

**OFFICIAL STATEMENT****Dated: August 14, 2023**

*In the opinion of Bond Counsel, under existing law, interest on the Certificates (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.*

THE CERTIFICATES HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.  
See "TAX MATTERS – PURCHASE OF TAX-EXEMPT OBLIGATIONS BY FINANCIAL INSTITUTIONS" herein.

**\$6,925,000****COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023  
TOWN OF TROPHY CLUB, TEXAS  
(Denton and Tarrant Counties)****Dated Date: August 15, 2023****Due: March 1, as shown on page ii**

The Town of Trophy Club, Texas (the "Town" or the "Issuer" \$6,925,000 Combination Tax and Revenue Certificates of Obligation, Series 2023 (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 August 15, 2023 (the "Dated Date") as shown above and will be payable on March 1, 2024, 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 Certificates will be made available for purchase in principal amounts of \$5,000 or any integral multiple thereof within a maturity. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by 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 Certificates. (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, improving and renovating Town parks and green spaces including park and recreation facilities, including sports fields and the acquisition of land therefor, (ii) designing, developing, constructing, improving, extending, and expanding streets, thoroughfares, sidewalks, bridges, and other public ways of the City, including streetscaping, street facilities, streetlighting, right-of-way protection, utility relocation, and related storm drainage improvements; and acquiring rights-of-way in connection therewith, (iii) Town public parking facilities located at Town Hall (iv) professional services incurred in connection with items (i) through (iii) and 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, 2033, on March 1, 2032, 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 BOK Financial Securities, Inc. (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 6, 2023.*

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

**\$6,925,000 Combination Tax and Revenue Certificates of Obligation, Series 2023**  
**(Due March 1)**

<u>Stated Maturity March 1</u>	<u>Principal Amount</u>	<u>Initial Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP Suffix<sup>(a)</sup></u>
2024	\$ 565,000	5.000	3.500	LA1
2025	840,000	5.000	3.400	LB9
2026	200,000	5.000	3.300	LC7
2027	210,000	5.000	3.200	LD5
2028	225,000	5.000	3.150	LE3
2029	235,000	5.000	3.100	LF0
2030	245,000	5.000	3.050	LG8
2031	260,000	5.000	3.050	LH6
2032	275,000	5.000	3.100	LJ2
2033	285,000	4.000	3.150 <sup>(b)</sup>	LK9
2034	295,000	4.000	3.250 <sup>(b)</sup>	LL7
2035	310,000	4.000	3.300 <sup>(b)</sup>	LM5
2036	320,000	4.000	3.500 <sup>(b)</sup>	LN3
2037	335,000	4.000	3.700 <sup>(b)</sup>	LP8
2038	350,000	4.000	3.800 <sup>(b)</sup>	LQ6
2039	365,000	4.000	3.850 <sup>(b)</sup>	LR4
2040	380,000	4.000	3.900 <sup>(b)</sup>	LS2
2041	395,000	4.000	3.950 <sup>(b)</sup>	LT0
2042	410,000	4.000	4.050	LU7
2043	425,000	4.000	4.100	LV5

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

The Issuer reserves the right to redeem the Certificates maturing on and after March 1, 2033, on March 1, 2032, 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 CERTIFICATES - Redemption Provisions” herein.)

<sup>(a)</sup> CUSIP numbers are included solely for the convenience of the owner of the Certificates. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2023 CUSIP Global Services. All rights reserved. CUSIP data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference only.

<sup>(b)</sup> Yield calculated is based on the assumption that the Certificates denoted and sold at premium will be redeemed on March 1, 2032 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**  
**1 Trophy Wood Drive**  
**Trophy Club, Texas 76262**  
**685-237-2914**

**ELECTED OFFICIALS**

<u>Name</u>	<u>Position</u>	<u>On Council Since</u>	<u>Term Expires May</u>
Jeannette Tiffany	Mayor	May 2023	2026
Dennis Sheridan	Mayor Pro Tem, Place 3	May 2021	2024
Stacey Bauer	Council Member, Place 1	May 2023	2026
Jeff Beach	Council Member, Place 2	November 2021	2026
Karl Monger	Council Member, Place 4	September 2019	2024
Luanne Oldham	Council Member, Place 5	November 2021	2025
Steve Flynn	Council Member, Place 6	May 2022	2025

**ADMINISTRATION**

<u>Name</u>	<u>Position</u>	<u>Years of Municipal Experience</u>
Patrick Arata	Interim Town Manager	9 years
April Duvall	Director of Finance	17 years
Terri Johnson	Interim Town Secretary	45 years
Jason Wise	Fire Chief	32 years
Patrick Arata	Police Chief	9 years
Denise Deprato	Human Resources Manager	15 years
Matt Cox	Director of Community Development	9 years
Jill Lind	Communications & Marketing Manager	20 years
Ronnie Angel	Interim Parks & Recreation Director	24 years

**CONSULTANTS AND ADVISORS**

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

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

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Director of Finance  
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Senior Managing Director  
**SAMCO Capital Markets, Inc.**  
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(210) 832-9760  
mmcliney@samcocapital.com

## USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

SELECTED DATA FROM THE OFFICIAL STATEMENT .....	1	ADDITIONAL TAX COLLECTIONS.....	15
INTRODUCTORY STATEMENT.....	1	Municipal Sales Tax Collections.....	15
THE CERTIFICATES.....	1	TAX MATTERS.....	15
General Description.....	1	Tax Exemption.....	15
Authority for Issuance.....	1	Collateral Tax Consequences.....	16
Security for Payment.....	1	Tax Accounting Treatment of Original Issue Premium...	16
Use of Certificate Proceeds .....	2	Tax Accounting Treatment of Original Issue Discount	
Redemption Provisions.....	2	Certificates.....	17
Payment Record .....	2	Tax Legislative Changes .....	17
Legality.....	2	PURCHASE OF TAX-EXEMPT OBLIGATIONS BY FINANCIAL	
Tax Rate Limitations.....	3	INSTITUTIONS .....	18
Defeasance.....	3	CONTINUING DISCLOSURE OF INFORMATION.....	18
Amendments to the Ordinance .....	3	Annual Reports .....	18
Default and Remedies.....	3	Notice of Certain Events.....	18
REGISTRATION, TRANSFER AND EXCHANGE.....	4	Availability of Information from MSRB .....	19
Paying Agent/Registrar.....	4	Limitations and Amendments.....	19
Record Date.....	5	Compliance with Prior Agreements .....	19
Future Registration.....	5	OTHER PERTINENT INFORMATION.....	19
Limitation on Transferability .....	5	Registration and Qualification of Certificates for Sale....	19
Replacement Certificates.....	5	Litigation.....	20
BOOK-ENTRY-ONLY SYSTEM.....	6	Future Debt Issuance .....	20
Use of Certain Terms in Other Sections of this Official		Legal Investments and Eligibility to Secure Public Funds in	
Statement .....	7	Texas .....	20
Effect of Termination of Book-Entry-Only System .....	7	Ratings .....	20
INVESTMENT AUTHORITY AND INVESTMENT PRACTICES		Legal Matters.....	20
OF THE ISSUER.....	7	Initial Purchase of the Certificates.....	21
Current Investments .....	9	Financial Advisor.....	21
EMPLOYEE BENEFITS.....	9	Certification of the Official Statement .....	21
AD VALOREM TAX PROCEDURES.....	10	Forward-Looking Statements Disclaimer .....	21
TOWN'S APPLICATION OF THE PROPERTY TAX CODE ..	14	Concluding Statement .....	22

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, 2022	Appendix D

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

## SELECTED DATA FROM THE OFFICIAL STATEMENT

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

<b>The Issuer</b>	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 2020 U.S. Census, was 13,688. The Town's current population estimate is 15,386. (See "APPENDIX B - GENERAL INFORMATION REGARDING THE TOWN OF TROPHY CLUB AND DENTON COUNTY, TEXAS" herein.)
<b>The Certificates</b>	The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly, Subchapter C, Chapter 271, Texas Local Government Code as amended, and an ordinance (the "Ordinance") adopted by the Town Council on August 14, 2023. (See "THE CERTIFICATES - Authority for Issuance" herein.)
<b>Paying Agent/Registrar</b>	The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas, Texas.
<b>Security</b>	The Certificates constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the Town, within the limits prescribed by law, and further secured by and payable from a lien on and limited pledge (not to exceed \$1,000) of the surplus net revenues derived from the operation of the Issuer's municipal drainage utility system (the "System"). (See "THE CERTIFICATES - Security for Payment" herein.)
<b>Redemption Provisions</b>	The Issuer reserves the right to redeem the Certificates maturing on and after March 1, 2033 on March 1, 2032, 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 CERTIFICATES - Redemption Provisions" herein.)
<b>Tax Matters</b>	In the opinion of Bond Counsel, under existing law, interest on the Certificates (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.
<b>Use of Proceeds</b>	Proceeds from the sale of the Certificates will be used for the purpose of providing funds for: (i) designing, developing, constructing, improving and renovating Town parks and green spaces including park and recreation facilities, including sports fields and the acquisition of land therefor, (ii) designing, developing, constructing, improving, extending, and expanding streets, thoroughfares, sidewalks, bridges, and other public ways of the City, including streetscaping, street facilities, streetlighting, right-of-way protection, utility relocation, and related storm drainage improvements; and acquiring rights-of-way in connection therewith, (iii) Town public parking facilities located at Town Hall (iv) professional services incurred in connection with items (i) through (iii) and to pay the costs incurred in connection with the issuance of the Certificates. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)
<b>Qualified Tax-Exempt Obligations</b>	The Issuer has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions" herein.)
<b>Book-Entry-Only System</b>	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Certificates will be made to the beneficial owners of the Certificates. Such Book-Entry-Only System may affect the method and timing of payments on the Certificates and the manner the Certificates may be transferred. (See "Book-Entry-Only System" herein.)
<b>Ratings</b>	S&P Global Ratings ("S&P") has assigned a rating of "AA+" to the Certificates. An explanation of the significance of such rating may be obtained from S&P. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)
<b>Issuance of Additional Debt</b>	The Town does not anticipate the issuance of additional debt within the next twelve months.
<b>Payment Record</b>	The Town has never defaulted in the payment of its general obligation tax debt.
<b>Delivery</b>	It is anticipated the Certificates will be available for delivery through DTC on or about September 6, 2023.
<b>Legality</b>	Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to certain legal matters by Bracewell LLP, Bond Counsel, Dallas, Texas.

## 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 \$6,925,000 Combination Tax and Revenue Certificates of Obligation, Series 2023 (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 on August 14, 2023. (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 August 15, 2023 (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, 2024, and on each September 1 and March 1 thereafter, until maturity or prior redemption. Principal is payable at the designated offices of the Paying Agent/Registrar for the Certificates, initially BOKF, NA, Dallas, Texas.; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Certificates, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. Interest on the Certificates shall be paid to the registered owners whose names appear on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (as hereinafter defined) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk of, the registered owner. If the date for the payment of the principal or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to be closed, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

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

### Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State, including Texas Local Government Code, Subchapter C, Chapter 271, as amended, the Town's Home Rule Charter and the 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, improving and renovating Town parks and green spaces including park and recreation facilities, including sports fields and the acquisition of land therefor, (ii) designing, developing, constructing, improving, extending, and expanding streets, thoroughfares, sidewalks, bridges, and other public ways of the City, including streetscaping, street facilities, streetlighting, right-of-way protection, utility relocation, and related storm drainage improvements; and acquiring rights-of-way in connection therewith, (iii) Town public parking facilities located at Town Hall i(v) professional services incurred in connection with items (i) through (iii) and 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, 2033 on March 1, 2032, 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.

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 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 City. 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 City 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 City. Such registered Owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the 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 City's governmental immunity from a suit for money damages, registered owners may not be able to bring such a suit against the City for breach of the Obligations or covenants in the Ordinances. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the 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 city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the City is not using the authority provided by Chapter 1371 and has not waived sovereign immunity in the proceedings authorizing the 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 City to perform in accordance with the terms of the Ordinance, or upon any other condition. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source or revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that the rights of holders of the 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 or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a day and payment on such date shall have the same force and effect as if made on the original date payment was due.

### **Record Date**

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

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

### **Future Registration**

The Certificates are initially to be issued utilizing the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"). In the event such Book-Entry-Only System should be discontinued, printed certificates will be issued to the owners of the Certificates and thereafter, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate or Certificates surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be initially utilized in regard to ownership and transferability of the Certificates.)

### **Limitation on Transferability**

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

### **Replacement Certificates**

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 a substitution for a 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 "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Certificates may wish to take certain steps to augment the transmission to then 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 March 31, 2023, 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	\$5,291,287	17.92%
InterBank CDRS	18,909,937	64.04%
Wells Fargo Checking Account	1,727,955	5.85%
Texas Class	2,561,215	8.67%
Plains Capital	1,040,197	3.52%
Total	\$29,530,591	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

#### Plan Description

The Town participates as one of over 900 plans in the defined benefit cash-balance pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Comprehensive Annual Financial Report (Annual Report) that can be obtained at [tmrs.com](http://tmrs.com).

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

For more information see the Annual Comprehensive Financial Report for the Fiscal Year Ended September 30, 2022, Note 10.

## **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 City 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 City, 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 city, 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 – City Application of Tax Code" and Table 1 for the reduction in taxable valuation of the City 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 City has not 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.

**2023 PROPERTY TAX LEGISLATION** The 88th Texas Legislature began on January 10, 2023 and adjourned on May 29, 2023. The Legislature meets in regular session in odd numbered years for 140 days. During the 88th Texas Legislative Session, the Legislature considered legislation affecting ad valorem taxation procedures and exemptions, among other legislation affecting cities, counties and other political subdivisions generally. The City is in the process of reviewing legislation that passed and can make no representation regarding the impact of such legislation at this time.

When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called two special sessions. The second special session concluded on July 13, 2023.

During the second called special session, property tax legislation was passed that, among other things, (i) prohibits school districts, cities and counties from repealing or reducing an optional homestead exemption that was granted in tax year 2022 (the prohibition expires on December 31, 2027); (ii) establishes a three-year pilot program limiting growth in the taxable assessed value of non-residence homestead property valued at \$5,000,000 or less to 20 percent; (iii) excepts certain appropriations to pay for ad valorem tax relief from the constitutional limitation on the rate of growth of appropriations; and (iv) expands the size of the governing body of an appraisal district in a county with a population of more than 75,000 by adding elected directors and authorize the legislature to provide for a four-year term of office for a member of the board of directors of certain appraisal districts. The foregoing legislation is intended to reduce the amount of property taxes paid by homeowners and businesses and will result in an increase the State’s share of the cost of funding public education. The legislation has been signed by the Governor.

Implementation of the foregoing legislation is subject to voter approval of a constitutional amendment that will be submitted to the voters at an election to be held on November 7, 2023. If the constitutional amendment is approved by voters, certain additional legislation will take effect including but not limited to certain increases to the no-tax-due threshold for franchise tax.

Additional special sessions may be called. During this time, the Legislature may enact laws that materially change current law as it relates to property tax exemptions and procedures. The City can make no representations or predictions regarding the scope of legislation that may be considered during any additional called special session or the potential impact of such legislation at this time.

**TAX INCREMENT FINANCING ZONES** . . . A city 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 City.

**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 City’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 City, see “AD VALOREM PROPERTY TAXATION – City Application of 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 City is subject to the assessment, levy and collection by the City 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 City, 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.

**CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . .** Taxes levied by the City 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 City, 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 City 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 City 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 city 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 city'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 city'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 City’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 City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city 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 city and the county tax assessor-collector for each county in which all or part of the city is located. A city 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 71<sup>st</sup> day before the next occurring November uniform election date. If a city 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 city for the preceding tax year.

As described below, the Property Tax Code provides that if a city 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 city 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 city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city 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 city 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 city 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 city 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 city’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 city’s voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city 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 city 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 city’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 City’s ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City’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 City 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 City 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 City 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 City 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% <sup>(1)</sup>	6% <sup>(2)</sup>	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 City'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. 2023 Tax Increment is \$108,155.

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 ( $\frac{1}{2}\%$ ) to one-quarter percent ( $\frac{1}{4}\%$ ) and, at the same time, voted a one-quarter percent ( $\frac{1}{4}\%$ ) additional sales tax to be collected and designated for street repairs.

