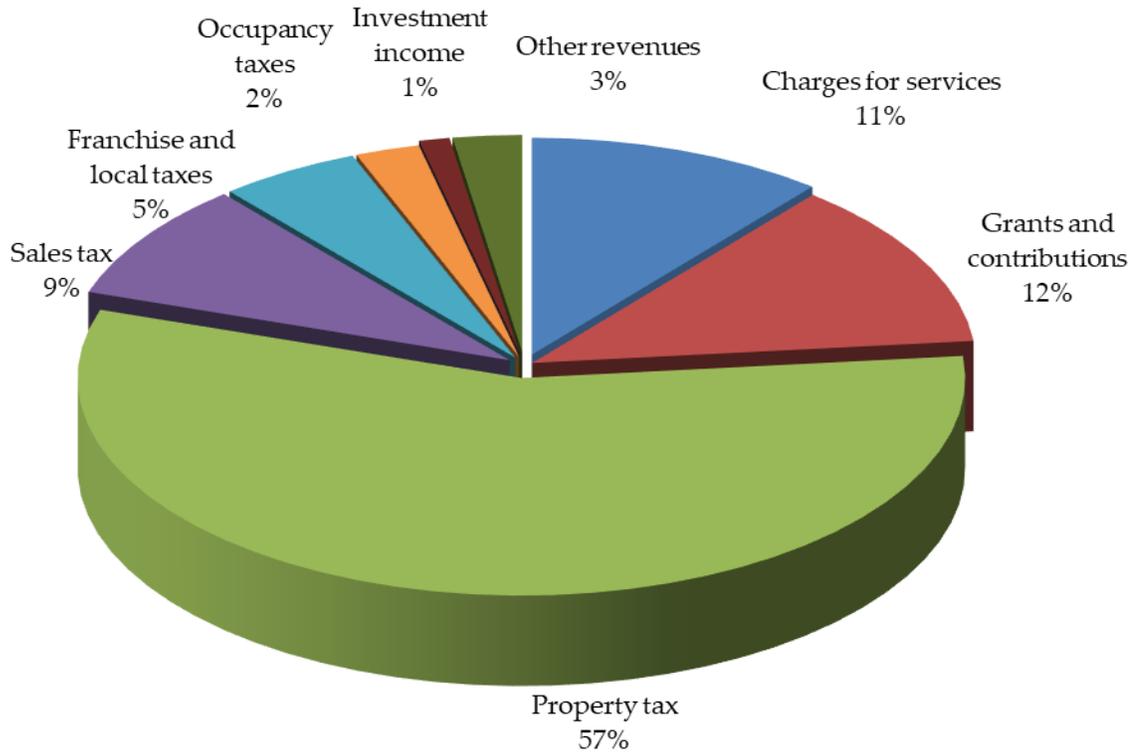
The following table provides a summary of the Town's changes in net position:

	For the Year Ended September 30, 2020			For the Year Ended September 30, 2019		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 1,797,916	\$ 619,011	\$ 2,416,927	\$ 3,266,108	\$ 539,295	\$ 3,805,403
Operating grants and contributions	2,056,622	-	2,056,622	1,392,787	-	1,392,787
Capital grants and contributions	-	68,146	68,146	2,127,040	3,360	2,130,400
General revenues:						
Property tax	9,347,776	-	9,347,776	8,974,426	-	8,974,426
Sales tax	1,445,994	-	1,445,994	1,271,864	-	1,271,864
Franchise and local taxes	850,543	-	850,543	911,738	-	911,738
Occupancy taxes	387,759	-	387,759	669,983	-	669,983
Investment income	183,858	2,711	186,569	512,922	11,818	524,740
Other revenues	414,384	-	414,384	235,107	-	235,107
Total Revenues	16,484,852	689,868	17,174,720	19,361,975	554,473	19,916,448
Expenses						
General government	3,561,521	-	3,561,521	3,650,893	-	3,650,893
Public safety	5,139,151	-	5,139,151	5,109,461	-	5,109,461
PID activities	50,152	-	50,152	26,875	-	26,875
Parks and recreation	2,593,588	-	2,593,588	2,871,283	-	2,871,283
Community development	563,312	-	563,312	717,215	-	717,215
Streets and infrastructure	2,052,018	-	2,052,018	2,371,290	-	2,371,290
Interest on long-term debt	1,639,671	-	1,639,671	2,663,286	-	2,663,286
Trophy Club Park	-	229,670	229,670	-	122,186	122,186
Storm drainage	-	93,912	93,912	-	131,370	131,370
Total Expenses	15,599,413	323,582	15,922,995	17,410,303	253,556	17,663,859
Change in Net Position Before Transfers	885,439	366,286	1,251,725	1,951,672	300,917	2,252,589
Transfers	262,933	(262,933)	-	86,937	(86,937)	-
Special item	(882,082)	-	(882,082)	-	-	-
Total	(619,149)	(262,933)	(882,082)	86,937	(86,937)	-
Change in Net Position	266,290	103,353	369,643	2,038,609	213,980	2,252,589
Beginning Net Position	62,938,129	1,724,322	64,662,451	60,899,520	1,510,342	62,409,862
Ending Net Position	\$ 63,204,419	\$ 1,827,675	\$ 65,032,094	\$ 62,938,129	\$ 1,724,322	\$ 64,662,451

Town of Trophy Club, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2020

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the Town's activities.

Governmental Activities – Revenues

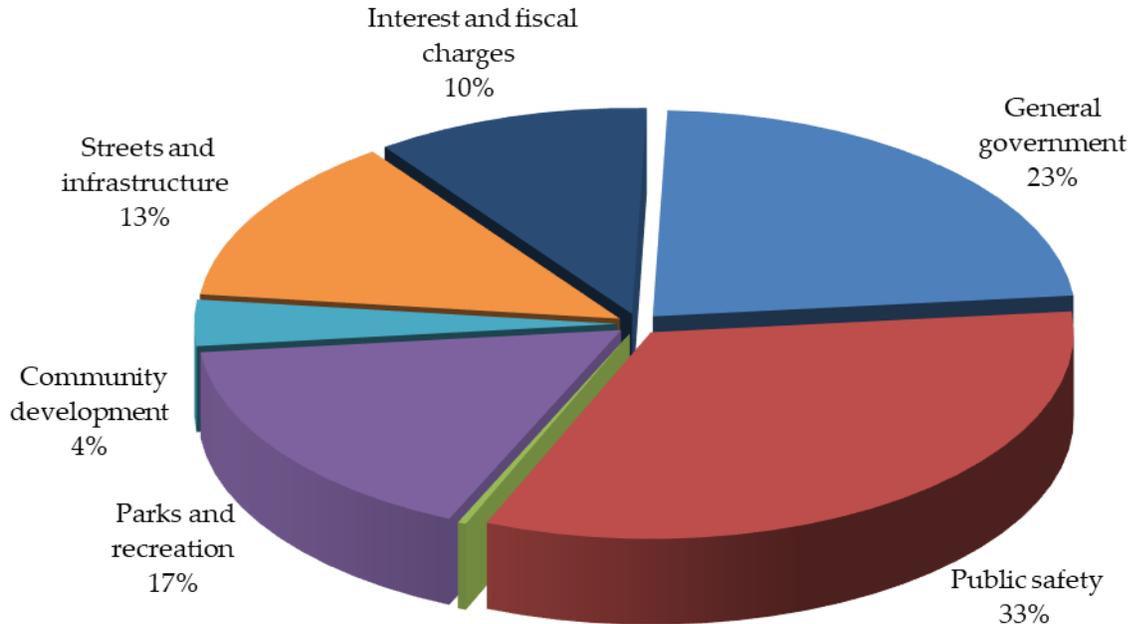


For the year ended September 30, 2020, revenues from governmental activities totaled \$16,484,852. Property tax, grants and contributions, special assessments and sales tax are the Town's largest general revenue sources. Overall revenue increased \$1,468,192 or 45% from the prior year. Charges for services decreased by \$1,468,192 or 45% due primarily to a reduction in the amount PID special assessments received during the year, which is consistent with the PID's special assessment service schedule and service assessment plan, in addition to a reduction in fines and fees received compared to the prior year due to the impact of COVID-19. Operating grants and contributions increased by \$663,835 or 48% primarily due to grants received from the CARES Act to support expenses pertained to the COVID-19 pandemic response. Capital grants and contributions decreased by \$2,127,040 due to the nonrecurring capital contributions received in the previous year from TXDOT. Sales and tax increased by \$174,130 or 14% primarily due to the added online sales caused by more residents staying in and shopping online as a result of the COVID-19 pandemic, in addition to the continued growth within the Town. Occupancy taxes decreased by \$282,224 or 42% which is directly related to the impact of COVID-19 travel restrictions. Investment income decreased by \$329,064 or 64% due to the impact of the market and realization of lower interest rates. Other revenues increased by \$179,277 or 76%, primarily as a result of nonrecurring refunds received in the park land dedication fund and a settlement received in the park land dedication fund. All other revenues remained relatively stable when compared to the previous year.

Town of Trophy Club, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2020

This graph shows the governmental function expenses of the Town:

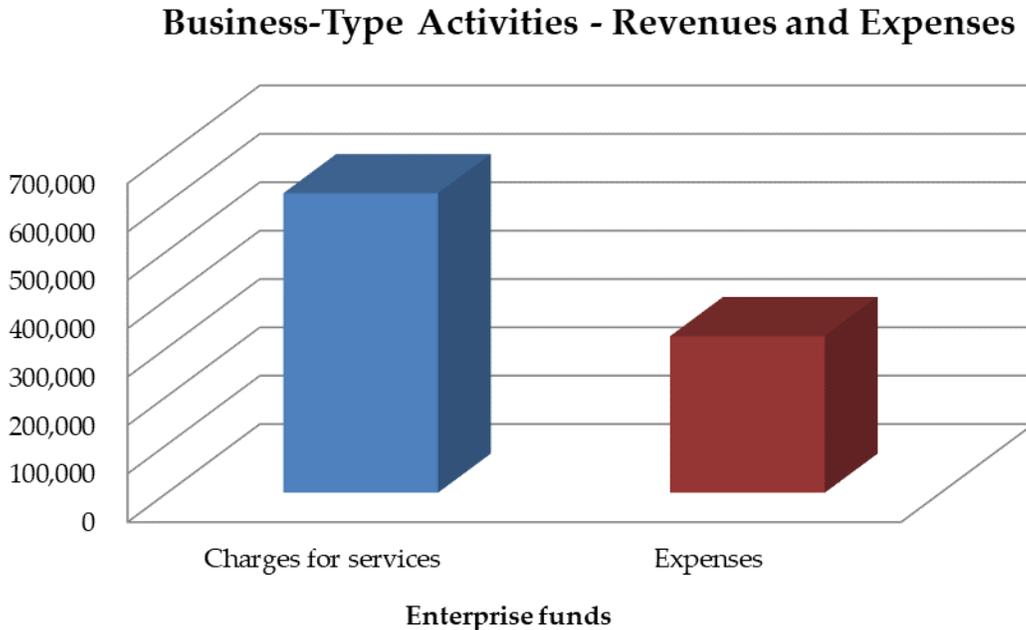
Governmental Activities – Expenses



For the year ended September 30, 2020, expenses for governmental activities totaled \$15,599,413. This represents a decrease of \$1,810,890 or 10% from the prior year. The Town's largest expense category is public safety, which totaled \$5,139,151 at year-end. Parks and recreation expenses decreased by \$277,695 or 10% primarily due to a reduction in nonrecurring non-capital park projects in the previous year. Community development expenses decreased by \$153,903 or 21% due to a reduction in the amount of professional services provided when compared to the previous year. Streets and infrastructure expenses reduced by \$319,272 or 13% due to a reduction in the current year depreciation expenses for street and infrastructure capital assets. Interest on long-term debt decreased by \$1,023,615 or 38% which is consistent with the debt service schedule and is primarily due to the reduction in the interest portion of the debt service payment for the special assessment bond. All other expenses remained relatively consistent when compared to the previous year. During the current year, the town disposed of the old town hall, and any related assets, resulting in a loss on disposal of asset which the Town recognized as a special item in the amount of \$882,082 in the current year.

Town of Trophy Club, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2020

Business-type activities are shown comparing operating costs to revenues generated by related services.



For the year ended September 30, 2020, charges for services by business-type activities totaled \$619,011. This is an increase of \$79,716 or 15% from the previous year. The increase was primarily due to the park being temporarily closed for a portion of the previous year for repairs and maintenance and after having been flooded. In addition, there was an increase of \$64,786 in capital grants, which was a result of a new nonrecurring Texas Parks and Wildlife grant received in the current year.

Total business-type activity expenses increased by \$70,026 or 28%. Most of the increase is attributed to the unanticipated expense of a reimbursement of past received grant funds that during the current year FEMA determined to have been paid to the Town in error.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the Town's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the year.

At September 30, 2020, the Town's governmental funds reported combined fund balances of \$16,358,617, an increase of \$851,580 in comparison with the prior year. Approximately 43% of this amount, \$6,988,719, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted or*

Town of Trophy Club, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2020

committed to indicate that it is 1) not in spendable form \$389,112 or 2) committed for particular purposes \$174,654.

As of the end of the year the general fund reflected a total fund balance of \$7,547,423. General fund balance increased by \$1,724,168 during the current year. This increase can be attributed to greater than anticipated revenues, caused primarily to grant funds received to assist the Town in supporting expenses associated with the COVID-19 pandemic, in addition to expenditures being less than anticipated, primarily in community development and parks and recreation, caused by many programs in these departments not occurring due to the COVID-19 pandemic.

The debt service fund had an ending fund balance of \$706,640 at September 30, 2020, an increase of \$232,970 when compared to the previous year. The increase in the total fund balance was a result of transfers from other funds. During the year, the fund recorded total principal and interest payments of \$2,355,930 and property tax revenue of \$2,328,496.

The capital projects fund had an ending fund balance of \$1,984,646. The capital projects fund decreased \$1,583,426 when compared to the previous year. The decrease was a result of current year capital outlay expenditures exceeding interest income, which is consistent with that which was budgeted.

The PID No. 1 fund reflected an ending fund balance of \$3,971,196. The fund balance decreased \$992, which is a result of debt service expenditures exceeding property assessments and other revenues.

Proprietary Funds - The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position in the Town's largest proprietary fund, the Storm Drainage Utility fund, totaled \$1,731,975. Unrestricted net position at the close of the fiscal year for the Town's utility funds amounted to \$706,200, an increase of \$35,125 over the previous year. Total investment in capital assets, net of related debt was \$1,121,475, and capital assets, net of depreciation totaled \$1,803,997.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total budgeted revenues of \$11,311,480 were less than actual revenues of \$12,247,375, resulting in a positive revenue variance of \$935,895. The positive variance was primarily the result of greater than expected revenues from property tax, sales tax, license and permits, and intergovernmental revenues. Total budgeted expenditures of \$11,699,943 were greater than actual expenditures of \$10,644,689, resulting in a positive expenditure variance of \$1,055,254. The variance in total expenditures was primarily due to positive variances within the community development and parks and recreation departments.

Town of Trophy Club, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

September 30, 2020

CAPITAL ASSETS

As of the end of the year, the Town's governmental activities funds had invested \$69,044,358 in a variety of capital assets and infrastructure, net of accumulated depreciation. The Town's business-type activities funds had invested \$1,803,997 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, machinery and equipment, storm drainage system, and infrastructure.

Major capital asset events during the current year include the following:

- Investments in Trophy Club Drive, Indian Creek, Phoenix Drive and Meadowbrook Lane totaling \$1,599,123.
- Purchase of new vehicles for fire and police totaling \$84,721.
- Purchase of new equipment for parks and recreation department totaling \$219,274.
- Fence replacement at Trophy Club Park totaling \$33,365.

More detailed information about the Town's capital assets is presented in note 4.C to the financial statements.

LONG-TERM DEBT

The Town's outstanding general obligation bonds, certificate of obligation bonds, and special assessment bonds, net of all premiums and discounts decreased by \$3,210,455 for governmental activities and \$159,418 for business-type activities, from the prior year. The total bonds payable at the close of the fiscal year, net of premiums and discounts, was \$46,651,927 for governmental-activities and \$682,522 for business-type activities. Of this amount, \$19,464,000 (excluding unamortized premium/discount) comprises of bonded debt backed by the full faith and credit of the Town, and the remaining represents bonds secured solely by self-supporting activities.

More detailed information about the Town's long-term liabilities is presented in note 4.E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town is approximately 90% residential, and 10% commercial, with both residential and commercial development substantially built out. The Town issued 50 residential construction permits in fiscal year 2020 and 1 commercial permit for a total of \$27,396,468. The Town does not expect this trend to continue. The Town estimates only 50-60 additional residential permits will be pulled in the future and 3-5 large commercial permits.

PD-30 finished most commercial construction in fiscal year 2020 and the Aloft Hotel and the townhouses are to be completed in FY21. The large multi-family complex and a large development of retail along SH114 are completed. There are still 2-3 commercial buildings projected in the PD-30 area.

Town of Trophy Club, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2020

In fiscal year 2021, General Fund revenues are budgeted to increase 4.25% over fiscal year 2020 estimated revenues, while expenditures are budgeted to increase by 9.83% over fiscal year 2020 estimated expenditures. The larger changes are due to estimates and expenditure reductions during the COVID-19 pandemic.

The fiscal year 2021 budget maintained the ad valorem tax rate to \$0.446442 per hundred dollars of assessed value.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Trophy Club Finance Manager, 1 Trophy Wood Drive, Trophy Club, Texas, 76262. This information can also be accessed on the Town of Trophy Club's website at www.trophyclub.org.

BASIC FINANCIAL STATEMENTS

Town of Trophy Club, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 16,571,967	\$ 627,565	\$ 17,199,532
Taxes receivable, net	410,117	-	410,117
Special assessments receivable - current	1,340,000	-	1,340,000
Receivables, net	289,613	40,753	330,366
Intergovernmental receivable	-	50,271	50,271
Due from other governments	31,738	-	31,738
Prepaid and other assets	2,609	2,897	5,506
Total Current Assets	18,646,044	721,486	19,367,530
Noncurrent assets:			
Capital assets:			
Non-depreciable	10,478,676	-	10,478,676
Net depreciable capital assets	58,565,682	1,803,997	60,369,679
Advances to component unit	386,503	-	386,503
Special assessments receivable - noncurrent	22,645,000	-	22,645,000
Total Noncurrent Assets	92,075,861	1,803,997	93,879,858
Total Assets	110,721,905	2,525,483	113,247,388
<u>Deferred Outflows of Resources</u>			
Pension contributions	539,353	-	539,353
OPEB contributions	824	-	824
OPEB experience	34,332	-	34,332
Deferred charge on refunding	2,740,306	-	2,740,306
Total Deferred Outflows of Resources	3,314,815	-	3,314,815

Component	
Units	
<hr/>	
\$	469,490
	-
	-
	156,600
	-
	-
	-
	<hr/>
	626,090
	<hr/>

	2,538,765
	335,252
	-
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	2,874,017
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Town of Trophy Club, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities:			
Accounts payable	562,749	13,422	576,171
Accrued liabilities	506,503	-	506,503
Accrued interest payable	328,628	1,864	330,492
Compensated absences - current	311,390	-	311,390
Long-term debt due within one year	3,408,000	160,000	3,568,000
Total Current Liabilities	5,117,270	175,286	5,292,556
Noncurrent liabilities:			
Long-term debt due in more than one year	43,243,927	522,522	43,766,449
Compensated absences - noncurrent	34,599	-	34,599
OPEB liability	311,242	-	311,242
Net pension liability	1,390,780	-	1,390,780
Advances from primary government	-	-	-
Total Noncurrent Liabilities	44,980,548	522,522	45,503,070
Total Liabilities	50,097,818	697,808	50,795,626
Deferred Inflows of Resources			
Pension investment earnings	609,044	-	609,044
Pension experience	115,038	-	115,038
Pension changes in assumptions	550	-	550
OPEB assumption changes	9,851	-	9,851
Total Deferred Inflows of Resources	734,483	-	734,483
Net Position			
Net investment in capital assets	51,061,357	1,121,475	52,182,832
Restricted for:			
Municipal court	32,838	-	32,838
Debt service	706,640	-	706,640
Public safety	9,886	-	9,886
PID Activities	3,971,196	-	3,971,196
Street maintenance	184,556	-	184,556
Tourism	1,530,643	-	1,530,643
Parks	385,727	-	385,727
Unrestricted	5,321,576	706,200	6,027,776
Total Net Position	\$ 63,204,419	\$ 1,827,675	\$ 65,032,094

See Notes to Financial Statements.