At an election held on November 6, 2012, the Town's registered voters approved an increase in the sales tax levied pursuant to Chapters 501, 502 and 505, Texas Local Government Code, as amended (formerly Section 4B of Article 6190.6, Texas Revised Civil Statutes), from one-quarter percent ( $\frac{1}{4}\%$ ) to one-half percent ( $\frac{1}{2}\%$ ) and, at the same time, approved a reduction in the sales tax levied pursuant to Chapters 501, 502 and 504, Texas Local government Code, as amended (formerly Section 4A of Article 6190.6, Texas Revised Civil Statutes), from one-half percent ( $\frac{1}{2}\%$ ) to one-quarter percent ( $\frac{1}{4}\%$ ). This change in tax collection percentages began in April 2013.

At an election held on May 11, 2013, the town's registered voters approved the dissolution of its Economic Development Corporation (4A) and the cessation of the one-quarter percent ( $\frac{1}{4}\%$ ) sales tax levied for economic development purposes. At the same election voters created a Crime Control and Prevention District ("CCPD") and authorized the levy of a one-quarter percent ( $\frac{1}{4}\%$ ) sales tax pursuant to Chapter 363, Texas Local Government Code, as amended to fund the CCPD. This  $\frac{1}{4}\%$  tax began with the October 2013 collections.

The Town has not held an election regarding an additional sales tax for the purpose of reducing its ad valorem taxes, because the maximum combined sales tax rate of  $8\frac{1}{4}\%$ , including the State portion of  $6\frac{1}{4}\%$ , has been reached.

## TAX MATTERS

**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 (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

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, including but not limited to those noted below. Therefore, prospective purchasers of the Certificates should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Certificates.

For tax years beginning after December 31, 2022, an "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Certificates, is included in a corporation's "adjusted financial statement income," ownership of the Certificates could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax 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.

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 Accounting Treatment of Original Issue Discount Certificates**

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

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

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

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

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

### **Tax Legislative Changes**

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

## PURCHASE OF TAX-EXEMPT OBLIGATIONS BY FINANCIAL INSTITUTIONS

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

The Certificates have been designated as "qualified tax-exempt obligations" based, in part, on the Town's representation that the amount of the Certificates, when added to the amount of all other tax-exempt obligations (not including private activity bonds other than "qualified 501(c)(3) bonds" or any obligations issued to currently refund any obligation to the extent the amount of the refunding obligation did not exceed the outstanding amount of the refunded obligation) issued or reasonably anticipated to be issued by or on behalf of the Town during 2023, 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 2023.

Notwithstanding the designation of the Certificates as "qualified tax-exempt obligations" under this exception, financial institutions acquiring the Certificates will be subject to a 20% disallowance of allocable interest expense.

## CONTINUING DISCLOSURE OF INFORMATION

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

### Annual Reports

The Town shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the Town, financial information and operating data with respect to the Town of the general type included in the final Official Statement, being information described in Tables 1, 2, 3, 8, 9, 10, 11, 12, 13 and 19 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 City 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; (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](http://www.emma.msrb.org).

### **Limitations and Amendments**

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

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

### **Compliance with Prior Agreements**

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

## **OTHER PERTINENT INFORMATION**

### **Registration and Qualification of Certificates for Sale**

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

responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

### **Litigation**

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

### **Future Debt Issuance**

The Town does not anticipate the issuance of additional debt within the next twelve months.

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

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

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

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

### **Ratings**

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

### **Legal 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 opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise from the transaction.

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

On August 14, 2023, after requesting competitive bids for the Certificates, the Town accepted the bid of BOK Financial Securities, Inc. (the "Initial Certificate Purchaser") to purchase the Certificates at the interest rates shown on page iii of the Official Statement at a price of par, plus a cash premium of \$257,608.20, less a Purchaser's discount of \$91,601.68, plus accrued interest on the Certificates from their Dated Date to their date of initial delivery. 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, 2022, the date of the last audited financial statements of the Issuer, portions of which appear in the Official Statement.

The Official Statement will be approved as to form and content and the use thereof in the offering of the Certificates will be authorized, ratified and approved by the Town Council on the date of sale 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 will also approve the form and content of this Official Statement and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Purchasers.

**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**

2023 Actual Market Value of Taxable Property (100% of Actual)		\$ 3,686,247,156
Less Exemptions/Losses:		
Local Optional Over-65/Disabled Homestead	\$ 63,241,446	
Disabled and Deceased Veterans	34,033,227	
Productivity Value Loss	1,704,756	
10% Homestead Cap Loss <sup>(a)</sup>	398,692,965	
House Bill 366 Exempt Propoerty	40,709	
Pollution Control/Other	61,318	
Totally Exempt Property	<u>155,268,453</u>	
Productivity Loss	653,042,874	
2023 Net Taxable Assessed Valuation <sup>(a)</sup>		<u>3,033,204,282</u>
Less: Freeze Adjustment		\$ 488,649,449
Less: Transfer Adjustment		<u>82,558</u>
2023 Freeze Adjusted Net Taxable Assessed Valuation <sup>(a)</sup>		<u>\$ 2,544,472,275</u>

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

**GENERAL OBLIGATION BONDED DEBT**

**TABLE 2**

<b>General Obligation Debt Principal Outstanding: (As of August 1, 2023)</b>		
Combination Tax and Revenue Certificates of Obligation, Series 2004		\$ 68,000
Combination Tax and Revenue Certificates of Obligation, Series 2013		740,000
Combination Tax and Revenue Certificates of Obligation, Series 2014		1,675,000
General Obligation Refunding Bonds, Series 2015		720,000
Combination Tax and Revenue Certificates of Obligation, Series 2016		3,215,000
General Obligation Bonds, Series 2016		3,840,000
Combination Tax and Revenue Certificates of Obligation, Series 2017		3,020,000
General Obligation Refunding Bonds, Series 2020		2,035,000
Combination Tax and Revenue Certificates of Obligation, Series 2021		<u>3,085,000</u>
Total Gross General Obligation Debt Principal Outstanding:		\$ 18,398,000
<b>Current Issues General Obligation Debt Principal</b>		
Combination Tax and Revenue Certificates of Obligation, Series 2023 (the "Certificates")		<u>\$ 6,925,000</u>
Total <b>Gross</b> General Obligation Debt Principal Outstanding following the issuance of the Certificates:		<u>\$ 25,323,000</u>
Ratio of <b>Gross</b> General Obligation Debt Principal to 2023 Freeze Adjusted Net Taxable Assessed Valuation		1.00%
2023 Freeze Adjusted Net Taxable Assessed Valuation		\$ 2,544,472,275
Population: 1990 -3,922; 2000 - 6,350; 2010 - 10,500; 2020 - 13,688; Current (Estimate) -		15,386
Per Capita 2023 Freeze Adjusted Net Taxable Assessed Valuation -		\$165,376
Per Capita <b>Gross</b> General Obligation Debt-		\$1,646

\* Preliminary, subject to change.

**OTHER OBLIGATIONS**

**TABLE 3**

As of September 30, 2022, the Town had no other obligations outstanding.

**PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

**TABLE 4**

Fiscal Year Ending 9-30	Current Total Debt Service	The Certificates			Combined Debt Service
		Principal	Interest	Total	
2023	\$ 2,547,195	-	-	-	\$ 2,547,195
2024	2,013,126	\$ 565,000	\$ 307,094	\$ 872,094	2,885,220
2025	1,842,840	840,000	258,300	1,098,300	2,941,140
2026	1,648,899	200,000	232,300	432,300	2,081,199
2027	1,646,618	210,000	222,050	432,050	2,078,668
2028	1,644,278	225,000	211,175	436,175	2,080,453
2029	1,523,725	235,000	199,675	434,675	1,958,400
2030	1,523,038	245,000	187,675	432,675	1,955,713
2031	1,245,813	260,000	175,050	435,050	1,680,863
2032	1,252,113	275,000	161,675	436,675	1,688,788
2033	1,248,363	285,000	149,100	434,100	1,682,463
2034	1,247,963	295,000	137,500	432,500	1,680,463
2035	1,070,875	310,000	125,400	435,400	1,506,275
2036	1,073,800	320,000	112,800	432,800	1,506,600
2037	465,900	335,000	99,700	434,700	900,600
2038	219,650	350,000	86,000	436,000	655,650
2039	215,550	365,000	71,700	436,700	652,250
2040	216,400	380,000	56,800	436,800	653,200
2041	217,150	395,000	41,300	436,300	653,450
2042	-	410,000	25,200	435,200	435,200
2043	-	425,000	8,500	433,500	433,500
	<u>\$ 22,863,296</u>	<u>\$ 6,925,000</u>	<u>\$ 2,868,994</u>	<u>\$ 9,793,994</u>	<u>\$ 32,657,290</u>

**TAX ADEQUACY**

**TABLE 5**

2023 Freeze Adjusted Net Taxable Assessed Valuation	\$ 2,544,472,275
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-25)	\$ 2,941,140
Indicated required I&S Fund Tax Rate at 99% Collections to produce Maximum Debt Service requirements	\$ 0.11676

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



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

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2022	\$ 107,970
FY 2022-2023 Interest and Sinking Fund Tax Levy of \$0.099799 at 99% Collections Produces	2,215,856
Certified 2021 Excess Debt Collections	<u>371,666</u>
Total Available for Debt Service	<u>\$ 2,695,492</u>
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-23	<u>2,547,195</u>
Estimated Surplus at Fiscal Year Ending 9-30-23 <sup>(a)</sup>	<u>\$ 148,297</u>

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

**GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE****TABLE 7**

<u>Fiscal Year Ending 9/30</u>	<u>Principal Repayment Schedule</u>			<u>Bonds Unpaid at End of Year</u>	<u>Percent of Principal Retired (%)</u>
	<u>Outstanding Principal</u>	<u>The Certificates</u>	<u>Total</u>		
2023*	\$ 1,218,000	-	\$ 1,218,000	\$ 24,105,000	4.81%
2024	1,575,000	\$ 565,000	2,140,000	21,965,000	13.26%
2025	1,445,000	840,000	2,285,000	19,680,000	22.28%
2026	1,290,000	200,000	1,490,000	18,190,000	28.17%
2027	1,320,000	210,000	1,530,000	16,660,000	34.21%
2028	1,350,000	225,000	1,575,000	15,085,000	40.43%
2029	1,260,000	235,000	1,495,000	13,590,000	46.33%
2030	1,290,000	245,000	1,535,000	12,055,000	52.40%
2031	1,045,000	260,000	1,305,000	10,750,000	57.55%
2032	1,080,000	275,000	1,355,000	9,395,000	62.90%
2033	1,105,000	285,000	1,390,000	8,005,000	68.39%
2034	1,135,000	295,000	1,430,000	6,575,000	74.04%
2035	990,000	310,000	1,300,000	5,275,000	79.17%
2036	1,020,000	320,000	1,340,000	3,935,000	84.46%
2037	440,000	335,000	775,000	3,160,000	87.52%
2038	205,000	350,000	555,000	2,605,000	89.71%
2039	205,000	365,000	570,000	2,035,000	91.96%
2040	210,000	380,000	590,000	1,445,000	94.29%
2041	215,000	395,000	610,000	835,000	96.70%
2042	-	410,000	410,000	425,000	98.32%
2043	-	425,000	425,000	-	100.00%
	<u>\$ 18,398,000</u>	<u>\$ 6,925,000</u>	<u>\$ 25,323,000</u>		

**FUND BALANCES**

**TABLE 8**

	Amount as of <u>9/30/2022</u>	Unaudited Amount as of <u>3/31/2023</u>
General Fund	\$ 8,344,397	\$ 13,740,959
Debt Service Fund	107,970	1,726,392
Capital Projects Fund	4,952,458	4,666,449
Drainage Fund	2,635,284	2,827,304
Economic Development Fund	1,213,251	2,087,653
Crime Control Prevention District Fund	280,480	245,303
<b>Total</b>	<u>\$ 17,533,840</u>	<u>\$ 25,294,060</u>

Source: *The Issuer*

**MUNICIPAL SALES TAX**

**TABLE 9**

The Town has adopted the provisions of Municipal Sales and Use Tax Act V.T.C.A., Tax Code, Chapter 321, which grants the Town 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 general obligation supported debt of the Town. Voters approved an additional sales and use tax of 1/2 of 1% for the Trophy Club Economic Development Corporation (Type B), effective October of 1996, reduced to 1/4 of 1% effective October of 2006, and raised to 1/2 of 1% effective April of 2013. Voters approved an additional sales and use tax of 1/2 of 1% for economic development (Type A), effective October of 2000, reduced to 1/4 of 1% effective April of 2013, and rescinded effective October 1, 2013. Voters approved an additional sales and use tax of 1/4 of 1% for street maintenance/repair, effective October 1, 2000.

Calendar <u>Year</u>	Total <u>Collected</u> <sup>(a)</sup>	% of Ad Valorem <u>Tax Levy</u>	(\$ Equivalent of	
			Ad Valorem <u>Tax Rate</u>	Crime <u>Prevention</u> <sup>(b)</sup>
2013	\$ 1,173,134	19.87%	\$ 0.10	N/A
2014	1,153,125	17.30%	0.08	\$ 145,941
2015	1,280,578	17.13%	0.08	171,321
2016	1,419,227	17.41%	0.08	198,725
2017	1,501,634	17.43%	0.08	210,300
2018	1,573,673	17.50%	0.07	224,110
2019	1,758,200	19.48%	0.08	246,939
2020	2,049,415	21.56%	0.09	289,225
2021	2,329,798	23.69%	0.10	331,484
2022	2,589,800	24.60%	0.10	366,714
2023 <sup>(c)</sup>	1,571,000			221,623

<sup>(a)</sup> Collections include economic and community development sales tax receipts.

<sup>(b)</sup> 1/4% for Crime Prevention.

<sup>(c)</sup> As of July 31, 2023.

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

**Note: The Comptroller's website figures list sales tax revenues in the month they are delivered to the City, which is two months**

**CLASSIFICATION OF ASSESSED VALUATION**

**TABLE 10**

<b>Category</b>	<b>2023-24</b>	<b>% of Total</b>	<b>2022-23</b>	<b>% of Total</b>	<b>2021-22</b>	<b>% of Total</b>
Real, Residential, Single-Family <sup>(a)</sup>	\$ 3,216,725,059	87.26%	\$ 2,807,781,337	89.57%	\$ 2,328,061,056	88.63%
Real, Residential, Multi-Family	75,175,566	2.04%	65,449,103	2.09%	48,896,474	1.86%
Real, Vacant Lots/Tracts	1,379,908	0.04%	2,278,559	0.07%	3,545,047	0.13%
Real, Acreage (Land Only)	1,710,747	0.05%	2,582,639	0.08%	478,431	0.02%
Real Farm & Ranch Improvements	13,485,113	0.37%	768,455	0.02%	329,992	0.01%
Real, Commercial / Industrial	209,547,046	5.68%	97,913,797	3.12%	93,776,624	3.57%
Real & Tangible, Personal Utilities	13,786,310	0.37%	13,542,340	0.43%	13,769,270	0.52%
Tangible Personal, Commercial & Industrial	27,463,153	0.75%	16,604,074	0.53%	16,550,191	0.63%
Real / Residential Inventory	-	0.00%	-	0.00%	1,495,015	0.06%
Totally Exempt Property	<u>126,974,254</u>	<u>3.44%</u>	<u>127,812,333</u>	<u>4.08%</u>	<u>119,695,287</u>	<u>4.56%</u>
<b>Total Appraised Value</b>	<b><u>\$ 3,686,247,156</u></b>	<b>100.00%</b>	<b><u>\$ 3,134,732,637</u></b>	<b>100.00%</b>	<b><u>\$ 2,626,597,387</u></b>	<b>100.00%</b>
<b>Less Exemptions:</b>						
Local Optional Over-65/Disabled Homestead	\$ 63,241,446		\$ 76,881,973		\$ 72,967,845	
Disabled and Deceased Veterans	34,033,227		26,772,898		20,781,183	
Productivity Value Loss	1,704,756		2,575,793		472,451	
10% Homestead Cap Loss <sup>(a)</sup>	398,692,965		198,869,811		9,478,758	
House Bill 366 Exempt Propoerty	40,709		37,061		2,081	
Pollution Control/Other	61,318		11,890		11,890	
Totally Exempt Property	<u>155,268,453</u>		<u>127,775,272</u>		<u>119,693,206</u>	
Total Exemptions	<u>653,042,874</u>		<u>432,924,698</u>		<u>223,407,414</u>	
<b>Net Taxable Assessed Valuation</b>	<b><u>\$ 3,033,204,282</u></b>		<b><u>\$ 2,701,807,939</u></b>		<b><u>\$ 2,403,189,973</u></b>	
Freeze Loss for Over 65 / Disabled	\$ (488,649,449)		\$ (458,788,848)		\$ (286,061,424)	
Transfer Adjustment	<u>(82,558)</u>		<u>(272,338)</u>		<u>-</u>	
<b>Net Taxable Assessed Valuation after Freeze Loss</b>	<b><u>\$ 2,544,472,275</u></b>		<b><u>\$ 2,242,746,753</u></b>		<b><u>\$ 2,117,128,549</u></b>	

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

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

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

Sources: Websites - Denton Central Appraisal District and Tarrant Appraisal District.