Component Units
5,882
-
8,402
-
110,000
<u>124,284</u>
2,045,124
-
-
-
386,503
<u>2,431,627</u>
<u>2,555,911</u>
-
-
-
<u>-</u>
<u>-</u>
718,893
-
-
222,811
-
-
-
-
2,492
<u>\$ 944,196</u>

Town of Trophy Club, Texas

STATEMENT OF ACTIVITIES (Page 1 of 2)

For the Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 746,961	\$ 479,513	\$ 799,938	\$ -
Manager's office	708,646	-	-	-
Human resources	423,299	-	-	-
Finance	607,160	-	-	-
Information services	636,688	-	-	-
Legal	102,606	-	-	-
Court	79,609	128,925	-	-
Police	2,556,947	-	743,066	-
Fire	1,221,699	-	513,618	-
Emergency medical services	1,280,896	277,313	-	-
Facilities management	336,161	-	-	-
Parks	2,593,588	-	-	-
Community development	498,920	-	-	-
Tourism	64,392	-	-	-
Streets and infrastructure	2,052,018	-	-	-
PID Activities	50,152	912,165	-	-
Interest on long-term debt	1,639,671	-	-	-
Total Governmental Activities	15,599,413	1,797,916	2,056,622	-
Business-Type Activities				
Trophy Club Park	229,670	188,708	-	68,146
Storm drainage utility	93,912	430,303	-	-
Total Business-Type Activities	323,582	619,011	-	68,146
Total Primary Government	\$ 15,922,995	\$ 2,416,927	\$ 2,056,622	68,146

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-Type Activities	Total	Component Units
\$ 532,490	\$ -	\$ 532,490	\$ -
(708,646)	-	(708,646)	-
(423,299)	-	(423,299)	-
(607,160)	-	(607,160)	-
(636,688)	-	(636,688)	-
(102,606)	-	(102,606)	-
49,316	-	49,316	-
(1,813,881)	-	(1,813,881)	-
(708,081)	-	(708,081)	-
(1,003,583)	-	(1,003,583)	-
(336,161)	-	(336,161)	-
(2,593,588)	-	(2,593,588)	-
(498,920)	-	(498,920)	-
(64,392)	-	(64,392)	-
(2,052,018)	-	(2,052,018)	-
862,013	-	862,013	-
(1,639,671)	-	(1,639,671)	-
<u>(11,744,875)</u>	<u>-</u>	<u>(11,744,875)</u>	<u>-</u>
-	27,184	27,184	-
-	336,391	336,391	-
-	<u>363,575</u>	<u>363,575</u>	-
<u>(11,744,875)</u>	<u>363,575</u>	<u>(11,381,300)</u>	<u>-</u>

Town of Trophy Club, Texas

STATEMENT OF ACTIVITIES (Page 2 of 2)

For the Year Ended September 30, 2020

		Program Revenues		
Component Units	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
4B Economic Development Corporation	171,811	-	-	-
Tax Increment Reinvestment Zone #1	13,411	-	-	-
Crime Control and Prevention	200,994	-	5,669	-
Total Component Units	\$ 386,216	\$ -	\$ 5,669	\$ -

General Revenues:

Taxes

Property taxes

Sales and mixed beverage taxes

Franchise and local taxes

Occupancy tax

Other revenues

Investment income

Transfers

Special item - asset disposal

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-Type Activities	Total	Component Units
			(171,811)
			(13,411)
			(195,325)
			<u>(380,547)</u>
9,347,776	-	9,347,776	129,579
1,445,994	-	1,445,994	911,951
850,543	-	850,543	-
387,759	-	387,759	-
414,384	-	414,384	67,306
183,858	2,711	186,569	-
262,933	(262,933)	-	-
(882,082)	-	(882,082)	-
<u>12,011,165</u>	<u>(260,222)</u>	<u>11,750,943</u>	<u>1,108,836</u>
266,290	103,353	369,643	728,289
62,938,129	1,724,322	64,662,451	215,907
<u>\$ 63,204,419</u>	<u>\$ 1,827,675</u>	<u>\$ 65,032,094</u>	<u>\$ 944,196</u>

Town of Trophy Club, Texas

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2020

	General	Debt Service	Capital Projects	PID No. 1
<u>Assets</u>				
Cash and cash equivalents	\$ 7,613,333	\$ 706,054	\$ 2,194,239	\$ 3,971,196
Taxes receivable, net	318,051	19,181	-	-
Special assessments receivable	-	-	-	23,985,000
Accounts receivable, net	289,613	-	-	-
Due from other governments	31,738	-	-	-
Due from other funds	-	-	-	-
Prepaid and other assets	2,609	-	-	-
Advances to component units	386,503	-	-	-
Total Assets	\$ 8,641,847	\$ 725,235	\$ 2,194,239	\$ 27,956,196
<u>Liabilities</u>				
Accounts payable	\$ 341,838	\$ -	\$ 209,593	\$ -
Accrued liabilities	506,503	-	-	-
Total Liabilities	848,341	-	209,593	-
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	62,671	18,595	-	-
Unavailable revenue - fines and forfeitures	25,509	-	-	-
Unavailable revenue - emergency medical services	132,586	-	-	-
Unavailable revenue - special assessments	-	-	-	23,985,000
Unavailable revenue - property liens	25,317	-	-	-
Total Deferred Inflows of Resources	246,083	18,595	-	23,985,000
<u>Fund Balances</u>				
Nonspendable:				
Prepaid items	2,609	-	-	-
Advances to component unit	386,503	-	-	-
Restricted for:				
Debt service	-	706,640	-	-
Capital projects	-	-	1,984,646	-
Municipal court	-	-	-	-
Public safety	-	-	-	-
Street maintenance	-	-	-	-
Tourism	-	-	-	-
Parks	-	-	-	-
PID Activities	-	-	-	3,971,196
Committed for:				
Police	169,592	-	-	-
Recreation programs	-	-	-	-
Unassigned	6,988,719	-	-	-
Total Fund Balances	7,547,423	706,640	1,984,646	3,971,196
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,641,847	\$ 725,235	\$ 2,194,239	\$ 27,956,196

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,087,145	\$ 16,571,967
72,885	410,117
-	23,985,000
-	289,613
-	31,738
-	-
-	2,609
-	386,503
<u>\$ 2,160,030</u>	<u>\$ 41,677,547</u>
\$ 11,318	\$ 562,749
-	506,503
<u>11,318</u>	<u>1,069,252</u>
-	81,266
-	25,509
-	132,586
-	23,985,000
-	25,317
<u>-</u>	<u>24,249,678</u>
-	2,609
-	386,503
-	706,640
-	1,984,646
32,838	32,838
9,886	9,886
184,556	184,556
1,530,643	1,530,643
385,727	385,727
-	3,971,196
-	169,592
5,062	5,062
-	6,988,719
<u>2,148,712</u>	<u>16,358,617</u>
<u>\$ 2,160,030</u>	<u>\$ 41,677,547</u>



Town of Trophy Club, Texas
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
September 30, 2020

Fund Balances - Total Governmental Funds	\$ 16,358,617
 Adjustments for the Statement of Net Position:	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	10,478,676
Capital assets - net depreciable	58,565,682
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
	24,249,678
 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 (revenues) until that time	
Pension experience	(115,038)
Pension changes in assumptions	(550)
Pension investment earnings	(609,044)
OPEB changes in assumptions	(9,851)
 Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/ expenditures) until then	
Pension contributions	539,353
OPEB experience	34,332
OPEB contributions	824
 Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(328,628)
Deferred charges on bond refunding	2,740,306
Bond premium	(3,872,927)
Net pension liability	(1,390,780)
OPEB liability	(311,242)
Compensated absences	(345,989)
Non-current liabilities due in one year	(3,408,000)
Non-current liabilities due in more than one year	(39,371,000)
Net Position of Governmental Activities	\$ 63,204,419

Town of Trophy Club, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS (Page 1 of 2) For the Year Ended September 30, 2020

	General	Debt Service	Capital Projects
<u>Revenues</u>			
Property tax	\$ 7,031,351	\$ 2,328,496	\$ -
Sales and mixed beverage taxes	1,158,083	-	-
Franchise and local taxes	850,543	-	-
Occupancy tax	-	-	-
Special assessments	-	-	-
License and permits	479,513	-	-
Intergovernmental	2,005,341	51,281	-
Charges for services	292,490	-	-
Fines and forfeitures	128,166	-	-
Investment income	75,137	9,664	44,234
Other revenue	226,751	-	-
Total Revenues	12,247,375	2,389,441	44,234
<u>Expenditures</u>			
Current:			
General government	-	-	6,212
Manager's office	682,231	-	-
Human resources	428,851	-	-
Finance	601,249	-	-
Information services	621,055	-	-
Legal	102,606	-	-
Court	77,456	-	-
Police	2,500,524	-	-
Fire	1,256,964	-	-
Emergency medical services	1,219,728	-	-
Facilities management	336,161	-	-
Parks	2,041,863	-	-
Community development	491,941	-	-
Tourism	-	-	-
Streets	192,608	-	-
PID activities	-	-	-
Debt Service:			
Principal	88,205	1,718,000	-
Interest and fiscal charges	3,247	637,930	-
Bond issuance costs	-	67,636	-
Capital outlay	-	-	1,621,448
Total Expenditures	10,644,689	2,423,566	1,627,660
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,602,686	(34,125)	(1,583,426)

<u>PID No. 1</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 9,359,847
-	287,911	1,445,994
-	-	850,543
-	387,759	387,759
2,187,165	-	2,187,165
-	-	479,513
-	-	2,056,622
-	4,457	296,947
-	4,711	132,877
42,568	12,255	183,858
-	159,864	386,615
2,229,733	856,957	17,767,740
-	-	6,212
-	-	682,231
-	-	428,851
-	-	601,249
-	-	621,055
-	-	102,606
-	409	77,865
-	-	2,500,524
-	-	1,256,964
-	-	1,219,728
-	-	336,161
-	2,424	2,044,287
-	-	491,941
-	64,385	64,385
-	195,811	388,419
50,152	-	50,152
1,275,000	-	3,081,205
905,573	-	1,546,750
-	-	67,636
-	113,568	1,735,016
2,230,725	376,597	17,303,237
(992)	480,360	464,503

Town of Trophy Club, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS (Page 2 of 2)
For the Year Ended September 30, 2020

	General	Debt Service	Capital Projects
<u>Other Financing Sources (Uses)</u>			
Transfers in	61,500	202,933	-
Transfers (out)	-	-	-
Refunding bonds issued	-	3,550,000	-
Payment to refunding bond escrow agent	-	(3,485,838)	-
Sale of general capital assets	32,213	-	-
Insurance recoveries	27,769	-	-
Total Other Financing Sources (Uses)	121,482	267,095	-
Net Change in Fund Balances	1,724,168	232,970	(1,583,426)
Beginning fund balances	5,823,255	473,670	3,568,072
Ending Fund Balances	\$ 7,547,423	\$ 706,640	\$ 1,984,646

See Notes to Financial Statements.