**PRINCIPAL TAXPAYERS 2022**

**TABLE 11**

<u>Name</u>	<u>Type of Business</u>	<u>2022 Net Taxable</u>	
		<u>Assessed Valuation</u>	<u>% of Total 2022 Assessed Valuation</u>
NAP Trophy Club LP	Real Estate Development	\$ 58,000,000	2.15%
KAGR Trophy Club 2800 LLC	Real Estate Development	20,400,000	0.76%
Trophy Club 18 LLC	Real Estate Development	18,250,000	0.68%
Armore Trophy Club LLC	Residential Property	17,800,000	0.66%
TC Town Center	Real Estate Development	12,700,000	0.47%
Palm Beach Holdings	Real Estate Development	9,524,000	0.35%
Trophy Club Medical Center LP	Medical	9,303,633	0.34%
Oncor Electric	Utility	8,610,050	0.32%
Quasar Hotels	Real Estate Development	7,949,700	0.29%
Armore II-Quorum LLC	Residential Property	7,810,000	0.29%
<b>Total</b>		<b>\$ 170,347,383</b>	<b>6.30%</b>

Based on a 2022 Net Taxable Assessed Valuation of \$ 2,701,807,939

Note: 2023 Principal Taxpayers unavailable at time of printing.

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

**TAX DATA**

**TABLE 12**

<u>Tax Year</u>	<u>Net Taxable Assessed Valuation</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>% Collections<sup>(a)</sup></u>		<u>Fiscal Year Ended</u>
				<u>Current</u>	<u>Total</u>	
2013	\$ 1,184,919,046	0.499300	5,904,591	99.71%	99.86%	9/30/2014
2014	1,368,841,034	0.490000	6,665,433	99.41%	99.87%	9/30/2015
2015	1,568,410,078	0.484000	7,477,394	99.66%	99.90%	9/30/2016
2016	1,774,008,268	0.473000	8,153,915	99.72%	99.71%	9/30/2017
2017	1,963,766,966	0.451442	8,614,737	99.58%	99.87%	9/30/2018
2018	2,103,729,572	0.446442	8,992,174	99.61%	100.00%	9/30/2019
2019	2,143,330,485	0.446442	9,027,118	98.91%	99.14%	9/30/2020
2020	2,276,524,688	0.446442	9,504,473	99.50%	99.75%	9/30/2021
2021	2,403,189,973	0.445000	9,835,286	99.49%	99.75%	9/30/2022
2022	2,701,807,939	0.434799	10,525,616	97.35%	97.51%	9/30/2023 <sup>(b)</sup>
2023	3,033,204,282					

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

<sup>(b)</sup> As of March 31, 2023.

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

**TAX RATE DISTRIBUTION**

**TABLE 13**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
General Fund	\$0.335000	\$0.335000	\$0.336442	\$0.336442	\$0.336442
I & S Fund	0.099799	0.110000	0.110000	0.110000	0.110000
TOTAL	<u>\$0.434799</u>	<u>\$0.445000</u>	<u>\$0.446442</u>	<u>\$0.446442</u>	<u>\$0.446442</u>

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

**TAXABLE ASSESSED VALUATION FOR TAX YEARS 2013-22**

**TABLE 14**

<u>Tax Year</u>	<u>Net Taxable Assessed Valuation<sup>(a)</sup></u>	<u>Change From Preceding Year</u>	
		<u>Amount</u>	<u>Percent</u>
2013	\$ 1,184,919,046	-	-
2014	1,368,841,034	\$ 183,921,988	15.52%
2015	1,568,410,078	199,569,044	14.58%
2016	1,774,008,268	205,598,190	13.11%
2017	1,963,766,966	189,758,698	10.70%
2018	2,103,729,572	139,962,606	7.13%
2019	2,143,330,485	39,600,913	1.88%
2020	2,276,524,688	133,194,203	6.21%
2021	2,403,189,973	126,665,285	5.56%
2022	2,701,807,939	298,617,966	12.43%
2023	3,033,204,282	331,396,343	12.27%

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

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

**DIRECT AND OVERLAPPING DEBT DATA INFORMATION**

**TABLE 15**

(As of August 1, 2023)

<u>  Taxing Body  </u>	<u>Gross Debt</u>		<u>Amount</u>
	<u>Principal</u>	<u>Overlapping</u>	<u>Overlapping</u>
Carroll ISD	\$ 288,580,000	0.29%	\$ 836,882
Denton County	618,925,000	1.81%	11,202,543
Northwest Independent School District	1,429,700,334	7.99%	114,233,057
Tarrant County	376,120,000	0.07%	263,284
Tarrant Co College District	610,315,000	0.07%	427,221
Tarrant County Hospital District	448,410,000	0.07%	313,887
Trophy Club MUD #1	<u>5,560,000</u>	77.82%	<u>4,326,792</u>
Total Overlapping Debt Principal	\$ 3,777,610,334		\$ 131,603,665
Town of Trophy Club	<u>25,323,000</u>		<u>25,323,000</u>
<b>Total Gross Direct and Overlapping Debt Principal</b>	<b><u>\$ 3,802,933,334</u></b>		<b><u>\$ 156,926,665</u></b>

Ratio of Direct and Overlapping Debt Principal to 2023 Freeze Adjusted Net Taxable Assessed Valuation	6.17%
Ratio of Direct and Overlapping Debt Principal to 2023 Actual Market Value	4.26%
Per Capita Gross Direct and Overlapping Debt	\$ 10,199.32

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

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

**TABLE 16**

<u>Governmental Entity</u>	<u>2022 Net Taxable Assessed Valuation</u>	<u>% of Actual</u>	<u>2022 Tax Rate</u>
Carroll ISD	\$ 11,409,773,863	100%	\$ 1.219
Denton County	149,854,372,945	100%	0.218
Northwest Independent School District	30,278,349,249	100%	1.275
Tarrant County	262,706,197,531	100%	0.224
Tarrant County College District	264,445,356,368	100%	0.130
Tarrant County Hospital District	262,899,164,493	100%	0.224
Trophy Club MUD #1	2,286,609,906	100%	0.091

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

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

**TABLE 17**

<u>Taxing Body</u>	<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued To Date</u>	<u>Unissued</u>
Carroll ISD	None				
Denton County	01/16/99	Road	\$ 85,320,000	\$ 77,629,375	\$ 7,690,625
	05/15/04	Equipment	2,000,000	-	2,000,000
	11/08/22	Road	650,000,000	110,000,000	540,000,000
			\$ 737,320,000	\$ 187,629,375	\$ 549,690,625 <sup>(a)</sup>
Northwest ISD	05/01/21	School Building/Technology	\$ 737,500,000	\$ 550,000,000	\$ 187,500,000
	05/06/23	School Building/Athletic/Tech	1,995,500,000	-	1,995,500,000
			\$ 2,733,000,000	\$ 550,000,000	\$ 2,183,000,000
Tarrant County	08/08/98	Law Enforcement Center	\$ 70,600,000	\$ 63,100,000	\$ 7,500,000
	08/08/98	Healthcare Facility	9,100,000	1,000,000	8,100,000
	05/13/06	County Buildings	62,300,000	47,300,000	15,000,000
	11/02/21	Road	400,000,000	225,000,000	175,000,000
			\$ 542,000,000	\$ 336,400,000	\$ 205,600,000 <sup>(b)</sup>
Tarrant County College District	11/05/19	College Facility	\$ 700,000,000	\$ 575,000,000	\$ 125,000,000
Tarrant County Hospital District	11/06/18	Hospital	\$ 800,000,000	\$ 450,000,000	\$ 350,000,000

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

<sup>(b)</sup> Excludes authorizations from election propositions deemed too old or too small.

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

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

**TABLE 18**

Trophy Club, Town of	None
----------------------	------

Source: The Municipal Advisory Council of Texas and the Issuer.

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

**TABLE 19**

	Fiscal Year Ended September 30				
	2022	2021	2020	2019	2018
<b>Revenues:</b>					
Ad Valorem Taxes	\$ 7,726,035	\$ 7,396,475	\$ 7,031,351	\$ 6,746,579	\$ 6,493,422
Sales and Beverage Taxes	1,563,799	1,383,994	1,158,083	1,023,120	925,572
Franchise Taxes	908,033	869,212	850,543	911,738	867,446
Licenses, Permits, Fees and Fines	280,222	284,500	479,513	499,302	614,931
Intergovernmental	1,601,173	1,363,876	2,005,341	674,452	608,910
Charges for Services	1,466,610	1,424,580	292,490	764,282	803,477
Fines and Fees	604,702	328,220	128,166	307,977	488,313
Lease revenue	83,834				
Interest revenue - leases	24,288				
Investment Income	86,193	29,353	75,137	206,601	109,662
Other Revenue	5,172	28,680	226,751	391,761	213,906
Grant Revenue	-	-	-	-	-
<b>Total Revenues</b>	<b>\$ 14,350,061</b>	<b>\$ 13,108,890</b>	<b>\$ 12,247,375</b>	<b>\$ 11,525,812</b>	<b>\$ 11,125,639</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General Government	\$ 208,687	\$ 153,888	\$ -	\$ -	\$ -
Manager's Office	620,172	973,427	682,231	1,161,520	507,918
Human Resources	216,058	287,521	428,851	428,739	405,362
Finance	583,304	528,002	601,249	526,601	533,987
Information Systems	492,761	595,432	621,055	623,819	663,011
Legal	189,141	118,756	102,606	127,898	110,989
Municipal Court	253,549	47,930	77,456	66,879	89,899
Police	3,058,897	2,843,717	2,500,524	2,483,871	2,298,219
Fire	1,446,680	1,357,987	1,256,964	1,303,324	1,097,509
Emergency Medical Services	1,513,238	1,284,482	1,219,728	1,117,273	1,330,351
Recreation	-	-	-	-	-
Facilities Management	1,460,399	450,853	336,161	319,018	256,589
Parks and recreation	2,129,947	1,918,606	2,041,863	2,196,541	2,194,971
Community Development	447,720	526,177	491,941	568,239	556,128
Tourism	241,108	197,113	-	-	-
Public Works	-	-	-	-	-
Streets	-	-	192,608	191,463	340,910
Sanitation	-	1,057,653	-	-	-
Capital Outlay	880,998	336,942	-	-	-
<b>Debt Service:</b>					
Principal	10,926	-	88,205	90,892	91,452
Interest and Fiscal Charges	-	-	3,247	-	-
<b>Total Expenditures</b>	<b>\$ 13,753,585</b>	<b>\$ 12,678,486</b>	<b>\$ 10,644,689</b>	<b>\$ 11,206,077</b>	<b>\$ 10,477,295</b>
Excess (Deficit) of Revenues Over Expenditures	\$ 596,476	\$ 430,404	\$ 1,602,686	\$ 319,735	\$ 648,344
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In	\$ 175,316	\$ 156,082	\$ 61,500	\$ 63,000	\$ 63,000
Operating Transfers Out	(91,293)	(530,153)	-	-	(35,817)
Capital Lease Proceeds	-	-	-	-	264,732
Sale of General Capital Assets	60,142	-	32,213	-	-
Insurance Recoveries	-	-	27,769	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 144,165</b>	<b>\$ (374,071)</b>	<b>\$ 121,482</b>	<b>\$ 63,000</b>	<b>\$ 291,915</b>
Excess (Deficit) of Revenues/Other Sources Sources Over Expenditures/Other Uses	740,641	56,333	1,724,168	382,735	940,259
Beginning Fund Balance	7,603,756	7,547,423 <sup>(a)</sup>	5,823,253	5,440,518 <sup>(a)</sup>	4,611,119 <sup>(a)</sup>
<b>Ending Fund Balance</b>	<b>\$ 8,344,397</b>	<b>\$ 7,603,756</b>	<b>\$ 7,547,421</b>	<b>\$ 5,823,253</b>	<b>\$ 5,551,378</b>
<b>Less: Constraints on Fund Balance</b>					
Reservations of Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	-	(2,609)	(3,184)	(44,474)
Restricted	-	-	-	-	-
Assigned for capital expenditures	-	-	-	-	-
Committed for Police	-	-	(169,592)	(177,130)	(182,718)
<b>Total Assigned Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (172,201)</b>	<b>\$ (180,314)</b>	<b>\$ (227,192)</b>
<b>Ending Unreserved Fund Balance</b>	<b>\$ 8,344,397</b>	<b>\$ 7,603,756</b>	<b>\$ 7,375,220</b>	<b>\$ 5,642,939</b>	<b>\$ 5,324,186</b>

<sup>(a)</sup> Restated (See Note I. RESTATEMENT in the Annual Comprehensive Financial Report)  
Source: The Issuer's Audited Financial Statements and additional information from the Issuer.

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**APPENDIX B**

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

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

**General:**

The Town of Trophy Club, Texas incorporated in 1985 as Texas' first premier master planned community, is located in the North Central portion of Texas. This area of the State has proven to be one of the top growth areas in Texas and the United States. The Town currently occupies a land area of just over 4 square miles and serves a growing population of approximately 13,745. The Town is empowered to levy a property tax on real property located within its boundaries. The Town has a median household income of \$170,679 and a median housing value of \$616,470. The Town's current estimated population estimate is 14,401.

*Source: North Central Texas Council of Governments and the Annual Comprehensive Financial Report.*



**Population Trends:**

<u>Census Report</u>	<u>Town of Trophy Club</u>	<u>Denton County</u>
Current Estimate	15,386	1,006,492
2020	13,688	906,422
2010	10,500	662,614
2000	6,350	432,976
1990	3,922	273,525
1980	N/A	143,126

*Sources: North Central Texas Council of Governments 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 (2022)</u>
Northwest Independent School District	Public School District	404
Baylor Medical Center at Trophy Club	Healthcare Services	230
Trophy Club Country Club	Country Club and Golf Course	205
Town of Trophy Club	Municipal Government	161
Tom Thumb	Retail Grocery	140
HG Supply Co.	Restaurant	81
Fellowship United Methodist Church	Church	51
Christina's Fine Mexican Restaurant	Restaurant	38
Premier Academy – Trophy Club	Pre School	35
Trophy Lake Academy	Preschool	30

*Source: The Issuer's Annual Comprehensive Financial Report.*

**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.

**DENTON COUNTY**

**General**

The County of Denton, established in 1846, is located in the north central part of the state, which is considered a top growth area in the state, and one of the top growth areas in the country. The County of Denton currently occupies a land area of 911 square miles and serves a estimated population of 976,720 according to the United States Census Bureau. The County of Denton is empowered to levy a property tax on both real and personal property located within its boundaries.

Denton County continues to experience strong growth in population and in its economic base. The population has grown by 7.8% since the 2020 census population of 906,422 people and by over 47.4% since the 2010 census population of 662,614 people. During the same period, the County's tax base has grown from \$10 billion in 1990 to over \$146 billion in 2022.

The economic outlook for Denton County remains very positive for the near future. Major industrial investments in the past, which include Alliance Airport, Wal-Mart, Target, Aldi, Winco distribution centers, and the Texas Motor Speedway continue to attract additional development in the County. There also have been major investments in the County by the healthcare profession with several major hospitals undergoing significant expansions. Other business are relocating from other areas in the country to Denton County including the recently opened PGA Headquarters, which is expected to add over \$24 Billion to the tax base once all the development surrounding it is complete. The Omni PGA Frisco Resort recently opened which is adding over 1000 jobs to the area. The southern and western sections of the County continue to add businesses and housing. The retail industry continues to expand throughout Denton County as the population of the County continues to grow steadily. Denton County's two major universities, the University of North Texas and Texas Woman's University, continue to turn out a large number of skilled graduates each year, and enrollment at these schools continues to increase significantly each year. The University of North Texas is the third largest university in Texas in terms of enrollment with 44,562 students combined with over 16 thousand at Texas Woman's University. This labor supply, combined with air, rail and highway transportation centers, adds assurance to the County's continued economic growth.