<u>PID No. 1</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
-	-	264,433
-	(1,500)	(1,500)
-	-	3,550,000
-	-	(3,485,838)
-	-	32,213
-	-	27,769
-	(1,500)	387,077
(992)	478,860	851,580
3,972,188	1,669,852	15,507,037
<u>\$ 3,971,196</u>	<u>\$ 2,148,712</u>	<u>\$ 16,358,617</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
For the Year Ended September 30, 2020

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

Net changes in fund balances - total governmental funds	\$	851,580
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay		2,048,348
Depreciation expense		(3,404,337)
Carrying value of capital assets disposed		(914,295)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		(1,310,657)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences		(40,704)
Accrued interest		(100,893)
Pension expense		80,987
OPEB expense		(36,390)
<p>The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Amortization of deferred loss on refunding		(206,009)
Amortization of premium		287,455
Principal payments on long-term debt		3,081,205
Current year debt refunding		3,480,000
Bond issuance		(3,550,000)
Change in Net Position of Governmental Activities	\$	<u>266,290</u>

See Notes to Financial Statements.

Town of Trophy Club, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2020

	Trophy Club Park	Storm Drainage Utility	Total
<u>Assets</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 13,079	\$ 614,486	\$ 627,565
Accounts receivable	-	40,753	40,753
Intergovernmental receivable	50,271	-	50,271
Prepaid items	2,897	-	2,897
Total Current Assets	66,247	655,239	721,486
<u>Noncurrent Assets</u>			
Capital assets:			
Net depreciable capital assets	42,875	1,761,122	1,803,997
Total Noncurrent Assets	42,875	1,761,122	1,803,997
Total Assets	109,122	2,416,361	2,525,483
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts payable	\$ 13,422	\$ -	\$ 13,422
Accrued interest	-	1,864	1,864
Long-term debt due within one year	-	160,000	160,000
Total Current Liabilities	13,422	161,864	175,286
<u>Noncurrent Liabilities</u>			
Long-term debt due in more than one year	-	522,522	522,522
Total Liabilities	13,422	684,386	697,808
<u>Net Position</u>			
Net investment in capital assets	42,875	1,078,600	1,121,475
Unrestricted	52,825	653,375	706,200
Total Net Position	\$ 95,700	\$ 1,731,975	\$ 1,827,675

See Notes to Financial Statements.

Town of Trophy Club, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For the Year Ended September 30, 2020

	Trophy Club Park	Storm Drainage Utility	Total
<u>Operating Revenues</u>			
Charges for services	\$ 188,708	\$ 430,303	\$ 619,011
Intergovernmental revenues	68,146	-	68,146
Total Operating Revenues	256,854	430,303	687,157
<u>Operating Expenses</u>			
Salaries and benefits	44,572	-	44,572
Supplies and materials	13,121	-	13,121
Repairs and maintenance	63,108	-	63,108
Utilities	9,631	13,024	22,655
Other operating expenses	96,017	34,224	130,241
Depreciation	3,221	51,083	54,304
Total Operating Expenses	229,670	98,331	328,001
Operating Income (Loss)	27,184	331,972	359,156
<u>Nonoperating Revenues (Expenses)</u>			
Investment income	-	2,711	2,711
Interest and fiscal expense	-	4,419	4,419
Total Nonoperating Revenues (Expenses)	-	7,130	7,130
Income Before Capital Contributions and Transfers	27,184	339,102	366,286
<u>Capital Contributions and Transfers</u>			
Transfers (out)	(20,000)	(242,933)	(262,933)
Total Capital Contributions and Transfers	(20,000)	(242,933)	(262,933)
Change in Net Position	7,184	96,169	103,353
Beginning net position	88,516	1,635,806	1,724,322
Ending Net Position	\$ 95,700	\$ 1,731,975	\$ 1,827,675

See Notes to Financial Statements.

Town of Trophy Club, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 1 of 2)

For the Year Ended September 30, 2020

	Trophy Club Park	Storm Drainage Utility	Total
<u>Cash Flows from Operating Activities</u>			
Payments to employees	\$ (44,572)	\$ -	\$ (44,572)
Payments to suppliers	(101,792)	(50,474)	(152,266)
Receipts from customers	206,583	425,155	631,738
Net Cash Provided (Used) by Operating Activities	60,219	374,681	434,900
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfers (out)	(20,000)	(242,933)	(262,933)
Net Cash Provided (Used) by Noncapital Financing Activities	(20,000)	(242,933)	(262,933)
<u>Cash Flows from Capital and Related Financing Activities</u>			
Acquisition and construction of capital assets	(33,365)	-	(33,365)
Interest paid on capital debt	-	5	5
Principal paid on capital debt	-	(155,000)	(155,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	(33,365)	(154,995)	(188,360)
<u>Cash Flows from Investing Activities</u>			
Interest on investments	-	2,711	2,711
Net Cash Provided by Investing Activities	-	2,711	2,711
Net Increase (Decrease) in Cash and Cash Equivalents	6,854	(20,536)	(13,682)
Beginning cash and cash equivalents	6,225	635,022	641,247
Ending Cash and Cash Equivalents	\$ 13,079	\$ 614,486	\$ 627,565

See Notes to Financial Statements.

Town of Trophy Club, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 2 of 2) For the Year Ended September 30, 2020

	Trophy Club Park	Storm Drainage Utility	Total
<u>Reconciliation of Operating Income (Loss)</u>			
<u>to Net Cash Provided (Used) by Operating Activities</u>			
Operating Income (Loss)	\$ 27,184	\$ 331,972	\$ 359,156
Adjustments to reconcile operating income (loss) to net cash provided (used):			
Depreciation	3,221	51,083	54,304
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	(50,271)	(5,148)	(55,419)
Prepaid	(1,447)	-	(1,447)
Increase (Decrease) in:			
Accounts payable	4,960	(3,226)	1,734
Due from other funds	76,572	-	76,572
Net Cash Provided (Used) by Operating Activities	\$ 60,219	\$ 374,681	\$ 434,900

See Notes to Financial Statements.



Town of Trophy Club, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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.

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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.

Discretely Presented Component Units

4B Economic Development Corporation

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. Since the 4B's governing body is not substantively the same as the governing body of the primary government, does not provide services entirely, or almost entirely to the primary government, nor does it maintain debt of any type that are repaid using Town resources, it has been reported as a discretely presented component unit.

Tax Increment Reinvestment Zone #1

The Tax Increment Reinvestment 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. Since the TIRZ's governing body is not substantively the same as the governing body of the primary

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

government, does not provide services entirely, or almost entirely to the primary government, nor does it maintain debt of any type that are repaid using Town resources, it has been reported as a discretely presented component unit.

Crime Control and Prevention District

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’s governing body is not substantively the same as the governing body of the primary government, does not provide services entirely, or almost entirely to the primary government, nor does it maintain debt of any type that are repaid using Town resources, it has been reported as a discretely presented component unit.

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

C. Basis of Presentation - Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government’s enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As discussed earlier, the government has three discretely presented component units which are shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government’s funds, including its blended component units. Separate statements for each fund category; governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed. The government reports 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.

Public Improvement District (PID) No. 1

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

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all Financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the Town

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

accounts for its enterprise funds as presented by GASB. The proprietary fund types used by the Town include enterprise funds.

The government reports the following major proprietary funds:

Trophy Club Park Fund

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

Storm Drainage Utility Fund

The storm drainage fund accounts for the storm drainage utility fee designated for the maintenance of the Town's storm drainage system.

Additionally, the Town reports for 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).

Street Maintenance Sales Tax Fund

Accounts for sales taxes specifically restricted for street improvements.

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.

Recreation Programs Fund

Accounts for revenues and expenditures associated with recreational programs.

Park Land Dedication Fund

This fund is used to account for park revenues received by and expended by the Town.

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Grant Fund

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

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Proprietary, pension and other postemployment benefit trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

E. Assets, Liabilities, Deferred Outflows/Inflows, and Fund Equity or Net Position

1. Deposits 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 and Texas Class, 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.

2. Fair Value

The Town has applied Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds” in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as “due to/from component unit/primary government.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds are offset by a nonspendable fund balance account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventory is carried at historical cost using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

5. Restricted Assets

Certain proceeds of governmental and enterprise fund cash and investments are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants, legal restrictions, or restrictions in place by outside parties.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession are recorded at acquisition value on the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows / inflows 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 government only has three items that qualify for reporting in this category. One example is the deferred charge on refunding 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.

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 government has only one type of item, which arises only under a modified 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 property taxes, fines and forfeitures and ambulance fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources can also occur at the government wide level due to differences between investment gains and losses realized on pension investments compared to assumption used within the pension actuarial valuation model.

8. Accumulated Vacation, Compensated Time and Sick Leave

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

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed when incurred.

The net pension liability is included within long term debt. This liability is valued using an actuarial model and represents the difference between the plan fiduciary net position and the net pension liability consistent with GASB statement no. 68. The portion of this liability presented as a current liability is based on actuarial calculations for estimated future payments of benefits and refunds over the twelve months following yearend.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

11. Other Postemployment Benefits (“OPEB”)

The Town has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDB covers both active and retiree benefits with no segregation of assets, and therefore doesn’t meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDB is considered to be an unfunded OPEB plan. For purposes of reporting under GASB No. 75, the retiree portion of the SDB is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary, calculated based on the employee’s actual earnings on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service (total OPEB liability), less the amount of the OPEB plan’s fiduciary net position.

In addition to the contributions made to TMRS, the Town provides post-employment medical, dental, and vision benefits for eligible retirees, their spouses and dependents through a single-employer plan with United Healthcare, which covers both active and retired members. 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.

12. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

13. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

14. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (Council) has by resolution authorized the Director of Administrative and Financial Services to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. The general fund is the only fund that reports a positive unassigned fund balance amount.

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

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

15. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

F. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the Town.

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 in accordance with Generally Accepted Accounting Principles have been recognized as revenue.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 utility fund, golf course fund, and storm water utility funds are charges to customers for sales and services. The utility fund also recognizes as operating

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, 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.”

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP) for the general, court technology, court security, street maintenance, hotel/motel tax, crime control and prevention, recreation programs, debt service fund, capital projects, park land dedication fund, and enterprise funds. The original budget is adopted by the Town Council prior to the beginning of the year. The legal level of control as defined by the Town Charter is the fund level. No funds can be transferred or added which affect the total fund expenditures without Town Council approval. Appropriations lapse at the end of the year. During the fiscal year ended September 30, 2020, no supplemental budget appropriations were made.

As of September 30, 2020, expenditures exceeded appropriations at the legal level of control for the Capital Projects fund in the amount of \$79,660.

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

A. Restricted Net Position

The Town records restricted net position on amounts with externally imposed restrictions (e.g., through debt covenants or by grantors) or restrictions imposed by law through constitutional provisions or enabling legislation. Total restricted net position for the primary government was \$6,821,486. Of which, \$32,838 and \$1,530,643, a total of \$1,563,481, is restricted by enabling legislation.

B. Deficit Equity

At September 30, 2020, the Component Unit, Tax Increment Reinvestment Zone #1 had a deficit fund balance of \$354,812. The deficit balances will be eliminated in the future as assessed values continue to increase as a result of growth and development within the TIRZ.

NOTE 4. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits - State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The Town's cash deposits at September 30, 2020 and during the year ended September 30, 2020 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.

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.

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

As of September 30, 2020, the Town had the following investments:

Investment Type	Carrying Value	Weighted Average Maturity (Years)
External investment pools	4,733,958	0.12
Total fair value	\$ 4,733,958	
Portfolio weighted average maturity		0.12

Interest rate risk: In compliance with the Town’s Investment Policy, as of September 30, 2020, the Town minimized the interest rate risk, related to current events market turmoil in the portfolio by: limiting the effective duration of security types not to exceed two years with the exception of securities purchases related to reserve funds; structuring the investment portfolio so that securities matured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the secondary market prior to maturity; monitoring credit ratings of portfolio positions to assure compliance with rating requirements imposed by the Public Funds Investment Act; and investing operating funds primarily in short-term securities, money market mutual funds, or similar government investment pools.

Credit risk: The Town’s investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than “A” or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAAM, or equivalent, by at least one nationally recognized rating service. As of September 30, 2020, all of the Town’s purchased investments in U.S. Agencies Obligations were rated AA+, AAA and Aaa by Standard & Poors, Fitch and Moody’s, respectively.

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2020, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town’s investment policy requires that it will seek to safeguard securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the Town’s safeguard account prior to the release of funds.

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. At September 30, 2020, the fair value of the position in TexPool approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

Texas CLASS

Texas CLASS is a local government investment pool emphasizing safety, liquidity, convenience and competitive yield. Since 1996, Texas CLASS has provided Texas public entities a safe and competitive investment alternative. Texas CLASS invests only in securities allowed by the Texas Public Funds Investment Act. The pool is governed by a board of trustees, elected annually by its participants. Texas CLASS is rated 'AAAm' by Standard and Poor's Ratings Services. The 'AAAm' principal stability fund rating is the highest assigned to principal stability government investment pools and is a direct reflection of Texas CLASS's outstanding credit quality and management. At September 30, 2020, the fair value of the position in Texas CLASS approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

B. Receivables

The following comprise receivable balances of the primary government at year end:

	<u>General</u>	<u>Debt Service</u>	<u>PID No. 1</u>	<u>Nonmajor Governmental</u>	<u>Storm Drainage Utility</u>	<u>Total</u>
Property taxes	\$ 62,671	\$ 19,181	\$ -	\$ -	\$ -	\$ 81,852
Sales tax	209,656	-	-	52,414	-	262,070
Franchise taxes	45,724	-	-	-	-	45,724
Hotel occupancy	-	-	-	20,471	-	20,471
Special assessments	-	-	23,985,000	-	-	23,985,000
Due from other governments	31,738	-	-	-	-	31,738
Municipal court	62,337	-	-	-	-	62,337
EMS	153,570	-	-	-	-	153,570
Storm drainage	-	-	-	-	40,753	40,753
Park services	3,987	-	-	-	-	3,987
Other	127,640	-	-	-	-	127,640
Allowance	(57,921)	-	-	-	-	(57,921)
Total	<u>\$ 639,402</u>	<u>\$ 19,181</u>	<u>\$ 23,985,000</u>	<u>\$ 72,885</u>	<u>\$ 40,753</u>	<u>\$ 24,757,221</u>

The following comprise receivable balances of the component units at year end:

	<u>4B Economic Corporation</u>	<u>Crime Control and Prevention</u>	<u>Total</u>
Sales taxes	\$ 104,828	\$ 51,772	\$ 156,600
Total	<u>\$ 104,828</u>	<u>\$ 51,772</u>	<u>\$ 156,600</u>

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

C. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 10,463,669	\$ -	\$ -	\$ 10,463,669
Construction in progress	2,826,762	1,599,123	(4,410,878)	15,007
Total capital assets not being depreciated	<u>13,290,431</u>	<u>1,599,123</u>	<u>(4,410,878)</u>	<u>10,478,676</u>
Capital assets, being depreciated:				
Buildings	11,877,299	-	(1,221,980)	10,655,319
Improvements other than buildings	60,194,248	311,852	4,378,169	64,884,269
Machinery and equipment	2,988,314	52,652	(482,633)	2,558,333
Vehicles	1,613,702	84,721	(191,728)	1,506,695
Water system	5,362,005	-	-	5,362,005
Infrastructure	14,332,062	-	-	14,332,062
Total capital assets being depreciated	<u>96,367,630</u>	<u>449,225</u>	<u>2,481,828</u>	<u>99,298,683</u>
Less accumulated depreciation				
Buildings	1,650,244	400,192	(631,267)	1,419,169
Improvements other than buildings	26,423,223	2,073,162	(26,587)	28,469,798
Machinery and equipment	1,813,329	243,346	(180,780)	1,875,895
Vehicles	1,081,543	130,914	(176,121)	1,036,336
Water system	1,454,206	219,229	-	1,673,435
Infrastructure	5,920,874	337,494	-	6,258,368
Total accumulated depreciation	<u>38,343,419</u>	<u>3,404,337</u>	<u>(1,014,755)</u>	<u>40,733,001</u>
Net capital assets being depreciated	<u>58,024,211</u>	<u>(2,955,112)</u>	<u>3,496,583</u>	<u>58,565,682</u>
Total capital assets	<u><u>\$ 71,314,642</u></u>	<u><u>\$ (1,355,989)</u></u>	<u><u>\$ (914,295)</u></u>	<u><u>\$ 69,044,358</u></u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 739,640
Emergency medical services	48,849
Information systems	47,719
Police	114,925
Fire	11,329
Parks and recreation	776,946
Streets (Infrastructure)	1,664,929
Total Governmental Activities Depreciation Expense	<u><u>\$ 3,404,337</u></u>

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

A summary of changes in business-type activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, being depreciated:				
Machinery and equipment	\$ 24,112	\$ -	\$ -	\$ 24,112
Improvements	-	33,365	-	33,365
Infrastructure	2,039,766	-	-	2,039,766
Total capital assets being depreciated	<u>2,063,878</u>	<u>33,365</u>	<u>-</u>	<u>2,097,243</u>
Less accumulated depreciation				
Machinery and equipment	11,380	2,387	-	13,767
Improvements	-	834	-	834
Infrastructure	227,562	51,083	-	278,645
Total accumulated depreciation	<u>238,942</u>	<u>54,304</u>	<u>-</u>	<u>293,246</u>
Net capital assets being depreciated	1,824,936	(20,939)	-	1,803,997
Total capital assets	<u>\$ 1,824,936</u>	<u>\$ (20,939)</u>	<u>\$ -</u>	<u>\$ 1,803,997</u>

Depreciation expense was charged to business-type activities as follows:

Trophy Club Park	\$ 3,221
Storm Drainage Utility	51,083
Total Business-Type Activities Depreciation Expense	<u><u>\$ 54,304</u></u>

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

A summary of changes in discretely presented component unit activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 2,538,765	\$ -	\$ -	\$ 2,538,765
Total capital assets not being depreciated	<u>2,538,765</u>	<u>-</u>	<u>-</u>	<u>2,538,765</u>
Capital assets, being depreciated:				
Infrastructure	367,960	-	-	367,960
Total capital assets being depreciated	<u>367,960</u>	<u>-</u>	<u>-</u>	<u>367,960</u>
Less accumulated depreciation				
Infrastructure	8,177	24,531	-	32,708
Total accumulated depreciation	<u>8,177</u>	<u>24,531</u>	<u>-</u>	<u>32,708</u>
Net capital assets being depreciated	359,783	(24,531)	-	335,252
Total capital assets	<u>\$ 2,898,548</u>	<u>\$ (24,531)</u>	<u>\$ -</u>	<u>\$ 2,874,017</u>

D. Other Long-term Liabilities

The following summarizes the changes in other long-term liabilities of the primary government during the year.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 305,285	\$ 297,365	\$ (256,661)	\$ 345,989	\$ 311,390
Total Governmental Activities	<u>\$ 305,285</u>	<u>\$ 297,365</u>	<u>\$ (256,661)</u>	<u>\$ 345,989</u>	<u>\$ 311,390</u>

The general fund has typically been used to liquidate the liability for compensated absences for governmental activities.