*Source: Texas Municipal Report and information from the Denton County, Texas Annual Comprehensive Financial Report.*

**Labor Force Statistics:**

	<b>Denton County</b>		<b>State of Texas</b>	
	<b>May 2023</b>	<b>May 2022</b>	<b>May 2023</b>	<b>May 2022</b>
Civilian Labor Force	566,242	548,684	14,968,635	14,616,414
Total Employed	545,825	532,262	14,354,834	14,085,102
Total Unemployed	20,417	16,422	613,801	531,312
% Unemployed	3.6%	3.0%	4.1%	3.6%
% Unemployed (United States)	3.4%	3.4%	3.4%	3.4%

*Source: Texas Workforce Commission, Labor Market Information Department.*

**APPENDIX C**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

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[Form of Bond Counsel Opinion]

[Date]

\$6,925,000  
TOWN OF TROPHY CLUB, TEXAS  
COMBINATION TAX AND  
REVENUE CERTIFICATES OF OBLIGATION,  
SERIES 2023

WE HAVE represented the Town of Addison, 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 2023, dated August 15, 2023, in the principal amount of \$6,925,000.

The Certificates mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Certificates and in the ordinance adopted by the Town Council of the 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 excludability 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 Issuer and other parties involved with the issuance of the Certificates with respect to matters

solely within the knowledge of the Issuer 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;
- (B) A continuing ad valorem tax upon all taxable property within the Town necessary to pay the principal of and interest on the Certificates, has been levied and pledged irrevocably for such purposes, within the limit prescribed by law, and the total indebtedness of the 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 waterworks and sewer system as provided in the Ordinance; and
- (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 an item of tax preference for purposes of the alternative minimum tax on individuals, but we observe that such interest is taken into account in computing the alternative minimum tax on certain corporations for tax years beginning after December 31, 2022.

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.

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**APPENDIX D**

**FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

(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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# **Town of Trophy Club, Texas**

## **Annual Comprehensive Financial Report**

**For the Fiscal Year Ended  
September 30, 2022**

**Prepared by Town of Trophy Club  
Wade Carroll, Town Manager  
April Duvall, Finance Director**





# Town of Trophy Club, Texas

## September 30, 2022

### Contents

#### Introductory Section (Unaudited)

Letter of Transmittal.....	i-v
Organizational Chart .....	vi
Elected Officials and Administrative Officers .....	vii
GFOA Certificate of Achievement.....	viii

#### Financial Section

<b>Independent Auditor's Report.....</b>	<b>1</b>
<b>Management's Discussion and Analysis .....</b>	<b>4</b>

#### Basic Financial Statements

##### Government-Wide Financial Statements

Statement of Net Position.....	15
Statement of Activities .....	16

##### Fund Financial Statements

Balance Sheet – Governmental Funds.....	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities .....	21
Statement of Net Position – Proprietary Funds .....	22
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds .....	23
Statement of Cash Flows – Proprietary Funds .....	24
Notes to Financial Statements .....	25

# Town of Trophy Club, Texas

## September 30, 2022

### Required Supplementary Information (Unaudited)

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund .....	65
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – PID No. 1 Fund .....	66
Schedule of Changes in the Town’s Net Pension Liability/(Asset) and Related Ratios - Texas Municipal Retirement System.....	67
Schedule of Employer Contributions – Texas Municipal Retirement System .....	68
Schedule of Changes in the Town’s Total OPEB Liability and Related Ratios – Texas Municipal Retirement System – Supplemental Death Benefits Fund.....	69
Schedule of Changes in the Town’s Total OPEB Liability and Related Ratios – Retiree Health Care Plan .....	70

### Combining and Individual Fund Financial Statements and Schedules (Unaudited)

#### Nonmajor Governmental Funds

Combining Balance Sheet – Nonmajor Governmental Funds.....	71
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	72
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	
Hotel Occupancy Tax .....	73
Street Maintenance Sales Tax .....	74
Court Technology.....	75
Court Security .....	76
Recreation Programs .....	77
Park Land Dedication.....	78
Tax Increment Reinvestment Zone No. 1 .....	79
Crime Control and Prevention District.....	80



# Town of Trophy Club, Texas

## September 30, 2022

### Discretely Presented Component Unit

Balance Sheet – Trophy Club 4B Economic Development Corporation .....	81
Reconciliation of the Balance Sheet Fund to the Statement of Net Position – Trophy Club 4B Economic Development Corporation .....	82
Statement of Revenues, Expenditures, and Changes in Fund Balance – Trophy Club 4B Economic Development Corporation .....	83
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities – Trophy Club 4B Economic Development Corporation.....	84

### Statistical Section (Unaudited)

#### Financial Trends

Net Position by Component.....	85
Changes in Net Position .....	86
Fund Balances of Governmental Funds.....	88
Changes in Fund Balances of Governmental Funds.....	89

#### Revenue Capacity

Assessed Value and Estimated Actual Value of Taxable Property .....	90
Direct and Overlapping Property Tax Rates.....	91
Principal Property Taxpayers .....	92
Property Tax Levies and Collections.....	93

#### Debt Capacity

Ratios of Outstanding Debt by Type .....	94
Ratios of Net General Bonded Debt Outstanding.....	95
Direct and Overlapping Governmental Activities Debt .....	96
Pledged-Revenue Coverage.....	97

#### Demographic and Economic Information

Demographic and Economic Statistics .....	98
Principal Employers .....	990

#### Operating Information

Full-Time Equivalent Town Government Employees by Function/Program.....	100
Operating Indicators by Function/Program .....	101





TOWN OF  
TROPHY CLUB

**Introductory Section (Unaudited)**





Town of Trophy Club  
1 Trophy Wood Drive  
Trophy Club, TX 76262  
Phone (682) 237-2900  
Fax (682) 237-2996

March 28, 2023

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

The Town's Finance Department has a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) which were audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The Annual Comprehensive Financial Report (ACFR) for the Town of Trophy Club, Texas for the fiscal year ended September 30, 2022 is hereby issued.

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

The Town's financial records have been prepared and audited by FORVIS, LLP, Certified Public Accountants, as required by the Town Charter. This ACFR has been prepared based upon those audited records. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town are presented fairly, in all material respects, for the fiscal year ended September 30, 2022. This independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town's financial statements for the fiscal year ended September 30, 2022, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

### **Profile of the Town**

The Town of Trophy Club, Texas incorporated in 1985 as Texas' first premier master planned community, is located in the North Central portion of Texas. This area of the State has proven to be one of the top growth areas in Texas and the United States. The Town currently occupies a land area of just over 4 square miles and serves a growing population of approximately 13,745. The Town is empowered to levy a property tax on real property located within its boundaries. The Town has a median household income of \$170,679 and a median housing value of \$616,470.

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

The Town of Trophy Club provides a full range of municipal services including general government, public safety, streets, parks and recreation, planning and zoning, code enforcement, and drainage utilities. Water/wastewater is provided through the Municipal Utility District.

### **Local Economy**

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

The North Texas region possesses diverse research and education institutions, logistics, oil and gas, manufacturing and industrial, and a professional services base that has contributed to the relative stability of the unemployment rate with approximately half of the local workforce employed in management, professional, and related occupations. Figures from the Bureau of Labor Statistics indicate a Dallas/Fort Worth unemployment rate of 3.8% while the national unemployment rate is 3.5% as of September 2022.

Trophy Club has worked diligently to position itself for a significant future within DFW and the Alliance corridor. The Town has issued over 520 building permits for high end homes over the past 9 years. There were 5 new residential building permits for a total of \$3,731,829 and 1 commercial building permit for Fiscal Year 2022 totaling \$1,850,000. Nine commercial projects with a value of \$3,743,635 and over 80 remodel/update residential projects with a value of \$2,953,417 occurred in FY22. Additionally, the Town's tax base exceeded \$2 billion net taxable value in 2019. Business growth continues to be strong in Trophy Club and the Highway 114 region. The Town directly benefits from those businesses locating within the Town or professionals moving to our neighborhoods who work at nearby corporations.

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

In December of 2015, the Town refunded the Trophy Club Public Improvement District #1 (PID) bonds which will help residents of the PID realize over \$16.4M in savings over the life of the debt. In August of 2020 the Town refunded \$3,550,000 in Certificates of Obligation Bonds for a savings of \$500,000 over the remaining 10 years. In FY21 the Town issued \$4.305 million in debt for long term needs of Streets, Parks and Drainage. Due to premiums, the Town received \$4.5 million in proceeds.

## **Budgeting Process**

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

### *Revenue Projection*

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

### *Proposed Budget Analysis/Compilation*

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

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

### *Proposed Budget Development*

The Town Manager shall prepare and submit to the Town Secretary, the annual budget covering the next fiscal year. The Town Manager's proposed budget should assume, for each fund, operating revenues and resources that are equal to, or exceed operating expenditures. The Town Manager's budget message summarizes funding requirements, major changes in programs, and alternatives for funding.

### *Town Council Budget Study*

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

### *Capital Program*

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

### *Public Hearing/Budget Adoption*

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

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

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

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

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

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

#### **Relevant Financial Policies**

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

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

In September 2016 the Town implemented revised purchasing and travel and training policies.

#### **Major Initiatives**

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

#### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Trophy Club for its ACFR for the fiscal year ended September 30, 2021. This was the eleventh consecutive year that the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

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



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

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

Respectively submitted,



Wade Carroll  
Town Manager



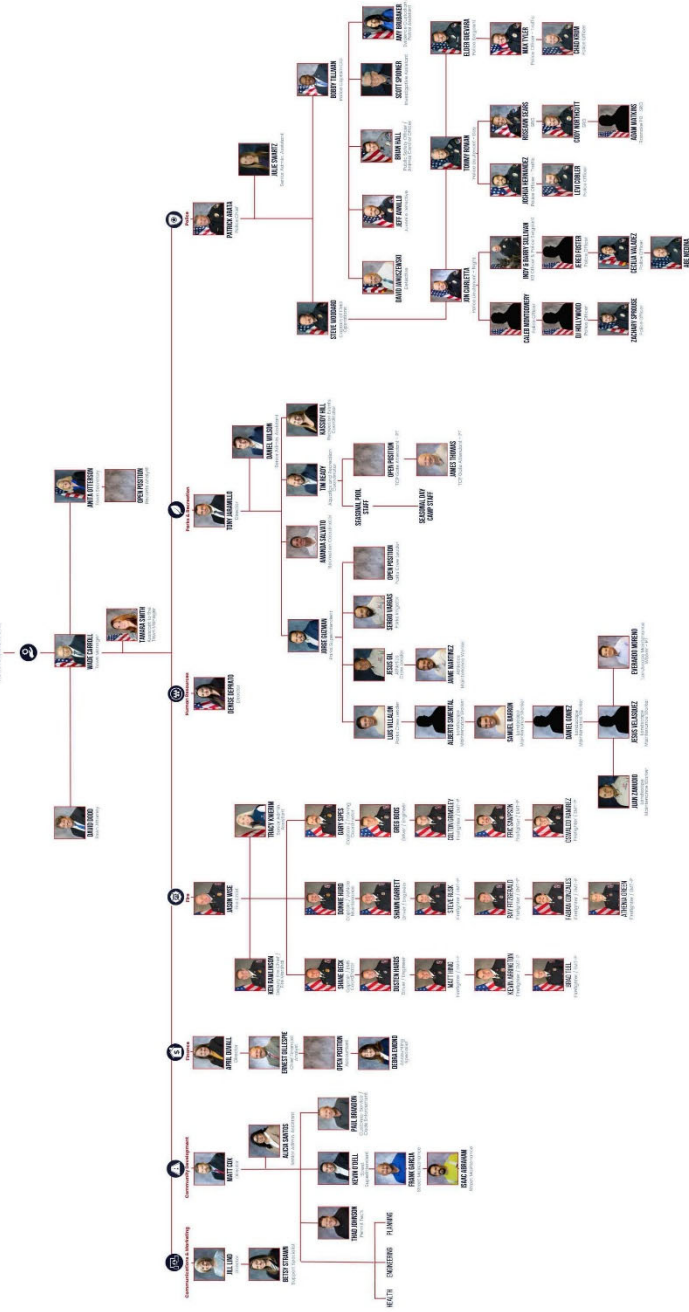
April Duvall  
Director of Finance



# TOWN OF TROPHY CLUB

## TROPHY CLUB RESIDENTS

### TOWN COUNCIL





# TOWN COUNCIL



**ALICIA FLEURY**  
Mayor



**OPEN POSITION**  
Place 1



**JEFF BEACH**  
Place 2



**DENNIS SHERIDAN**  
Mayor Pro Tem and  
Place 3



**KARL MONGER**  
Place 4



**LUANNE OLDHAM**  
Place 5



**STEVE FLYNN**  
Place 6



## TOWN MANAGER'S OFFICE



**WADE CARROLL**  
Town Manager



**DAVID DODD**  
Town Attorney



**ANITA OTTERSON**  
Town Secretary



**TAMARA SMITH**  
Assistant to the Town  
Manager



**OPEN POSITION**  
Records Analyst

[WWW.TROPHYCLUB.ORG](http://WWW.TROPHYCLUB.ORG)





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Town of Trophy Club  
Texas**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

September 30, 2021

*Christopher P. Morill*

Executive Director/CEO







TOWN OF  
TROPHY CLUB  
**Financial Section**



# FORVIS

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## Independent Auditor's Report

The Honorable Mayor and Members of the Town Council  
Town of Trophy Club, Texas  
Trophy Club, Texas

### **Opinions**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Trophy Club, Texas (Town), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 unit, each major fund, and the aggregate remaining fund information of the Town as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the Town adopted Governmental Accounting Standards Board Statement No. 87, *Leases* in fiscal year 2022. Our opinions are not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparisons, pension and other postemployment benefit information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**FORVIS,LLP**

**Dallas, Texas  
March 28, 2023**



# **Town of Trophy Club, Texas**

## **Management's Discussion and Analysis (Unaudited)**

### **For the Year Ended September 30, 2022**

As management of the Town of Trophy Club, Texas (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, 2022. 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-v of this report.

#### **Financial Highlights**

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$65,069,622 (net position). The unrestricted net position, which represents the amounts available to meet the Town's ongoing obligations to citizens and creditors, was a \$7,902,259.
- The Town's total net position increased \$1,425,217 primarily because of increases in property tax valuations, increase in operating grants and other revenues coming in higher than projected.
- At the close of the current fiscal year, the Town's governmental funds reported combined fund balances of \$20,528,935, a decrease of \$198,164 in comparison with the prior year. Of this amount, \$7,688,731, or 37%, is available for spending at the government's discretion (unassigned fund balance). The decrease in combined fund balance is primarily due to higher capital outlay expenditures during the year.
- At the end of the current fiscal year, unrestricted fund balance for the general fund was \$7,954,899, or approximately 58% of total general fund expenditures.
- At the close of the current fiscal year, the Town's enterprise funds reported combined net position balances of \$3,005,591, an increase of \$687,034 in comparison with the prior year. The increase is due primarily to operations and to transfers in from the governmental funds for debt service payments.

#### **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.

**Town of Trophy Club, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended September 30, 2022**

The statement of net position presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between the four 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.

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 unit, 4B Economic Development Corporation, which the Town is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

### ***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.



**Town of Trophy Club, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended September 30, 2022**

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

The Town maintains thirteen 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 No. 1, 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 adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

### **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. The Storm Drainage Utility is considered to be a major fund of the Town.

### **Component Unit**

The Town maintains the accounting and financial statements for one discretely presented component unit, the 4B Economic Development Corporation, which is displayed separately on the government-wide financial statements.

### **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.

**Town of Trophy Club, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended September 30, 2022**

**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 and Public Improvement District No. 1 fund. In addition, it includes information concerning the Town's progress in funding its obligations to provide pension and OPEB benefits to its employees. Required supplementary information can be found immediately after the notes to the financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions and OPEB.

**Government-wide Overall Financial Analysis**

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$65,069,622, at the close of the most recent fiscal year.

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position. Prior year comparative information has not been restated for the error corrections recorded at the beginning of fiscal year 2022.