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

E. 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. In general, the Town uses the debt service fund and general fund to liquidate governmental long-term liabilities, with the exception of special assessment bonds which are fully covered by assessment receivables. The following is a summary of changes in the Town's total long-term liabilities for the year ended September 30, 2020.

	Beginning Balance	Additions	Retired	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds, notes and other payables:					
General Obligation Bonds	\$ 9,805,000	\$ 3,550,000	\$ (4,350,000)	\$ 9,005,000	\$ 1,505,000
Certificates of Obligation	10,637,000	-	(848,000)	9,789,000	563,000
Special Assessment Bonds	25,260,000	-	(1,275,000)	23,985,000	1,340,000
Less deferred amounts:					
For premiums	4,160,382	-	(287,455)	3,872,927	-
Total Bonds Payable	<u>49,862,382</u>	<u>3,550,000</u>	<u>(6,760,455)</u>	<u>46,651,927</u>	<u>3,408,000</u>
Capital lease	88,205	-	(88,205)	-	-
Total Governmental Activities	<u>\$ 49,950,587</u>	<u>\$ 3,550,000</u>	<u>\$ (6,848,660)</u>	<u>\$ 46,651,927</u>	<u>\$ 3,408,000</u>
				<u>\$ 43,243,927</u>	
Business-Type Activities:					
Certificates of Obligation	\$ 825,000	\$ -	\$ (155,000)	\$ 670,000	\$ 160,000
Less deferred amounts:					
For premiums	16,940	-	(4,418)	12,522	-
Total Business-Type Activities	<u>841,940</u>	<u>-</u>	<u>(159,418)</u>	<u>682,522</u>	<u>160,000</u>
				<u>\$ 522,522</u>	
Component Unit Activities:					
Certificates of Obligation	\$ 2,280,000	\$ -	\$ (105,000)	\$ 2,175,000	\$ 110,000
Less deferred amounts:					
For discounts	(21,209)	-	1,333	(19,876)	-
Total Component Unit Activities	<u>\$ 2,258,791</u>	<u>\$ -</u>	<u>\$ (103,667)</u>	<u>\$ 2,155,124</u>	<u>\$ 110,000</u>
				<u>\$ 2,045,124</u>	

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The Town intends to retire all of its general long-term liabilities, plus accrued interest, from property taxes and other current revenues from the debt

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

service fund as has been done in prior years. The special assessment bonds are fully offset by assessment receivables. The proprietary fund type long-term debt will be repaid, plus accrued interest, from operating revenues of the respective fund. Capital leases are secured by the underlying asset. In the event of default, the lender may demand immediate payment or take possession of the asset. As of September 30, 2020, the total net carrying value of the capital lease assets was \$240,465. At year end, long-term debt of governmental activities was comprised of the following debt issues:

Governmental Activities:

Description	Interest Rate	Year of Issue	Final Maturity	Average Annual Payment	Original Amount	Balance 9/30/2020
General Obligation Bonds:						
Refunding	2.18 %	2015	2025	203,000	2,030,000	1,170,000
Improvements	2.00-3.00 %	2016	2036	262,250	5,245,000	4,285,000
Refunding	1.16 %	2020	2030	355,000	3,550,000	<u>3,550,000</u>
						<u>\$ 9,005,000</u>
Certificates of Obligations:						
Combination Tax and Revenue-Series 2004	3.50 - 4.75 %	2004	2024	\$ 32,500	\$ 650,000	\$ 134,000
Certificates of Obligation Series 2013	2.50 - 3.25 %	2013	2028	86,667	1,300,000	835,000
Certificates of Obligation Series 2014	2.00 - 3.75 %	2014	2034	125,000	2,500,000	1,900,000
Certificates of Obligation Series 2016	2.00-4.00 %	2016	2036	210,500	4,210,000	3,585,000
Certificates of Obligation Series 2017	2.50-3.00 %	2017	2037	222,250	4,445,000	<u>3,335,000</u>
						<u>\$ 9,789,000</u>
Special Assessments:						
Special Assessment Revenue Refunding-Series 2015	2.00-4.00 %	2015	2033	\$ 1,453,054	\$ 26,154,979	<u>23,985,000</u>
						<u>\$ 23,985,000</u>

The PID special assessment bonds are secured solely by the pledged property assessments revenue for the related properties within the Trophy Club PID 1 area. The debt is repaid with property assessments by the respective property owners. The Town is not obligated to pay the bonds from any funds raised from taxation or from any other revenues available to the Town. The Town, through their designed trustee and third-party administrator, set up a separate fund used to service the bond, collect the property assessments, and for initiating any future foreclosures.

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Business-type Activities:

<u>Description</u>	<u>Interest Rate</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Average Annual Payment</u>	<u>Original Amount</u>	<u>Balance 9/30/2020</u>
Certificates of Obligation Series 2013	2.50 - 3.00 %	2013	2024	\$ 154,545	\$ 1,700,000	\$ 670,000
						<u>\$ 670,000</u>

Component-Unit Activities:

<u>Description</u>	<u>Interest Rate</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Average Annual Payment</u>	<u>Original Amount</u>	<u>Balance 9/30/2020</u>
Certificates of Obligation Series 2015	1.00 - 4.75 %	2015	2035	\$ 134,500	\$ 2,690,000	\$ 2,175,000
						<u>\$ 2,175,000</u>

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

The annual requirements to amortize long-term debt outstanding of governmental activities as of September 30, 2020, are as follows:

Governmental Activities

Year Ending September 30,	General Obligation Bonds		Total Requirements
	Principal	Interest	
2021	\$ 1,505,000	\$ 175,760	\$ 1,680,760
2022	905,000	153,611	1,058,611
2023	705,000	136,627	841,627
2024	725,000	121,820	846,820
2025	740,000	106,546	846,546
2026-2030	2,625,000	371,858	2,996,858
2031-2035	1,480,000	163,800	1,643,800
2036-2037	320,000	8,800	328,800
Total	\$ 9,005,000	\$ 1,238,822	\$ 10,243,822

Year Ending September 30,	Certificates of Obligation		Total Requirements
	Principal	Interest	
2021	\$ 563,000	\$ 288,397	\$ 851,397
2022	588,000	269,358	857,358
2023	608,000	251,275	859,275
2024	620,000	232,559	852,559
2025	605,000	213,244	818,244
2026-2030	3,100,000	800,350	3,900,350
2031-2035	2,960,000	376,000	3,336,000
2036-2037	745,000	29,550	774,550
Total	\$ 9,789,000	\$ 2,460,733	\$ 12,249,733

Year Ending September 30,	Special Assessment Bonds		Total Requirements
	Principal	Interest	
2021	\$ 1,340,000	\$ 880,073	\$ 2,220,073
2022	1,400,000	849,923	2,249,923
2023	1,469,000	814,923	2,283,923
2024	1,549,000	770,853	2,319,853
2025	1,627,000	724,383	2,351,383
2026-2030	9,541,000	2,734,956	12,275,956
2031-2035	7,059,000	720,850	7,779,850
Total	\$ 23,985,000	\$ 7,495,961	\$ 31,480,961

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

The annual requirements to amortize long-term debt outstanding of business-type activities as of September 30, 2020, are as follows:

Business-Type Activities

Year Ending September 30,	Certificates of Obligation		Total Requirements
	Principal	Interest	
2021	\$ 160,000	\$ 16,462	\$ 176,462
2022	165,000	12,194	177,194
2023	170,000	7,588	177,588
2024	175,000	2,625	177,625
Total	<u>\$ 670,000</u>	<u>\$ 38,869</u>	<u>\$ 708,869</u>

The annual requirements to amortize long-term debt outstanding of component units as of September 30, 2020, are as follows:

Component-Unit Activities

Year Ending September 30,	Certificates of Obligation		Total Requirements
	Principal	Interest	
2021	\$ 110,000	\$ 93,668	\$ 203,668
2022	110,000	90,258	200,258
2023	115,000	86,518	201,518
2024	120,000	82,263	202,263
2025	125,000	77,463	202,463
2026-2030	710,000	303,475	1,013,475
2031-2035	885,000	130,150	1,015,150
Total	<u>\$ 2,175,000</u>	<u>\$ 863,793</u>	<u>\$ 3,038,793</u>

F. Advanced Refunding

On September 15, 2020, the Town issued \$3,550,000 in general obligation refunding bonds with an interest rate of 1.16%. The proceeds were used to advance refund \$3,070,000 of outstanding 2010 general obligation bonds which had an interest rate of 3% to 4%, and \$410,000 of outstanding 2010 general obligation refunding bonds with an interest rate of 2% to 4%. The net proceeds of \$3,485,838, after issuance costs, were deposited into an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the obligations are considered defeased and the liability for those bonds have been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$5,838. This amount was expensed in full during the current year due to it being a relatively small balance.

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

This advance refunding reduced its total debt service payments by \$506,186 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$422,353.

G. Deferred Charges on Refunding

A deferred charge resulting from the issuance of the 2010 and 2015 general obligation refunding bonds has been recorded as a deferred outflow of resources and is being amortized to interest expense over the term of the refunded debt. The net balance outstanding as of September 30, 2020 was \$2,740,306 for government-type activity reflected in the government-wide statements. Current year amortization expense totaled \$206,009.

H. Interfund Transactions

Transfers between funds during the year are as follows:

Transfer Out:	Transfer In:		
	General	Debt Service	Total
Court Security Fund	1,500	-	1,500
Trophy Club Park	20,000	-	20,000
Storm Drainage Utility Fund	40,000	202,933	242,933
Total	\$ 61,500	\$ 202,933	\$ 264,433

Transfers were primarily used to support debt service, capital expenditures, and to transfer funds to the general fund for administrative costs.