	Governmental Activities		Business-type Activities		Totals	
	FY2022	FY2021	FY2022	FY2021	FY2022	FY2021
Current and other assets	\$ 44,998,729	\$ 45,409,644	\$ 1,538,311	\$ 1,090,287	\$ 46,537,040	\$ 46,499,931
Capital and lease assets, net	65,095,038	66,002,719	1,847,243	1,759,272	66,942,281	67,761,991
Total assets	110,093,767	111,412,363	3,385,554	2,849,559	113,479,321	114,261,922
Deferred outflows of resources	2,831,600	2,944,702	-	-	2,831,600	2,944,702
Other liabilities	4,528,487	3,000,045	30,477	12,498	4,558,964	3,012,543
Long-term liabilities	44,398,609	49,308,907	349,486	518,504	44,748,095	49,827,411
Total liabilities	48,927,096	52,308,952	379,963	531,002	49,307,059	52,839,954
Deferred inflows of resources	1,934,240	722,265	-	-	1,934,240	722,265
Net investment in capital assets	28,391,158	27,008,067	1,497,757	1,240,768	29,888,915	28,248,835
Restricted	27,278,448	29,052,071	-	-	27,278,448	29,052,071
Unrestricted	6,394,425	5,265,710	1,507,834	1,077,789	7,902,259	6,343,499
Total net position	\$ 62,064,031	\$ 61,325,848	\$ 3,005,591	\$ 2,318,557	\$ 65,069,622	\$ 63,644,405

**Town of Trophy Club, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended September 30, 2022**

Current and other assets increased by \$37 thousand from the prior year due primarily to a decrease in governmental activities of \$411 thousand due to a decrease in special assessments receivable which was offset by an increase of \$448 thousand due to an increase in cash and cash equivalents and recognition of a net pension asset. Other liabilities in governmental activities increased \$1.5 million from the previous year due to receiving of the second tranche of the *American Rescue Plan Act* (ARPA) funding but not expending it before year end.

Long-term liabilities, which consist of bonds, compensated absences, pension liability, and other postemployment benefit obligations, decreased by \$5.1 million from the previous year for governmental and business-type activities combined. The Town issued \$4.3 million in general obligation bonds to finance various capital projects throughout the Town in the prior year, no debt was issued during the current year. The decrease is primarily due to principal payments made on existing debt and the improvement in the net pension liability/(asset).

A portion of the Town's net position, \$29,888,915, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), net of accumulated depreciation and less any related outstanding debt that was used to acquire those assets. The Town uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$27,278,448 represents resources that are subject to external restrictions on how they may be used. As of the end of the current year, the Town's unrestricted net position was a balance of \$7,902,259. The Town's overall net position increased \$1,425,217, from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

**Town of Trophy Club, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended September 30, 2022**

**Statement of Activities:**

The following table provides a summary of the Town's changes in net position. Prior year comparative information has not been restated for the error corrections recorded at the beginning of fiscal year 2022.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>FY2022</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2021</b>
<b>Revenues:</b>						
<i>Program revenues:</i>						
Charges for services	\$ 3,795,652	\$ 3,332,833	\$ 724,895	\$ 621,779	\$ 4,520,547	\$ 3,954,612
Operating grants and contributions	173,599	37,851	125,268	4,170	298,867	42,021
Capital grants and contributions	-	150,000	-	-	-	150,000
Total program revenues	3,969,251	3,520,684	850,163	625,949	4,819,414	4,146,633
<i>General revenues:</i>						
Property taxes	10,255,223	9,940,633	-	-	10,255,223	9,940,633
Sales and mixed beverage taxes	2,290,748	2,035,404	-	-	2,290,748	2,035,404
Franchise and local taxes	908,033	869,212	-	-	908,033	869,212
Occupancy tax	781,831	392,660	-	-	781,831	392,660
Other revenues	197,903	62,904	-	-	197,903	62,904
Investment Income	244,451	72,940	8,264	325	252,715	73,265
Total general revenues	14,678,189	13,373,753	8,264	325	14,686,453	13,374,078
Total revenues	18,647,440	16,894,437	858,427	626,274	19,505,867	17,520,711
<b>Expenses:</b>						
General government	663,394	1,381,483	-	-	663,394	1,381,483
Manager's office	567,704	936,032	-	-	567,704	936,032
Human resources	205,246	280,147	-	-	205,246	280,147
Finance	549,792	512,144	-	-	549,792	512,144
Information services	543,189	647,888	-	-	543,189	647,888
Legal	189,141	118,756	-	-	189,141	118,756
Municipal court	258,489	49,837	-	-	258,489	49,837
Police	3,128,814	2,987,967	-	-	3,128,814	2,987,967
Fire	1,389,959	1,336,171	-	-	1,389,959	1,336,171
Emergency medical services	1,489,248	1,292,783	-	-	1,489,248	1,292,783
Facilities management	1,455,292	448,538	-	-	1,455,292	448,538
Parks and recreation	2,864,327	2,674,646	-	-	2,864,327	2,674,646
Community development	471,539	639,321	-	-	471,539	639,321
Tourism	396,974	317,005	-	-	396,974	317,005
Sanitation	-	1,057,653	-	-	-	1,057,653
Public works	2,315,082	2,308,861	-	-	2,315,082	2,308,861
Interest and fiscal charges on long-term debt	1,278,873	1,535,312	-	-	1,278,873	1,535,312
Storm Drainage Utility	-	-	144,131	126,163	144,131	126,163
Trophy Club Park	-	-	169,456	125,692	169,456	125,692
Total expenses	17,767,063	18,524,544	313,587	251,855	18,080,650	18,776,399
Increase in net position before transfers	880,377	(1,630,107)	544,840	374,419	1,425,217	(1,255,688)
Transfers	(142,194)	(116,463)	142,194	116,463	-	-
Special item	-	-	-	-	-	-
Change in net position	738,183	(1,746,570)	687,034	490,882	1,425,217	(1,255,688)
<b>Net Position, Beginning</b>	<b>61,325,848</b>	<b>63,072,418</b>	<b>2,318,557</b>	<b>1,827,675</b>	<b>63,644,405</b>	<b>64,900,093</b>
<b>Net Position, Ending</b>	<b>\$ 62,064,031</b>	<b>\$ 61,325,848</b>	<b>\$ 3,005,591</b>	<b>\$ 2,318,557</b>	<b>\$ 65,069,622</b>	<b>\$ 63,644,405</b>

**Town of Trophy Club, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended September 30, 2022**

**Governmental Activities**

For the year ended September 30, 2022, revenues from governmental activities totaled \$18,647,440. Property tax, grants and contributions, special assessments and sales tax are the Town's largest general revenue sources. Overall revenue increased \$1,753,003 or 10% from the prior year. Charges for services increased by \$462,819 or 14% due primarily to the engagement of a new EMS collections provider, resulting in additional collections. Operating grants and contributions increased by \$135,748 or 359% due to receiving funds from the TDEM COVID-19 Public Assistance Grant. Capital grants and contributions decreased by \$150,000 or 100% primarily due to the receipt of funds related to issuance of the final certificate of occupancy related to multi-family units in a residential property agreement in 2021. Property taxes remain the largest source of revenue at \$10,255,223 in the current fiscal year. The rate charged to property tax owners has remained consistent, however, the assessed valuation has risen from approximately \$2.4 billion in 2021 to \$2.7 billion in the current year. Sales and mixed beverage tax increased by \$255,344 or 13% primarily due to the additional commercial business in Town. Occupancy taxes increased \$389,171 or 99% due to added hotels and increased travel during the current fiscal year. Investment income increased by \$171,511 or 235% due to the impact of the market and realization of higher interest rates. Other revenues increased by \$134,999 or 215%, primarily as a result of the gain on sale of governmental fixed assets. All other revenues remained relatively stable when compared to the previous year.

For the year ended September 30, 2022, expenses for governmental activities totaled \$17,767,063. This represents a decrease of \$757,481 or 4% from the prior year. The Town's largest expense category is public safety (police, fire and emergency medical services), which totaled \$6,008,021 at year-end and increased \$391,100 from prior year due primarily to overtime pay. General Government decreased by \$718,089 primarily due to decreases related to repairs and maintenance expenses. Current year did not report significant repairs as there were several construction in progress projects. Manager's Office decreased by \$368,328 primarily due to a decrease in salary expenditures. Municipal Court increased \$208,652 primarily due to expenditures related to the administrative agreement to outsource court collections during 2022. Interest and fiscal charges on long-term debt decreased by \$256,439 primarily due to a decrease in outstanding debt and due to fiscal charges recorded in the prior year related to issuance of debt in 2021. The Town did not issue new debt during 2022. Sanitation expense is recorded in facilities management expenses in 2022, previously recorded as its own expense line item. All other expenses remained relatively consistent when compared to the previous year.

**Business-type Activities**

Business-type activities are shown comparing operating costs to revenues generated by related services. For the year ended September 30, 2022, charges for services by business-type activities totaled \$850,163 and increased by \$103,116 or 12% primarily due to an increase in park revenues related to increased special events during 2022. Intergovernmental revenues increased by \$125,268 or 100% due to funds received from the Texas Department of Parks and Wildlife for various parks improvement projects in 2022. Total business-type activity expenses increased by \$61,732. The Storm Drainage Utility increased expenses by \$17,968 for creek maintenance and the Trophy Club Park increased their expenses by \$43,764 primarily due to road repairs.

**Town of Trophy Club, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended September 30, 2022**

**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 discretionary use as it represents the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Town itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Town's Council.

At September 30, 2022, the Town's governmental funds reported combined fund balances of \$20,528,935, a decrease of \$198,164, in comparison with the prior year. Approximately 37% of this amount, \$7,650,457, constitutes unassigned fund balance, which is available for spending at the Town's discretion. The remainder of the fund balance is either nonspendable, restricted, or committed to indicate that it is: 1) not in spendable form \$427,772; 2) restricted for particular purposes \$12,429,156; or 3) committed for a particular purpose \$21,550.

*Analysis of Individual Funds*

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,916,625, while total fund balance increased to \$8,344,397. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents 58% of total general fund expenditures, while total fund balance represents 61% of that same amount.

The fund balance of the Town's general fund increased by \$740,641 during the current fiscal year. This increase is due to salary savings due to vacancies, the impact of the market and realization of higher interest rates and sales tax revenue coming in higher than anticipated.

The debt service fund had an ending fund balance of \$107,970 at September 30, 2022, a decrease of \$315,456 when compared to the previous year. The decrease in the total fund balance was a result of State of Texas' change to the I&S calculation, which caused a decrease in the debt service portion of the total property tax rate. During the year, the fund recorded total principal and interest payments of \$2,684,123 and property tax revenue of \$2,536,879. The fund also recorded \$177,194 in transfers to other funds related to debt service payments.

The capital projects fund had an ending fund balance of \$4,952,458. The capital projects fund decreased by \$1,247,188 when compared to the previous year. The decrease was due to a portion of the bond proceeds received in 2021 being expended on budgeted capital projects throughout the year.

The PID No. 1 fund reflected an ending fund balance of \$3,970,915. The fund balance increased \$37,121, which is a result of property assessments and other revenues exceeding debt service expenditures.

**Town of Trophy Club, Texas**  
**Management’s Discussion and Analysis (Unaudited)**  
**For the Year Ended September 30, 2022**

**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 \$2,635,284. Unrestricted net position at the close of the fiscal year for the Town’s utility funds amounted to \$1,325,815, an increase of \$338,951 over the previous year. Total investment in capital assets, net of related debt was \$1,309,469.

**General Fund Budgetary Highlights**

Total budgeted revenues of \$12,491,057 were less than actual revenues of \$14,350,061, resulting in a positive revenue variance of \$1,859,004. The positive variance was primarily the result of greater than estimated revenues from sales tax, intergovernmental revenues, and charges for services. Sales tax was over budget as the economy continues to recover from the pandemic. Intergovernmental revenue increased \$418,824, primarily due to a school resource officer grant from the Texas State Comptroller received during 2022 and increases in both the fire assessments related to the Public Improvement District and transfers from the Municipal Utility District. Charges for services were more than estimated due to the inclusion of sanitation charges received during the year, previously netted with expenses. Total budgeted expenditures of \$12,263,958 were less than actual expenditures of \$13,753,585, resulting in a negative expenditure variance of \$1,489,627. The variance in total expenditures primarily related to sanitation, as discussed above, and capital outlay expenditures for unbudgeted construction projects.

**Capital and Lease Assets**

As of the end of the year, the Town’s governmental activities funds had invested \$65,095,038 in a variety of capital assets and infrastructure, net of accumulated depreciation. The Town’s business-type activities funds had invested \$1,847,243 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.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>FY2022</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2021</b>
Land	\$ 10,487,119	\$ 10,487,119	\$ -	\$ -	\$ 10,487,119	\$ 10,487,119
Construction in progress	999,245	-	-	-	999,245	-
Buildings	8,467,500	8,854,289	-	-	8,467,500	8,854,289
Improvements other than buildings	32,511,327	34,222,345	171,886	29,195	32,683,213	34,251,540
Machinery and equipment	794,501	676,101	16,402	20,039	810,903	696,140
Vehicles	1,039,778	538,703	-	-	1,039,778	538,703
Water system	3,337,572	3,513,447	-	-	3,337,572	3,513,447
Infrastructure	7,346,425	7,710,715	1,658,955	1,710,038	9,005,380	9,420,753
Lease Assets	111,571	-	-	-	111,571	-
<b>Totals</b>	<b>\$ 65,095,038</b>	<b>\$ 66,002,719</b>	<b>\$ 1,847,243</b>	<b>\$ 1,759,272</b>	<b>\$ 66,942,281</b>	<b>\$ 67,761,991</b>

**Town of Trophy Club, Texas**  
**Management’s Discussion and Analysis (Unaudited)**  
**For the Year Ended September 30, 2022**

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

- Purchase of new vehicles for fire and police.
- Purchase of new equipment for parks and recreation department.
- Construction related to Indian Creek and Junction Way projects

More detailed information about the Town’s capital assets is presented in the Note 5 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 \$3,755,048 for governmental activities and decreased by \$169,018 for business-type activities, from the prior year. The total bonds payable at the close of the fiscal year, was \$43,620,143 for governmental-activities and \$349,486 for business-type activities. Of this amount, \$19,238,000 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. The Town’s lease liability increased by \$99,617 for governmental activities from the prior year due to the implementation of Governmental Accounting Standards Board Statement No. 87, *Leases*, which is discussed more thoroughly in Note 1 to the financial statements.

	Governmental Activities		Business-type Activities		Totals	
	FY2022	FY2021	FY2022	FY2021	FY2022	FY2021
General obligation bonds	\$ 6,595,000	\$ 7,500,000	\$ -	\$ -	\$ 6,595,000	\$ 7,500,000
Certificates of obligation	12,298,000	13,531,000	345,000	510,000	12,643,000	14,041,000
Special assessment bonds	21,245,000	22,645,000	-	-	21,245,000	22,645,000
Premiums on bonds	3,482,143	3,798,808	4,486	8,504	3,486,629	3,807,312
Lease liability	99,617	-	-	-	99,617	-
<b>Totals</b>	<b>\$ 43,719,760</b>	<b>\$ 47,474,808</b>	<b>\$ 349,486</b>	<b>\$ 518,504</b>	<b>\$ 44,069,246</b>	<b>\$ 47,993,312</b>

More detailed information about the Town’s long-term liabilities is presented in Note 6 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 5 residential construction permits in fiscal year 2022 and 1 new commercial permit. The Town estimates only 50-60 additional residential permits will be pulled in the future and 3-5 large commercial permits. The Town’s 2023 budget will raise more total property taxes than the 2022 budget by \$572,554 or 6.5%, and of that amount \$55,421 is the tax revenue raised from new property added to the roll.

Budgeted capital expenditures include funds for the replacement of three patrol vehicles, batting cage improvements at Indy East, and remodel of equipment at the splash Pad/Pool.



**Town of Trophy Club, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended September 30, 2022**

In fiscal year 2023, General Fund revenues are budgeted to increase 7.81% over fiscal year 2022 estimated revenues, while expenditures are budgeted to increase by 6.86% over fiscal year 2022 estimated expenditures.

The fiscal year 2023 budget decreased the ad valorem tax rate to \$0.435 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 Director of Finance, 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](http://www.trophyclub.org).





TOWN OF  
TROPHY CLUB

**Basic Financial Statements**



**Town of Trophy Club, Texas**  
**Statement of Net Position**  
**September 30, 2022**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	4B Economic Development Corporation
<b>Assets</b>				
Cash and cash equivalents	\$ 24,000,647	\$ 1,500,845	\$ 25,501,492	\$ 914,836
Taxes receivable, net	622,175	-	622,175	128,134
Special assessments receivable	19,574,747	-	19,574,747	-
Receivables, net	203,600	36,164	239,764	-
Due from other governments	7,505	-	7,505	-
Due from primary government	-	-	-	10,981
Notes receivable	-	-	-	162,500
Prepaid and other assets	2,995	1,302	4,297	-
Lease receivable	376,705	-	376,705	-
Net pension asset	210,355	-	210,355	-
Capital assets not being depreciated	11,486,364	-	11,486,364	2,538,765
Capital and lease assets, net of accumulated depreciation/amortization	53,608,674	1,847,243	55,455,917	286,028
Total assets	<u>110,093,767</u>	<u>3,385,554</u>	<u>113,479,321</u>	<u>4,041,244</u>
<b>Deferred Outflows of Resources</b>				
Pension related	700,990	-	700,990	-
OPEB related	67,188	-	67,188	-
Deferred charge on refunding	2,063,422	-	2,063,422	-
Total deferred outflows of resources	<u>2,831,600</u>	<u>-</u>	<u>2,831,600</u>	<u>-</u>
<b>Liabilities</b>				
Accounts payable	875,549	29,650	905,199	3,200
Accrued liabilities	247,580	-	247,580	-
Unearned revenue	3,088,232	-	3,088,232	-
Due to component unit	10,981	-	10,981	-
Accrued interest payable - bonds	305,492	827	306,319	7,210
Accrued interest payable - leases	653	-	653	-
<b>Noncurrent liabilities</b>				
Due within one year:				
Bonds payable	3,357,000	170,000	3,527,000	115,000
Leases payable	38,356	-	38,356	-
Compensated absences	244,264	-	244,264	-
Due in more than one year:				
Bonds payable	40,263,143	179,486	40,442,629	1,822,790
Leases payable	61,261	-	61,261	-
Compensated absences	27,140	-	27,140	-
Total OPEB liability	407,445	-	407,445	-
Total liabilities	<u>48,927,096</u>	<u>379,963</u>	<u>49,307,059</u>	<u>1,948,200</u>
<b>Deferred Inflows of Resources</b>				
Pension related	1,524,931	-	1,524,931	-
OPEB related	45,163	-	45,163	-
Lease related	364,146	-	364,146	-
Total deferred inflows of resources	<u>1,934,240</u>	<u>-</u>	<u>1,934,240</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	28,391,158	1,497,757	29,888,915	887,003
Restricted for:				
Pension	210,355	-	210,355	-
Municipal court	44,638	-	44,638	-
Debt service	4,095,533	-	4,095,533	84,245
Economic development	-	-	-	1,121,796
Public safety	290,366	-	290,366	-
PID activities	19,574,747	-	19,574,747	-
Street maintenance	436,702	-	436,702	-
Tourism	2,275,553	-	2,275,553	-
Parks	350,554	-	350,554	-
Unrestricted	6,394,425	1,507,834	7,902,259	-
Total net position	<u>\$ 62,064,031</u>	<u>\$ 3,005,591</u>	<u>\$ 65,069,622</u>	<u>\$ 2,093,044</u>

**Town of Trophy Club, Texas**  
**Statement of Activities**  
**For the Year Ended September 30, 2022**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 663,394	\$ 321,725	\$ -	\$ -
Manager's office	567,704	-	-	-
Human resources	205,246	-	-	-
Finance	549,792	-	-	-
Information services	543,189	-	-	-
Legal	189,141	-	-	-
Municipal court	258,489	380,427	-	-
Police	3,128,814	101,556	483	-
Fire	1,389,959	1,444,477	173,116	-
Emergency medical services	1,489,248	130,805	-	-
Facilities management	1,455,292	-	-	-
Parks and recreation	2,864,327	342,996	-	-
Community development	471,539	6,340	-	-
Tourism	396,974	-	-	-
Sanitation	-	1,059,841	-	-
Public works	2,315,082	7,485	-	-
Interest and fiscal charges on long-term debt	1,278,873	-	-	-
Total governmental activities	<u>17,767,063</u>	<u>3,795,652</u>	<u>173,599</u>	<u>-</u>
<b>Business-type Activities</b>				
Storm Drainage Utility	144,131	435,559	125,268	-
Trophy Club Park	169,456	289,336	-	-
Total business-type activities	<u>313,587</u>	<u>724,895</u>	<u>125,268</u>	<u>-</u>
Total primary government	<u>\$ 18,080,650</u>	<u>\$ 4,520,547</u>	<u>\$ 298,867</u>	<u>\$ -</u>
<b>Component Unit</b>				
4B Economic Development Corporation	<u>\$ 137,168</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total component unit	<u>\$ 137,168</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**General Revenues and Transfers**

General revenues:

Taxes

Property taxes

Sales and mixed beverage taxes

Franchise and local taxes

Occupancy tax

Other revenues

Investment Income

Transfers

Total general revenues and transfers

Change in net position

**Net Position, Beginning**

**Net Position, Ending**

**Town of Trophy Club, Texas**  
**Statement of Activities (Continued)**  
**For the Year Ended September 30, 2022**

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	4B Economic Development Corporation
\$ (341,669)	\$ -	\$ (341,669)	\$ -
(567,704)	-	(567,704)	-
(205,246)	-	(205,246)	-
(549,792)	-	(549,792)	-
(543,189)	-	(543,189)	-
(189,141)	-	(189,141)	-
121,938	-	121,938	-
(3,026,775)	-	(3,026,775)	-
227,634	-	227,634	-
(1,358,443)	-	(1,358,443)	-
(1,455,292)	-	(1,455,292)	-
(2,521,331)	-	(2,521,331)	-
(465,199)	-	(465,199)	-
(396,974)	-	(396,974)	-
1,059,841	-	1,059,841	-
(2,307,597)	-	(2,307,597)	-
(1,278,873)	-	(1,278,873)	-
<u>(13,797,812)</u>	<u>-</u>	<u>(13,797,812)</u>	<u>-</u>
-	416,696	416,696	-
-	119,880	119,880	-
-	536,576	536,576	-
<u>(13,797,812)</u>	<u>536,576</u>	<u>(13,261,236)</u>	<u>-</u>
			(137,168)
			<u>(137,168)</u>
10,255,223	-	10,255,223	-
2,290,748	-	2,290,748	748,791
908,033	-	908,033	-
781,831	-	781,831	-
197,903	-	197,903	-
244,451	8,264	252,715	4,831
(142,194)	142,194	-	-
<u>14,535,995</u>	<u>150,458</u>	<u>14,686,453</u>	<u>753,622</u>
738,183	687,034	1,425,217	616,454
<u>61,325,848</u>	<u>2,318,557</u>	<u>63,644,405</u>	<u>1,476,590</u>
<u>\$ 62,064,031</u>	<u>\$ 3,005,591</u>	<u>\$ 65,069,622</u>	<u>\$ 2,093,044</u>

# Town of Trophy Club, Texas

## Balance Sheet – Governmental Funds

### September 30, 2022

	General	Debt Service	Capital Projects	PID No. 1	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 11,314,810	\$ 107,384	\$ 5,114,315	\$ 4,009,189	\$ 3,454,949	\$ 24,000,647
Taxes receivable, net	349,702	17,234	-	-	255,239	622,175
Special assessment receivable	-	-	-	19,574,747	-	19,574,747
Accounts receivable, net	203,600	-	-	-	-	203,600
Leases receivable	376,705	-	-	-	-	376,705
Due from other governments	7,505	-	-	-	-	7,505
Prepaid and other assets	2,995	-	-	-	-	2,995
Advances from other funds	424,777	-	-	-	-	424,777
<b>Total assets</b>	<b>\$ 12,680,094</b>	<b>\$ 124,618</b>	<b>\$ 5,114,315</b>	<b>\$ 23,583,936</b>	<b>\$ 3,710,188</b>	<b>\$ 45,213,151</b>
<b>Liabilities</b>						
Accounts payable	\$ 550,524	\$ -	\$ 161,857	\$ -	\$ 163,168	\$ 875,549
Accrued liabilities	247,580	-	-	-	-	247,580
Unearned revenue	3,088,232	-	-	-	-	3,088,232
Due to component unit	3,659	-	-	-	7,322	10,981
Advances to other funds	-	-	-	38,274	386,503	424,777
<b>Total liabilities</b>	<b>3,889,995</b>	<b>-</b>	<b>161,857</b>	<b>38,274</b>	<b>556,993</b>	<b>4,647,119</b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue - property taxes	56,239	16,648	-	-	-	72,887
Unavailable revenue - special assessments	-	-	-	19,574,747	-	19,574,747
Unavailable revenue - property liens	25,317	-	-	-	-	25,317
Leases related	364,146	-	-	-	-	364,146
<b>Total deferred inflows of resources</b>	<b>445,702</b>	<b>16,648</b>	<b>-</b>	<b>19,574,747</b>	<b>-</b>	<b>20,037,097</b>
<b>Fund Balances/(Deficits)</b>						
Nonspendable:						
Prepaid items	2,995	-	-	-	-	2,995
Long-term interfund advances	424,777	-	-	-	-	424,777
Restricted:						
Debt service	-	107,970	-	3,970,915	-	4,078,885
Capital projects	-	-	4,952,458	-	-	4,952,458
Municipal court	-	-	-	-	44,638	44,638
Public safety	-	-	-	-	290,366	290,366
Street maintenance	-	-	-	-	436,702	436,702
Tourism	-	-	-	-	2,275,553	2,275,553
Parks	-	-	-	-	350,554	350,554
Committed for:						
Recreation programs	-	-	-	-	21,550	21,550
Unassigned	7,916,625	-	-	-	(266,168)	7,650,457
<b>Total fund balances/(deficits)</b>	<b>8,344,397</b>	<b>107,970</b>	<b>4,952,458</b>	<b>3,970,915</b>	<b>3,153,195</b>	<b>20,528,935</b>
<b>Total liabilities, deferred inflows of resources, and fund balances (deficits)</b>	<b>\$ 12,680,094</b>	<b>\$ 124,618</b>	<b>\$ 5,114,315</b>	<b>\$ 23,583,936</b>	<b>\$ 3,710,188</b>	<b>\$ 45,213,151</b>



**Town of Trophy Club, Texas**  
**Reconciliation of the Balance Sheet of Governmental Funds to the**  
**Statement of Net Position**  
**September 30, 2022**

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

Total fund balance per balance sheet	\$	20,528,935
Net pension asset is not a current financial resource.		210,355
Capital and lease assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.		65,095,038
Other long-term assets less related uncollectibles are not available to pay for current period expenditures and therefore are reported as unavailable revenues in the governmental funds.		19,672,951
Accrued interest payable on long-term debt and leases payable does not require current financial resources and therefore is not reported as a liability in the balance sheet of governmental funds.		(306,145)
Long-term liabilities, including bonds payable, lease liability, and total OPEB liability (and the related deferred inflows and deferred outflows) are not due and payable in the current period and therefore are not reported as liabilities, deferred outflows or deferred inflows in the governmental funds. Long-term liabilities consist of:		
General obligation bonds payable	\$	(6,595,000)
Certificate of obligation bonds payable		(12,298,000)
Special Assessment Bonds		(21,245,000)
Deferred amount on refunding		2,063,422
Unamortized premiums on bonds		(3,482,143)
Leases payable		(99,617)
Total other postemployment benefit (OPEB) liability		(407,445)
Deferred outflows of resources – pension		700,990
Deferred outflows of resources – OPEB		67,188
Deferred inflows of resources – pension		(1,524,931)
Deferred inflows of resources – OPEB		(45,163)
Accrued compensated absences		(271,404)
		(43,137,103)
Net position of governmental activities	\$	62,064,031

**Town of Trophy Club, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances –**  
**Governmental Funds**  
**For the Year Ended September 30, 2022**

	General	Debt Service	Capital Projects	PID No.1	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property tax	\$ 7,726,035	\$ 2,536,879	\$ -	\$ -	\$ -	\$ 10,262,914
Sales and mixed beverage taxes	1,563,799	-	-	-	726,949	2,290,748
Franchise and local taxes	908,033	-	-	-	-	908,033
Occupancy tax	-	-	-	-	781,831	781,831
Special assessments	-	-	-	2,263,090	-	2,263,090
License and permits	280,222	-	-	-	-	280,222
Intergovernmental	1,601,173	-	-	-	483	1,601,656
Charges for services	1,466,610	-	-	-	17,940	1,484,550
Fines and fees	604,702	-	-	-	14,254	618,956
Lease revenue	83,834	-	-	-	-	83,834
Interest revenue - leases	24,288	-	-	-	-	24,288
Investment income	86,193	8,756	62,538	71,934	15,030	244,451
Other revenue	5,172	226	-	-	61,042	66,440
Total revenues	<u>14,350,061</u>	<u>2,545,861</u>	<u>62,538</u>	<u>2,335,024</u>	<u>1,617,529</u>	<u>20,911,013</u>
<b>Expenditures</b>						
Current:						
General government	208,687	-	3,104	47,981	10,500	270,272
Manager's office	620,172	-	-	-	-	620,172
Human resources	216,058	-	-	-	-	216,058
Finance	583,304	-	-	-	-	583,304
Information services	492,761	-	-	-	-	492,761
Legal	189,141	-	-	-	-	189,141
Municipal court	253,549	-	-	-	4,940	258,489
Police	3,058,897	-	-	-	143,800	3,202,697
Fire	1,446,680	-	-	-	-	1,446,680
Emergency medical services	1,513,238	-	-	-	-	1,513,238
Facilities management	1,460,399	-	-	-	-	1,460,399
Parks and recreation	2,129,947	-	-	-	8,304	2,138,251
Community development	447,720	-	-	-	42,935	490,655
Tourism	241,108	-	-	-	161,104	402,212
Public works	-	-	-	-	207,684	207,684
Debt Service:						
Principal	10,926	2,138,000	-	1,400,000	33,273	3,582,199
Interest and fiscal charges	-	546,123	-	849,922	-	1,396,045
Capital outlay	880,998	-	1,282,806	-	483,641	2,647,445
Total expenditures	<u>13,753,585</u>	<u>2,684,123</u>	<u>1,285,910</u>	<u>2,297,903</u>	<u>1,096,181</u>	<u>21,117,702</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>596,476</u>	<u>(138,262)</u>	<u>(1,223,372)</u>	<u>37,121</u>	<u>521,348</u>	<u>(206,689)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	175,316	-	-	-	91,293	266,609
Transfers out	(91,293)	(177,194)	(23,816)	-	(116,500)	(408,803)
Sale of general capital assets	60,142	-	-	-	-	60,142
Lease financing	-	-	-	-	90,577	90,577
Total other financing sources (uses)	<u>144,165</u>	<u>(177,194)</u>	<u>(23,816)</u>	<u>-</u>	<u>65,370</u>	<u>8,525</u>
<b>Net Change in Fund Balances</b>	740,641	(315,456)	(1,247,188)	37,121	586,718	(198,164)
<b>Fund Balances, Beginning</b>	<u>7,603,756</u>	<u>423,426</u>	<u>6,199,646</u>	<u>3,933,794</u>	<u>2,566,477</u>	<u>20,727,099</u>
<b>Fund Balances, Ending</b>	<u>\$ 8,344,397</u>	<u>\$ 107,970</u>	<u>\$ 4,952,458</u>	<u>\$ 3,970,915</u>	<u>\$ 3,153,195</u>	<u>\$ 20,528,935</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, 2022

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

Net change in fund balance - total governmental funds	\$	(198,164)
<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. This is the amount by which capital outlay exceeds depreciation in the current period.</p>		
Capital outlay expenditures	\$ 2,647,445	
Depreciation and amortization expense	<u>(3,608,365)</u>	(960,920)
<p>Certain revenues in the government-wide statement of activities that do/(do not) provide current financial resources and (are)/are not reported as revenues in the governmental funds. This amount is the net change in deferred inflows of resources.</p>		
		(2,333,289)
<p>The issuance of long-term debt (e.g. bond proceeds) 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 debt is 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 bond premium	316,665	
Principal amount of debt paid to bondholders and lessors	3,582,199	
Lease financing for leases issued	(90,577)	
Net change in accrued interest payable	17,595	
Net deferred offering charges and related debt issuance items	<u>(217,088)</u>	3,608,794
<p>Some expenditures reported in the statement of revenues, expenditures, and changes in fund balances do/(do not) require the use of current financial resources but (are)/are not reported as expenses in the statement of activities. This adjustment is to reflect the net change in accrued compensated absences.</p>		
		115,289
<p>Current year OPEB expenditures are reported on the fiscal year basis in the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in total OPEB liability and related deferred outflows and inflows of resources balances.</p>		
		(51,848)
<p>Current year pension expenditures are reported on the fiscal year basis in the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in net pension liability and related deferred outflows and inflows of resources balances.</p>		
		<u>558,321</u>
Change in net position of governmental activities	\$	<u>738,183</u>