NOTE 5. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The Town participates in the Texas Municipal League Intergovernmental Risk Pool (Pool) which provides protection for risks of loss. Premiums are paid to the Pool that retains the risk of loss beyond the Town's policy deductibles. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the Town's basic financial statements. For the last three years, there have been no significant reductions of insurance coverage or insurance settlements in excess of insurance coverage.

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

B. Contingent Liabilities

The Town is involved in lawsuits with other parties from time to time. While the ultimate result of these matters cannot be predicted with certainty, the Town does not expect them to have a materially adverse effect on the basic financial statements.

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

C. Contingencies

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

D. Defined Benefit Pension Plans

Texas Municipal Retirement System

Plan Description

The Town of Trophy Club, Texas participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas.

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

The TMRS Act places the general administration and management of the system with a six-member board of trustees. Although the Governor, with the advice and consent of the Senate, appoints the board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available Comprehensive Annual Financial Report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the Town are required to participate in TMRS.

Benefits Provided

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 payment 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.

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:

	<u>Plan Year 2019</u>	<u>Plan Year 2018</u>
Employee deposit rate	7%	7%
Matching ratio (town to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	30% of CPI repeating	30% of CPI repeating

The Town also participates in Social Security.

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Employees covered by benefit terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	40
Inactive employees entitled to but not yet receiving benefits	109
Active employees	77
Total	226

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the Town matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the Town. Under the state law governing TMRS, the contribution rate for each town is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the Town of Trophy Club, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Town of Trophy Club, Texas were 12.95% and 13.09% in calendar years 2019 and 2020, respectively. The Town's contributions to TMRS for the year ended September 30, 2020, were \$719,013 and were equal to the required contributions.

Net Pension Liability

The Town's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5%, including inflation
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 Tables with Blue Collar Adjustment, 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 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Discount Rate

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.

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Changes in Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/18	\$ 19,854,961	\$ 17,072,317	\$ 2,782,644
Changes for the year:			
Service Cost	980,663	-	980,663
Interest	1,354,175	-	1,354,175
Difference between expected and actual experience	(3,497)	-	(3,497)
Changes of assumptions	(802)	-	(802)
Contributions – employer	-	710,975	(710,975)
Contributions – employee	-	384,574	(384,574)
Net investment income	-	2,642,216	(2,642,216)
Benefit payments, including refunds of emp. contributions	(566,895)	(566,895)	-
Administrative expense	-	(14,914)	14,914
Other changes	-	(448)	448
Net changes	1,763,644	3,155,508	(1,391,864)
Balance at 12/31/19	\$ 21,618,605	\$ 20,227,825	\$ 1,390,780

The Town uses the general fund to liquidate pension liabilities.

Sensitivity of the Net Position Liability to Changes in the Discount Rate

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 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 4,820,954	\$ 1,390,780	\$ (1,374,467)

Pension Plan Fiduciary Net Position

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.tmrs.com.

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

For the year ended September 30, 2020, the Town recognized a pension expense of \$615,030. This amount is included as part of expenses within the functional program activities.

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

At September 30, 2020, the Town reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred (Inflows) of Resources
Primary Government:			
Difference between projected and actual investment earnings	\$ -	\$	609,044
Changes in actuarial assumptions	-		550
Differences between expected and actual economic experience	-		115,038
Contributions subsequent to the measurement date	539,353		-
Total	\$ 539,353	\$	724,632

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$539,353 will be recognized as a reduction of the net pension liability for the year ending September 30, 2021.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2020	\$ (261,395)
2021	(202,532)
2022	37,262
2023	(297,967)
2024	-
Thereafter	-
	\$ (724,632)

E. Postemployment Benefits Other Than Pensions

The Town also participates in a defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The Town elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The Town may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB. The SDBF covers both active and retiree benefits with no segregation of assets and, therefore, doesn’t meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). As such, the SDBF is considered to be a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to the employer’s yearly contributions for retirees.

The Town offers supplemental death to:	Plan Year 2019	Plan Year 2018
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

The Town contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers.

Employees covered by benefit terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	27
Inactive employees entitled to but not yet receiving benefits	29
Active employees	77
Total	133

The Town’s contributions to the TMRS SDBF for the years ended 2020, 2019 and 2018 were \$1,105, \$1,128 and \$982, respectively, which equaled the required contributions each year.

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Schedule of Contribution Rates
(RETIREE-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2018	0.02%	0.02%	100.0%
2019	0.02%	0.02%	100.0%
2020	0.02%	0.02%	100.0%

Total OPEB Liability

The Town's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2019, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5%, including inflation per year
Discount rate	2.75%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

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 Tables with Blue Collar Adjustment, 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 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 2.75%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Town, calculated using the discount rate of 2.75%, as well as what the Town's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

1% Decrease 1.75%	Current Single Rate Assumption 2.75%	1% Increase 3.75%
\$ 313,827	\$ 251,655	\$ 205,021

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/18	\$ 188,329
Changes for the year:	
Service Cost	15,383
Interest	7,252
Difference between expected and actual experience	(4,443)
Changes of assumptions	46,233
Benefit payments	(1,099)
Net changes	63,326
Balance at 12/31/19	\$ 251,655

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

For the year ended September 30, 2020, the Town recognized OPEB expense of \$30,422.

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

At September 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 35,374	-
Changes in assumptions	-	4,195
Contributions subsequent to measurement date	824	-
Total	\$ 36,198	\$ 4,195

The Town reported \$824 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2021.

Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2020	\$ 7,787
2021	7,787
2022	6,869
2023	5,640
2024	3,096
Thereafter	-
	\$ 31,179

F. 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 a single-employer plan with United Healthcare, which covers both active and retired members.

The retiree pays 195% of the active participant contribution rate for the coverage selected.

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

As of September 30, 2020, membership consisted of:

Retirees or beneficiaries currently receiving benefits	-
Active employees	67
Total	67

The three optional benefit levels, Plan 05X8617, 05X8569 and 05X8589, 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:

	High Plan 05X8589	Standard Plan 05X8569	HSA Plan 05X8617
Single Coverage	\$ 488	\$ 440	\$ 330
Single + Spouse	\$ 1,302	\$ 1,174	\$ 881
Single + Children	\$ 923	\$ 832	\$ 625
Single + Family	\$ 1,641	\$ 1,479	\$ 1,111

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 Expense and Net OPEB Liability

The Town's annual OPEB cost is calculated based on actuarially assumptions determined in accordance with the parameters of GASB 75.

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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

Service cost	\$	5,389
Interest Cost		2,624
Difference between expected and actual exp		(1,194)
Changes in assumptions		(6,481)
Annual OPEB cost expense		338
Contributions made		-
Change in net OPEB liability		338
Net OPEB Liability-beginning of year		59,249
Net OPEB Liability-end of year	\$	59,587

The Town's annual OPEB expense, the percentage of annual OPEB expense contributed to the plan, and the net OPEB liability for 2020 and the preceding year are as follows:

Fiscal Year	Annual OPEB Expense	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability	
			Beginning	Ending
2018	\$ 7,198	0.00%	\$ 44,561	\$ 51,759
2019	\$ 7,490	0.00%	\$ 51,759	\$ 59,249
2020	\$ 338	0.00%	\$ 59,249	\$ 59,587

Funded Status and Funding Progress

As of September 30, 2019, the actuarial accrued liability for benefits was \$59,587, all of which was unfunded. The actuarial accrued liability for benefits was determined based on the September 30, 2020 valuation, the most recent actuarial valuation date available. The covered payroll (annual payroll of active employees covered by the plan) for fiscal year 2020 was \$5,449,088, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 1.09%.

Actuarial valuations of an ongoing program involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Program and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Program, assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Actuarial Methods and Assumptions:

The Net OPEB Liability in the September 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Health care cost trend	Level 5.00%
Discount rate	2.25% (-0.25% real rate of return plus 2.50% inflation)
Salary scale	3.50%
Mortality	RPH-2014 Total Table with Projection MP-2019

Projections of benefits are based on a 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.

The GASB statement requires that the discount rate used to determine the plan liabilities for retiree healthcare benefits be based on the earnings rate of the plan assets if the projected assets are sufficient to cover the projected benefit payments. If the projected assets are not sufficient then a municipal bond index rate must be used for discounting benefits not covered by the projected assets. Since there are no plan assets held in trust the Bond Buyer GO Bond 20 Index is used for determining the discount rate of 4.06%.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Town, calculated using the both the trend and discount rate of 4.5% and 2.25%, respectively, as well as what the Town's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>Trend Rate</u>		
1% Decrease	Current Single Rate	1% Increase
3.50%	Assumption 4.50%	5.50%
\$ 50,799	\$ 59,587	\$ 70,147
<u>Discount Rate</u>		
1% Decrease	Current Single Rate	1% Increase
1.25%	Assumption 2.25%	3.25%
\$ 53,067	\$ 59,587	\$ 66,852

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Inflows of Resources
Differences between expected and actual economic experience	1,042
Changes in assumptions	5,656
Total	\$ 6,698

The Town reported no deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2021.

Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2021	\$ (977)
2022	(977)
2023	(977)
2024	(977)
2025	(977)
Thereafter	(1,813)
	\$ (6,698)

Aggregate Amount of OPEB Expense and Deferred Outflows and Inflows of Resources

The following summaries the aggregate amount of OPEB expense and deferred outflows and inflows of resources for fiscal year ending September 30, 2020.

	SDBF	Healthcare	Total
OPEB Liability	\$ (251,655)	\$ (59,587)	\$ (311,242)
OPEB contributions	824	-	824
OPEB experience	35,374	(1,042)	34,332
OPEB change in assumptions	(4,195)	(5,656)	(9,851)
OPEB expense	29,354	7,036	36,390

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

G. DEFERRED COMPENSATION PLAN

The Town has established a deferred compensation plan (the 457 plan) in accordance with Internal Revenue Code, Section 457. The 457 plan, available to all employees, permits them to defer a portion of their salaries until future years. The benefits of the plan are not available to employees until termination, retirement, or unforeseeable emergency. Benefits are available to employee's beneficiaries in case of death.