**Town of Trophy Club, Texas**  
**Statement of Net Position – Proprietary Funds**  
**September 30, 2022**

	<b>Business-type Activities</b>		
	<b>Storm Drainage Utility</b>	<b>Nonmajor Fund Trophy Club Park</b>	<b>Total</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 1,313,484	\$ 187,361	\$ 1,500,845
Accounts receivable	36,164	-	36,164
Prepaid items	-	1,302	1,302
Total current assets	<u>1,349,648</u>	<u>188,663</u>	<u>1,538,311</u>
Noncurrent assets			
Capital assets:			
Net depreciable capital assets	<u>1,658,955</u>	<u>188,288</u>	<u>1,847,243</u>
Total noncurrent assets	<u>1,658,955</u>	<u>188,288</u>	<u>1,847,243</u>
Total assets	<u>3,008,603</u>	<u>376,951</u>	<u>3,385,554</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	23,006	6,644	29,650
Accrued interest	827	-	827
Long-term debt due within one year	<u>170,000</u>	<u>-</u>	<u>170,000</u>
Total current liabilities	<u>193,833</u>	<u>6,644</u>	<u>200,477</u>
Noncurrent liabilities:			
Long-term debt due in more than one year	<u>179,486</u>	<u>-</u>	<u>179,486</u>
Total noncurrent liabilities	<u>179,486</u>	<u>-</u>	<u>179,486</u>
Total liabilities	<u>373,319</u>	<u>6,644</u>	<u>379,963</u>
<b>Net Position</b>			
Net investment in capital assets	1,309,469	188,288	1,497,757
Unrestricted	<u>1,325,815</u>	<u>182,019</u>	<u>1,507,834</u>
Total net position	<u>\$ 2,635,284</u>	<u>\$ 370,307</u>	<u>\$ 3,005,591</u>

**Town of Trophy Club, Texas**  
**Statement of Revenues, Expenses, and Changes in Net Position – Proprietary**  
**Funds**  
**For the Year Ended September 30, 2022**

	<b>Business-type Activities</b>		
	<b>Storm Drainage Utility</b>	<b>Nonmajor Fund</b>	
		<b>Trophy Club Park</b>	<b>Total</b>
<b>Operating Revenues</b>			
Charges for services	\$ 435,559	\$ 289,336	\$ 724,895
Total operating revenues	<u>435,559</u>	<u>289,336</u>	<u>724,895</u>
<b>Operating Expenses</b>			
Salaries and benefits	-	59,641	59,641
Supplies and materials	-	4,932	4,932
Repairs and maintenance	7,100	43,406	50,506
Utilities	2,951	11,421	14,372
Contractual services	75,198	41,189	116,387
Depreciation	51,083	8,867	59,950
Total operating expenses	<u>136,332</u>	<u>169,456</u>	<u>305,788</u>
<b>Operating Income</b>	<u>299,227</u>	<u>119,880</u>	<u>419,107</u>
<b>Nonoperating Revenues (Expenses)</b>			
Intergovernmental	-	125,268	125,268
Investment income	8,264	-	8,264
Interest expense	(7,799)	-	(7,799)
Total nonoperating revenues (expenses)	<u>465</u>	<u>125,268</u>	<u>125,733</u>
<b>Income Before Transfers</b>	299,692	245,148	544,840
Transfers in	177,194	-	177,194
Transfers out	(20,000)	(15,000)	(35,000)
<b>Change in Net Position</b>	456,886	230,148	687,034
<b>Net Position, Beginning</b>	<u>2,178,398</u>	<u>140,159</u>	<u>2,318,557</u>
<b>Net Position, Ending</b>	<u>\$ 2,635,284</u>	<u>\$ 370,307</u>	<u>\$ 3,005,591</u>

**Town of Trophy Club, Texas**  
**Statement of Cash Flows – Proprietary Funds**  
**For the Year Ended September 30, 2022**

	<b>Business-type Activities</b>		
	<b>Storm Drainage Utility</b>	<b>Nonmajor Fund Trophy Club Park</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>			
Receipts from customers and users	\$ 435,252	\$ 289,336	\$ 724,588
Payments to suppliers and service providers	(69,478)	(98,743)	(168,221)
Payments to employees for salaries and benefits	-	(59,641)	(59,641)
Net cash provided by operating activities	<u>365,774</u>	<u>130,952</u>	<u>496,726</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers to other funds	(20,000)	(15,000)	(35,000)
Transfers from other funds	177,194	-	177,194
Operating grants	-	125,268	125,268
Net cash provided by noncapital financing activities	<u>157,194</u>	<u>110,268</u>	<u>267,462</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets	-	(147,921)	(147,921)
Interest paid on capital debt	(12,194)	-	(12,194)
Principal paid on capital debt	(165,000)	-	(165,000)
Net cash used for capital and related financing activities	<u>(177,194)</u>	<u>(147,921)</u>	<u>(325,115)</u>
<b>Cash Flows from Investing Activities</b>			
Interest on investments	8,264	-	8,264
Net cash provided by investing activities	<u>8,264</u>	<u>-</u>	<u>8,264</u>
<b>Net Increase in Cash and Cash Equivalents</b>	354,038	93,299	447,337
<b>Cash and Cash Equivalents, Beginning</b>	<u>959,446</u>	<u>94,062</u>	<u>1,053,508</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 1,313,484</u>	<u>\$ 187,361</u>	<u>\$ 1,500,845</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating income	\$ 299,227	\$ 119,880	\$ 419,107
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	51,083	8,867	59,950
Changes in operating assets and liabilities:			
(Increase) Decrease in:			
Accounts receivable	(307)	2,585	2,278
Prepaid items	-	(380)	(380)
Increase (Decrease) in:			
Accounts payable	15,771	-	15,771
Net cash provided by operating activities	<u>\$ 365,774</u>	<u>\$ 130,952</u>	<u>\$ 496,726</u>



TOWN OF  
TROPHY CLUB

**Notes to Financial Statements**





# **Town of Trophy Club, Texas**

## **Notes to the Financial Statements**

### **September 30, 2022**

#### **Note 1: Summary of Significant Accounting Policies**

The Town of Trophy Club (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: public safety (police and emergency medical services), parks, public works (public improvements, streets, planning, and zoning), and general administrative services.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Town’s significant accounting policies are described below.

#### ***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. The Town currently has no fiduciary activities. 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 a legally separate component unit for which the primary government is financially accountable.

#### ***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. Thus, blended component units are appropriately presented as funds of the primary government. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is both legally and substantively separate from the primary government.

# **Town of Trophy Club, Texas**

## **Notes to the Financial Statements**

### **September 30, 2022**

#### **Blended Component Units**

##### Public Improvement District (PID) 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 PID 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. The PID issued refunding bonds in December 2015, with the approval of Town Council. The Town Council must review and update the service plan annually for the purpose of determining the annual budget for the PID No. 1. In addition, the PID No. 1 exclusively or almost exclusively benefits the primary government. The PID No. 1 is reported as major special revenue fund and does not issue separate financial statements.

##### Tax Increment Reinvestment Zone No. 1 (TIRZ No. 1)

The Tax Increment Reinvestment Zone No. 1 is governed by a board appointed by the Town's Council. The Town can impose its will on the TIRZ No. 1 and affect the day-to-day operations of the TIRZ No. 1 by removing appointed board members at will. The TIRZ No. 1 is funded by revenues generated through tax increment financing. Therefore, the primary government has an obligation to provide support to the TIRZ No. 1 (a financial burden). The TIRZ No. 1 is reported as a nonmajor special revenue fund and does not issue separate financial statements.

##### 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. The CCPD provides services entirely, or almost entirely to the primary government. The CCPD is reported as a nonmajor special revenue fund and does not issue separate financial statements.

#### **Discretely Presented Component Unit**

##### 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. Separate financial statements for 4B component unit are not prepared.

# Town of Trophy Club, Texas

## Notes to the Financial Statements

### September 30, 2022

#### ***Basis of Presentation – Government-Wide 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 Town's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As discussed earlier, the Town has one discretely presented component unit. It is shown in a separate column 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 in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided, and other charges between various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

#### ***Basis of Presentation – Fund Financial Statements***

The fund financial statements provide information about the Town'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.

The Town 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.

# Town of Trophy Club, Texas

## Notes to the Financial Statements

### September 30, 2022

The Town reports the following major enterprise fund:

- **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.

During the course of operations, the Town has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts as transfers in/out. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

#### ***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 recognition in the financial statements of various kinds of transactions or events.

The government-wide and proprietary fund 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.

# Town of Trophy Club, Texas

## Notes to the Financial Statements

### September 30, 2022

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they have been earned and 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 Town 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 principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, and claims and judgments, and postemployment benefits are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and financing through 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. 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 1 years of year-end). All other revenue items are considered to be measurable and available only when cash is received by the Town.

#### ***Budgetary Information***

##### **Budgetary Basis of Accounting**

Annual budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP) for the general, hotel occupancy tax, street maintenance sales tax, court technology, court security, recreation programs, park land dedication, crime control and prevention district, and TIRZ No. 1 funds. The capital projects fund is appropriated on a project-length basis. The grants fund does not have appropriated budgets since other means control the use of these resources (e.g., grant awards) and sometimes span a period of more than one fiscal year.

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 in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances technically lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are reappropriated and become part of the subsequent year's budget pursuant to state regulations, and the encumbrances are automatically reestablished in the next year.

# **Town of Trophy Club, Texas**

## **Notes to the Financial Statements**

### **September 30, 2022**

#### ***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.

#### ***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 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.

**Town of Trophy Club, Texas**  
**Notes to the Financial Statements**  
**September 30, 2022**

***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

***Capital and Lease Assets***

Capital and lease 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 column in the government-wide financial statements. Capital and lease assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

As the Town constructs or acquires capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the Town are depreciated/amortized using the straight-line method over the following estimated useful lives or lease term, whichever is shorter:

Buildings	30 Years
Improvements other than buildings	10-30 Years
Improvements other than buildings (streets)	30 Years
Machinery and equipment	7-15 Years
Vehicles	5-10 Years
Water system	25 Years
Infrastructure (storm drainage system)	40 Years

# **Town of Trophy Club, Texas**

## **Notes to the Financial Statements**

### **September 30, 2022**

#### ***Lease Receivable***

The Town is a lessor of its multiple water towers and recognizes a related lease receivable and a deferred inflow of resources. At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

The Town monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

#### ***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has three items that qualify for reporting in this category. The three items are the deferred charge on refunding reported in the government-wide statement of net position, and deferred amounts related to pension and OPEB. The deferred charge on refunding resulted from the difference between 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. The deferred amounts related to pension and OPEB relate to contributions after the measurement date, changes in actuarial assumptions, and the difference in expected and actual economic experience.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has four items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from: property taxes, special assessments, and property liens. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide financial statements the Town reports deferred amounts related to pension and OPEB relating to the difference between projected and actual investment earnings, changes in actuarial assumptions, and difference in expected and actual economic experience. In both the government-wide financial statements and governmental funds financial statements, the Town reports deferred amounts related to leases which is comprised of the initial value of the lease receivable systematically reduced and recognized as lease revenue over the term of the lease.

#### ***Unearned Revenue***

Governmental funds report a liability, unearned revenue, in connection with resources that have been received, but not yet earned, which consists primarily of grant dollar received in advance of incurring eligible expenditures.



# **Town of Trophy Club, Texas**

## **Notes to the Financial Statements**

### **September 30, 2022**

#### ***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.

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.

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, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed when incurred.

#### ***Lease Liability***

The Town is a lessee for noncancellable leases. The Town recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. The Town recognizes lease liabilities with an initial, individual value of \$5,000 or more. At the commencement of a lease, the Town initially measures the lease liability at the present value of payments expected to be made during the lease term. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life or the lease term, whichever is shorter.

The Town monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

#### ***Pensions***

For purposes of measuring the net pension asset, 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 the Financial Statements

### September 30, 2022

#### ***Other Postemployment Benefits (OPEB)***

The Town has two single-employer defined benefit other postemployment benefit (OPEB) plans (Plans). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

#### ***Net Position***

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the Town 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 Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

#### ***Fund Balance***

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The Town's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

- Nonspendable fund balance represents amounts that are either not in a spendable form or are legally or contractually required to remain intact.

# Town of Trophy Club, Texas

## Notes to the Financial Statements

### September 30, 2022

- Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.
- Committed fund balance represents amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Town's Council prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Council adopts another ordinance to remove or revise the limitation.
- Assigned fund balance represents amounts that are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as committed. The Council has by resolution authorized the finance director and town manager 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.
- Unassigned fund balance represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

As previously mentioned, sometimes the Town 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 Town's policy to 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.

#### ***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.

# **Town of Trophy Club, Texas**

## **Notes to the Financial Statements**

### **September 30, 2022**

#### ***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.

#### ***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.

#### ***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 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.

#### ***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, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

# Town of Trophy Club, Texas

## Notes to the Financial Statements

### September 30, 2022

#### **Adoption of GASB Statement No. 87, Leases (GASB 87)**

During 2022, the Town adopted GASB 87. The Statement establishes a single model for lease accounting based on the principle that leases represent the financing of the right to use an underlying asset. The adoption of GASB 87 resulted in changes in presentation of financial statements and related disclosures in the notes to the financial statements.

#### **Future Adoption of Accounting Pronouncements**

The GASB has issued the following statements which will be effective in future years as described below. The impact on the Town's financial statements of implementation has not yet been determined for the following:

GASB Statement No. 94, *Public-Private and Public-Private Partnerships (PPPs) and Availability Payment Arrangements*, is effective for the Town's fiscal year 2023. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs).

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, is effective for the Town's fiscal year 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement: (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

#### **Note 2: Stewardship, compliance, and accountability**

##### ***Deficit Fund Equity***

At September 30, 2022, the Tax Increment Reinvestment Zone No. 1 fund had a deficit fund balance of \$266,168. 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 3: Cash and Investments**

The Town utilizes a pooled cash and investment concept for all its funds, to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested.

# Town of Trophy Club, Texas

## Notes to the Financial Statements

### September 30, 2022

#### **Deposits**

At September 30, 2022, the carrying amount of the Town's demand deposits, including its component unit, totaled \$16,549,699 and the bank balance was \$16,595,245. Cash on hand for the Town was \$400 and the carrying amount and bank balance of cash for the Public Improvement District No. 1 was \$4,009,189.

#### **Custodial Credit Risk**

In the case of deposits, this is the risk that, in the event of a bank's failure, the Town's deposits may not be returned to it. Pursuant to provisions of both the *Texas Public Funds Investment Act* and the Public Funds Investment Policy of the Town, deposits of the Town that exceed the federal depository insurance coverage levels are materially collateralized with securities held by a third party custodian in the Town's name. Investments, other than investments that are obligations of the U.S. government, its agencies, and instrumentalities, are insured or registered in the Town's name and held by a third party custodian.

#### **Investments**

The Town's investment policies are governed by state statutes. The Town's investment policies further limit state statutes such that eligible investments include the following:

1. Obligations, including letters of credit, of the United States, its agencies, and instrumentalities, including the Federal Home Loan Banks.
2. Direct obligations of the State of Texas, its agencies and instrumentalities or obligations of agencies, counties, cities, and other political subdivisions of this State rated as to investment quality by a nationally recognized investment rating firm of not less than "A" or its equivalent.
3. 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 of Texas 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.
4. Certificates of Deposit and other forms of deposit issued by a depository institution that has its main office or a branch office in Texas. The certificate of deposit must be guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor or secured by obligations in a manner and amount as provided by law. In addition, deposits obtained through a depository institution that has its main office or a branch office in Texas and that contractually agrees to place the funds in federally insured depository institutions in accordance with the conditions prescribed in Section 2256. 01 0(b) of the *Public Funds Investment Act* are authorized investments.

# Town of Trophy Club, Texas

## Notes to the Financial Statements

### September 30, 2022

Additionally, funds invested by the Town through a broker that has a main office or branch office in Texas and is selected from a list approved by the Town as required by section 2656.025 of the *Public Funds Investment Act* or a depository institution that has a main office or branch office in Texas and is selected by the Town are authorized investments if the following conditions are met:

- a. the broker or depository institution selected by the Town as specified above 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;
  - b. 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
  - c. the Town appoints a depository bank, or a clearing broker registered with the Securities and Exchange Commission Rule 15c-3 (17CFR, Section 240 15c3-3) as custodian for the Town with respect to the certificates of deposit issued for account to the Town.
5. Fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States or its agencies and instrumentalities. These shall be pledged to the Town of Trophy Club, held in an account in the Town of Trophy Club's name, and deposited at the time the investment is made with the Town of Trophy Club or with a third-party selected and approved by the Town of Trophy Club. Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in Texas. A Master Repurchase Agreement, or similar agreement, must be signed by the bank/dealer prior to investment in a repurchase agreement. All repurchase agreement transactions will be on a delivery versus payment basis. Securities received for repurchase agreements must have a market value greater than or equal to 102 percent at the time funds are disbursed. (This section pertains to Sweep Accounts and/or Bond Proceeds)
6. No-Load Money Market Mutual funds that: 1) are registered and regulated by the Securities and Exchange Commission and provide a prospectus and other information required by the *Securities and Exchange Act of 1934* (15 U.S.C. Section 78a) or the *Investment Company Act of 1940* (15 U.S.C. Section 80a-1), and 2) seek to maintain a stable net asset value of \$1.0000 per share.
7. Local government investment pools, which: 1) meet the requirements of Chapter 2256.016 of the *Public Funds Investment Act*, 2) are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service, and 3) are authorized by resolution or ordinance by the Town Council. In addition, a local government investment pool created to function as a money market mutual fund must mark its portfolio to the market daily and, to the extent reasonably possible, stabilize at a \$1.0000 net asset value.

**Town of Trophy Club, Texas**  
**Notes to the Financial Statements**  
**September 30, 2022**

**Investment Pools**

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, 2022, the fair value of the position in TexPool approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

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, 2022, the fair value of the position in Texas CLASS approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

**Interest rate risk**

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Town manages its exposure to declines in fair values by limiting the maximum maturity length of investments to three years.

As of September 30, 2022, the Town had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years) Less Than 1 Year</u>
Texas CLASS	\$ 2,513,191	\$ 2,513,191
TexPool	3,343,849	3,343,849
Total	<u>\$ 5,857,040</u>	<u>\$ 5,857,040</u>



# Town of Trophy Club, Texas

## Notes to the Financial Statements

### September 30, 2022

#### **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, 2022, 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

#### **Concentration of Credit Risk**

The concentration of credit risk is the risk of loss that may be caused by the Town's investment in a single issuer. The Town's investment policy states that the investment portfolio shall be diversified so that potential losses on individual issuers will be minimized. At September 30, 2022, the Town's investments are 100% in investment pools.

#### **Fair Value of Investments**

The Town measures and records its investments using, as appropriately, fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows:

- **Level 1:** Quoted prices for identical investments in active markets;
- **Level 2:** Observable inputs other than those in Level 1; and
- **Level 3:** Unobservable inputs.

Debt and equity securities classified as Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches: debt securities are normally valued based on price data obtained from observed transactions and market price quotations from broker dealers and/or pricing vendors; equity securities are valued using fair value per share for each fund. Certificates of deposit classified in level 2 are valued using broker quotes that utilize observable market inputs. Securities classified as Level 3 have limited trade information, these securities are priced or using the last trade price or estimated using recent trade prices. At September 30, 2022, the Town had no investments in the fair value hierarchy.

Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included below approximate net asset value for the applicable external investment pool balances. Additionally, the Town has investments in governmental pools as listed below, which are recorded at amortized cost, and excluded from the fair value hierarchy.

**Town of Trophy Club, Texas**  
**Notes to the Financial Statements**  
**September 30, 2022**

At September 30, 2022, the Town had the following investments:

Investments measured at net asset value		
Texas Class	\$	2,513,191
Investments measured at amortized cost		
TexPool		<u>3,343,849</u>
Total investments	\$	<u>5,857,040</u>

**Note 4: Receivables**

Below is the detail of receivables for the Town’s major and nonmajor funds, including the applicable allowances for doubtful accounts:

	<u>General</u>	<u>Debt Service</u>	<u>PID No. 1</u>	<u>Nonmajor Governmental</u>	<u>Storm Drainage Utility</u>	<u>Total</u>
<b>Receivables</b>						
Property taxes	\$ 56,239	\$ 17,234	\$ -	\$ -	\$ -	\$ 73,473
Sales Tax	251,849	-	-	124,554	-	376,403
Franchise taxes	41,614	-	-	-	-	41,614
Hotel occupancy	-	-	-	141,185	-	141,185
Special assessments	-	-	19,574,747	-	-	19,574,747
Due from other governments	7,505	-	-	-	-	7,505
Municipal court	65,879	-	-	-	-	65,879
EMS	122,669	-	-	-	-	122,669
Storm drainage	-	-	-	-	36,164	36,164
Leases	376,705	-	-	-	-	376,705
Other	114,667	-	-	-	-	114,667
Gross receivables	<u>1,037,127</u>	<u>17,234</u>	<u>19,574,747</u>	<u>265,739</u>	<u>36,164</u>	<u>20,931,011</u>
Less: allowance for doubtful accounts	<u>(99,615)</u>	<u>-</u>	<u>-</u>	<u>(10,500)</u>	<u>-</u>	<u>(110,115)</u>
Net receivables	<u>\$ 937,512</u>	<u>\$ 17,234</u>	<u>\$ 19,574,747</u>	<u>\$ 255,239</u>	<u>\$ 36,164</u>	<u>\$ 20,820,896</u>

Based on the payment schedule for special assessment receivables, approximately \$17,313,000 of the amount reported in the PID No. 1 fund is not expected to be collected within the next year.

**Leases Receivable**

The Town leases several water towers to third parties, terms of which expire in various years through 2027. The Town recognized approximately in \$84,000 in lease revenue and \$24,000 in interest revenue during the current fiscal year related to the leases. As of September 30, 2022, the Town’s receivable for lease payments was \$376,705. Also, the Town has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of September 30, 2022, the balance of the deferred inflow of resources was \$364,146.

**Town of Trophy Club, Texas**  
**Notes to the Financial Statements**  
**September 30, 2022**

**Note 5: Capital and Lease Assets**

Capital assets activity for the year ended September 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Sales/ Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 10,487,119	\$ -	\$ -	\$ -	\$ 10,487,119
Construction in progress	-	999,245	-	-	999,245
Total capital assets, not being depreciated	<u>10,487,119</u>	<u>999,245</u>	<u>-</u>	<u>-</u>	<u>11,486,364</u>
Capital assets, being depreciated:					
Buildings	10,659,919	-	-	-	10,659,919
Improvements other than buildings	64,931,042	530,412	-	-	65,461,454
Machinery and equipment	2,558,031	348,929	(47,326)	-	2,859,634
Vehicles	1,519,951	678,282	(40,535)	-	2,157,698
Water system	5,362,005	-	-	-	5,362,005
Infrastructure	14,332,062	-	-	-	14,332,062
Total capital assets, being depreciated	<u>99,363,010</u>	<u>1,557,623</u>	<u>(87,861)</u>	<u>-</u>	<u>100,832,772</u>
Less accumulated depreciation for:					
Buildings	1,805,630	386,789	-	-	2,192,419
Improvements other than buildings	30,708,697	2,241,430	-	-	32,950,127
Machinery and equipment	1,881,930	230,529	(47,326)	-	2,065,133
Vehicles	981,248	177,207	(40,535)	-	1,117,920
Water system	1,848,558	175,875	-	-	2,024,433
Infrastructure	6,621,347	364,290	-	-	6,985,637
Total accumulated depreciation	<u>43,847,410</u>	<u>3,576,120</u>	<u>(87,861)</u>	<u>-</u>	<u>47,335,669</u>
Total capital assets, being depreciated, net	<u>55,515,600</u>	<u>(2,018,497)</u>	<u>-</u>	<u>-</u>	<u>53,497,103</u>
Governmental activities capital assets, net	<u>\$ 66,002,719</u>	<u>\$ (1,019,252)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,983,467</u>
<b>Business-Type activities:</b>					
Capital assets, being depreciated:					
Improvements other than Buildings	\$ -	\$ 147,921	\$ -	\$ -	\$ 147,921
Machinery and equipment	36,610	-	-	-	36,610
Improvements	33,365	-	-	-	33,365
Infrastructure	2,039,766	-	-	-	2,039,766
Total capital assets, being depreciated	<u>2,109,741</u>	<u>147,921</u>	<u>-</u>	<u>-</u>	<u>2,257,662</u>
Less accumulated depreciation for:					
Improvements other than Buildings	-	1,894	-	-	1,894
Machinery and equipment	16,571	3,637	-	-	20,208
Improvements	4,170	3,336	-	-	7,506
Infrastructure	329,728	51,083	-	-	380,811
Total accumulated depreciation	<u>350,469</u>	<u>59,950</u>	<u>-</u>	<u>-</u>	<u>410,419</u>
Total capital assets, being depreciated, net	<u>1,759,272</u>	<u>87,971</u>	<u>-</u>	<u>-</u>	<u>1,847,243</u>
Business-type activities capital assets, net	<u>\$ 1,759,272</u>	<u>\$ 87,971</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,847,243</u>

**Town of Trophy Club, Texas**  
**Notes to the Financial Statements**  
**September 30, 2022**

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

**Governmental Activities**

General government	\$ 392,136
Emergency medical services	62,655
Information systems	50,428
Police	113,654
Fire	26,611
Parks and recreation	809,615
Community	5,928
Streets (Infrastructure)	<u>2,115,093</u>
 Total governmental activities depreciation expense	 <u>\$ 3,576,120</u>

**Business-type Activities**

Trophy Club Park	\$ 8,867
Storm Drainage Utility	<u>51,083</u>
 Total business-type activities	 <u>\$ 59,950</u>

Lease asset activity for the year ended September 30, 2022, was as follows:

	<b>Beginning of Year Restated</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>End of Year</b>
<b>Governmental Activities</b>					
Lease assets being amortized					
Equipment	\$ 34,047	\$ 90,577	\$ -	\$ -	\$ 124,624
Copy machine	19,192	-	-	-	19,192
	<u>53,239</u>	<u>90,577</u>	<u>-</u>	<u>-</u>	<u>143,816</u>
 Total lease assets being amortized	 53,239	 90,577	 -	 -	 143,816
 Less: accumulated amortization	 <u>-</u>	 <u>(32,245)</u>	 <u>-</u>	 <u>-</u>	 <u>(32,245)</u>
 Total lease assets being amortized, net	 <u>53,239</u>	 <u>58,332</u>	 <u>-</u>	 <u>-</u>	 <u>111,571</u>
 Governmental activities lease assets, net	 <u>\$ 53,239</u>	 <u>\$ 58,332</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 111,571</u>

**Town of Trophy Club, Texas**  
**Notes to the Financial Statements**  
**September 30, 2022**

Amortization expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities</b>	
General government	\$ 10,967
Fire Protection	<u>21,278</u>
Total amortization expense – governmental activities	<u><u>\$ 32,245</u></u>

**Note 6: Long-term Liabilities**

The following is a summary of changes in the Town’s total long-term liabilities for the year ended September 30, 2022.

	<u>Restated Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
General Obligation Bonds	\$ 7,500,000	\$ -	\$ 905,000	\$ 6,595,000	\$ 705,000
Certificates of Obligation	13,531,000	-	1,233,000	12,298,000	1,183,000
Special Assessment Bonds	22,645,000	-	1,400,000	21,245,000	1,469,000
Bond Premiums	<u>3,798,808</u>	<u>-</u>	<u>316,665</u>	<u>3,482,143</u>	<u>-</u>
Total bonds payable	<u>47,474,808</u>	<u>-</u>	<u>3,854,665</u>	<u>43,620,143</u>	<u>3,357,000</u>
Leases payable	53,239	90,577	44,199	99,617	38,356
Compensated absences	<u>386,693</u>	<u>229,763</u>	<u>345,052</u>	<u>271,404</u>	<u>244,264</u>
Total government activities	<u>\$ 47,914,740</u>	<u>\$ 320,340</u>	<u>\$ 4,243,916</u>	<u>\$ 43,991,164</u>	<u>\$ 3,639,620</u>
<b>Business-Type Activities:</b>					
Certificates of Obligation	\$ 510,000	\$ -	\$ 165,000	\$ 345,000	\$ 170,000
Bond Premiums	<u>8,504</u>	<u>-</u>	<u>4,018</u>	<u>4,486</u>	<u>-</u>
Total bonds payable	<u>518,504</u>	<u>-</u>	<u>169,018</u>	<u>349,486</u>	<u>170,000</u>
Total business-type activities	<u>\$ 518,504</u>	<u>\$ -</u>	<u>\$ 169,018</u>	<u>\$ 349,486</u>	<u>\$ 170,000</u>

The Town intends to retire all of its governmental activities general long-term liabilities, plus accrued interest, from property taxes and other current revenues from the debt service fund as has been done in prior years. The special assessment bonds are expected to be liquidated from the PID No. 1 fund. The general fund has typically been used to liquate the liability for compensated absences for governmental activities. The proprietary fund type long-term debt will be repaid, plus accrued interest, from operating revenues of the respective fund.

**Town of Trophy Club, Texas**  
**Notes to the Financial Statements**  
**September 30, 2022**

**General Obligation Bonds**

The Town issues general obligation bonds and certificates of obligations to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. General obligation bonds and certificates of obligation outstanding at September 30, 2022, are as follows:

<u>Governmental Activities</u>	<u>Interest Rate (%)</u>	<u>Final Maturity</u>	<u>Original Borrowing</u>	<u>Outstanding at Year-End</u>
General Obligation Bonds:				
Refunding	2.18	2025	\$ 2,030,000	\$ 720,000
Improvements	2.00-3.00	2036	5,245,000	3,840,000
Refunding	1.16	2030	3,550,000	<u>2,035,000</u>
				<u>\$ 6,595,000</u>
Certificate of Obligations:				
Combination Tax and Revenue Series 2004	3.50-4.75	2024	650,000	\$ 68,000
Certificates of Obligation Series 2013	2.50-3.25	2028	1,300,000	660,000
Certificates of Obligation Series 2014	2.00-4.00	2034	2,500,000	1,675,000
Certificates of Obligation Series 2016	2.00-4.00	2036	4,210,000	3,215,000
Certificates of Obligation Series 2017	2.50-3.00	2037	4,445,000	3,020,000
Certificates of Obligation Series 2021	2.00-4.00	2041	4,305,000	<u>3,660,000</u>
				<u>\$ 12,298,000</u>
<u>Business-type Activities</u>	<u>Interest Rate (%)</u>	<u>Final Maturity</u>	<u>Original Borrowing</u>	<u>Outstanding at Year-End</u>
Certificates of Obligation Series 2013	2.50-3.00	2024	\$ 1,700,000	<u>\$ 345,000</u>
				<u>\$ 345,000</u>

**Special Assessment Bonds**

The Town also issued special assessment debt in 2015 to provide funds for improvements within Trophy Club PID No. 1 area. These bonds will be repaid from special assessments levied on the property owners benefiting from this construction. Those amounts, including interest, are 100% pledged to pay the scheduled principal and interest payments on the special assessment bonds. The Town is not obligated to pay the bonds from any funds raised from taxation or from any other revenues available to the Town.

<u>Governmental Activities</u>	<u>Interest Rate (%)</u>	<u>Final Maturity</u>	<u>Original Borrowing</u>	<u>Outstanding at Year-End</u>
Special Assessment:				
Special Assessment Revenue Refunding-Series 2015	2.00-4.00	2033	\$ 26,154,979	<u>\$ 21,245,000</u>
				<u>\$ 21,245,000</u>

**Town of Trophy Club, Texas**  
**Notes to the Financial Statements**  
**September 30, 2022**

The debt service requirements for the Town's bonds are as follows:

Year Ended September 30, 2022	Governmental Activities			Business-type Activities		
	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2023	\$ 3,357,000	\$ 1,274,495	\$ 4,631,495	\$ 170