All amounts of compensation deferred under the 457 plan, all property rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Town (without being restricted to the provisions of benefits under the plan) subject only to the claims of the Town's general creditors. Participants' rights under the plan are equal to those of the general creditors of the Town in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the Town that the Town has no liability for investment losses under the 457 plan but does have the duty of due care that would be required of an ordinary prudent investor. The Town believes that it is unlikely that it will use the 457 plan assets to satisfy the claims of general creditors in the future.

The Town's deferred compensation plan is administered by a private corporation under contract with the Town. Participant contributions totaled \$23,077 for the year ended September 30, 2020.

H. PUBLIC IMPROVEMENT 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 District 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 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.

Town of Trophy Club, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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.

I. TAX INCENTIVES

Chapter 380 of the Texas Tax Code authorizes allows the governing body of a municipality to establish and provide for the administration of one or more programs, including programs for making loans and grants of public money and providing personnel and services of the municipality, to promote state or local economic development and to stimulate business and commercial activity in the municipality. As of September 30, 2020 the Town of Trophy Club, Texas had no tax incentives.

J. SUBSEQUENT EVENTS

There were no material subsequent events through March 23, 2021, the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Trophy Club, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (Page 1 of 2)
GENERAL FUND

For the Year Ended September 30, 2020

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Property tax	\$ 6,894,957	\$ 7,031,351	\$ 136,394
Sales tax	1,015,684	1,158,083	142,399
Franchise and local taxes	772,648	850,543	77,895
License and permits	304,700	479,513	174,813
Intergovernmental	1,463,711	2,005,341	541,630
Charges for services	305,316	292,490	(12,826)
Fines and forfeitures	300,360	128,166	(172,194)
Investment income	132,000	75,137	(56,863)
Other revenue	122,104	226,751	104,647
Total Revenues	11,311,480	12,247,375	935,895
<u>Expenditures</u>			
Current:			
Manager's office	698,073	682,231	15,842
Human resources	489,378	428,851	60,527
Finance	580,570	601,249	(20,679)
Municipal court	73,942	77,456	(3,514)
Police	2,511,491	2,500,524	10,967
Fire	1,336,445	1,256,964	79,481
Emergency medical services	1,282,592	1,219,728	62,864
Facilities management	343,175	336,161	7,014
Streets	224,673	192,608	32,065
Community development	618,612	491,941	126,671
Parks and recreation	2,570,029	2,041,863	528,166
Legal	126,350	102,606	23,744
Information services	724,161	621,055	103,106
Debt service:			
Principal	88,206	88,206	-
Interest	3,246	3,246	-
Capital outlay	29,000	-	29,000
Total Expenditures	11,699,943	10,644,689	1,055,254
Revenues Over (Under) Expenditures	(388,463)	1,602,686	1,991,149

Town of Trophy Club, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (Page 2 of 2)
GENERAL FUND
For the Year Ended September 30, 2020

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers in	61,500	61,500	-
Sale of general capital assets	-	32,213	32,213
Insurance recoveries	-	27,769	27,769
Total Other Financing Sources	<u>61,500</u>	<u>121,482</u>	<u>59,982</u>
Net Change in Fund Balance	<u>\$ (326,963)</u>	<u>1,724,168</u>	<u>\$ 2,051,131</u>
Beginning fund balance		<u>5,823,255</u>	
Ending Fund Balance		<u><u>\$ 7,547,423</u></u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Town of Trophy Club, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years Ended:

	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>
Total pension liability			
Service cost	\$ 980,663	\$ 863,553	\$ 789,530
Interest	1,354,175	1,263,163	1,173,728
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(3,497)	(258,925)	(62,418)
Changes of assumptions	(802)	-	-
Benefit payments, including refunds of participant contributions	(566,895)	(589,161)	(636,604)
Net change in total pension liability	<u>1,763,644</u>	<u>1,278,630</u>	<u>1,264,236</u>
Total pension liability - beginning	<u>19,854,961</u>	<u>18,576,331</u>	<u>17,312,095</u>
Total pension liability - ending (a)	<u>21,618,605</u>	<u>19,854,961</u>	<u>18,576,331</u>
Plan fiduciary net position			
Contributions - employer	\$ 710,975	\$ 633,832	\$ 606,585
Contributions - members	384,574	347,155	323,389
Net investment income	2,642,216	(515,889)	2,061,434
Benefit payments, including refunds of participant contributions	(566,895)	(589,161)	(636,604)
Administrative expenses	(14,914)	(9,961)	(10,676)
Other	(448)	(520)	(541)
Net change in plan fiduciary net position	<u>3,155,508</u>	<u>(134,544)</u>	<u>2,343,587</u>
Plan fiduciary net position - beginning	<u>17,072,317</u>	<u>17,206,861</u>	<u>14,863,274</u>
Plan fiduciary net position - ending (b)	<u>\$ 20,227,825</u>	<u>\$ 17,072,317</u>	<u>\$ 17,206,861</u>
Fund's net pension liability - ending (a) - (b)	<u>\$ 1,390,780</u>	<u>\$ 2,782,644</u>	<u>\$ 1,369,470</u>
 Plan fiduciary net position as a percentage of the total pension liability	 93.57%	 85.99%	 92.63%
Covered payroll	\$ 5,493,911	\$ 4,954,406	\$ 4,619,838
Fund's net pension liability as a percentage of covered payroll	 25.31%	 56.17%	 29.64%

Notes to schedule:

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>	¹
\$ 795,448	804,453	\$ 809,057	
1,113,555	1,053,745	970,682	
-	-	(1,544,038)	
(471,044)	(237,279)	(49,303)	
-	368,895	-	
(450,496)	(632,921)	(450,100)	
<u>987,463</u>	<u>1,356,893</u>	<u>(263,702)</u>	
<u>16,324,632</u>	<u>14,967,739</u>	<u>15,231,441</u>	
<u>17,312,095</u>	<u>16,324,632</u>	<u>14,967,739</u>	
\$ 593,840	658,543	\$ 660,364	
329,281	340,458	316,613	
912,155	19,357	681,774	
(450,496)	(632,921)	(450,100)	
(10,296)	(11,788)	(7,117)	
(555)	(582)	(585)	
<u>1,373,929</u>	<u>373,067</u>	<u>1,200,949</u>	
<u>13,489,345</u>	<u>13,116,278</u>	<u>11,915,329</u>	
<u>\$ 14,863,274</u>	<u>13,489,345</u>	<u>\$ 13,116,278</u>	
<u>\$ 2,448,821</u>	<u>2,835,287</u>	<u>\$ 1,851,461</u>	

85.85%	82.63%	87.63%
\$ 4,704,011	\$ 4,863,685	\$ 4,523,041
52.06%	58.30%	40.93%

Town of Trophy Club, Texas
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN
Years Ended:

	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>
Actuarially determined employer contributions	\$ 728,124	\$ 736,208	\$ 638,736
Contributions in relation to the actuarially determined contribution	<u>\$ 728,124</u>	<u>\$ 736,208</u>	<u>\$ 638,736</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Annual covered payroll	\$ 5,524,768	\$ 5,640,011	\$ 4,911,902
Employer contributions as a percentage of covered payroll	13.18%	13.05%	13.00%

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	26 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.5%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u> ¹
\$ 598,176	\$ 627,419	\$ 642,631
<u>\$ 598,176</u>	<u>\$ 627,419</u>	<u>\$ 642,631</u>
\$ -	\$ -	\$ -
\$ 4,559,463	\$ 4,822,763	\$ 4,617,652
13.12%	13.01%	13.92%



Town of Trophy Club, Texas
SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION (OPEB) LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM

Years Ended:

	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>	¹
Total OPEB liability				
Service cost	\$ 15,383	\$ 12,386	\$ 10,164	
Interest	7,252	6,400	6,033	
Changes in benefit terms	-	-	-	
Differences between expected and actual experience	(4,443)	(887)	-	
Changes of assumptions	46,233	(16,237)	17,400	
Benefit payments, including refunds of participant contributions	(1,099)	(991)	(924)	
Net changes	<u>63,326</u>	<u>671</u>	<u>32,673</u>	
Total OPEB liability - beginning	<u>188,329</u>	<u>187,658</u>	<u>154,985</u>	
Total OPEB liability - ending	<u>\$ 251,655</u>	<u>\$ 188,329</u>	<u>\$ 187,658</u>	²
Covered employee payroll	\$ 5,493,911	\$ 4,954,406	\$ 4,619,838	
Total OPEB Liability as a percentage of covered	4.58%	3.80%	4.06%	

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

Town of Trophy Club, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) LIABILITY AND RELATED RATIOS POST EMPLOYMENT HEALTHCARE BENEFITS

Years Ended:

	9/30/2020	9/30/2019	9/30/2018 ¹
Total OPEB liability			
Service cost	\$ 5,389	\$ 5,389	\$ 5,179
Interest	2,624	2,101	2,019
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(1,194.0)	-	-
Changes of assumptions	(6,481)	-	-
Benefit payments, including refunds of participant contributions	-	-	-
Net changes	338	7,490	7,198
Total OPEB liability - beginning	59,249	51,759	44,561
Total OPEB liability - ending	\$ 59,587	\$ 59,249	\$ 51,759 ²
Covered employee payroll	\$ 4,398,838	\$ 3,662,902	\$ 4,911,902
Total OPEB Liability as a percentage of covered	1.35%	1.62%	1.05%

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

Town of Trophy Club, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PID No. 1
For the Year Ended September 30, 2020

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Special assessments	\$ 2,204,998	\$ 2,187,165	\$ (17,833)
Other revenue	47,310	42,568	(4,742)
Total Revenues	2,252,308	2,229,733	(22,575)
<u>Expenditures</u>			
Current:			
PID activities	47,310	50,152	(2,842)
Debt service:			
Principal	1,340,000	1,275,000	65,000
Interest and fiscal charges	864,998	905,573	(40,575)
Total Expenditures	2,252,308	2,230,725	21,583
Revenues Over (Under) Expenditures	-	(992)	(992)
Net Change in Fund Balance	\$ -	(992)	\$ (992)
Beginning fund balance		3,972,188	
Ending Fund Balance		\$ 3,971,196	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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Financial Advisory Services
Provided By:

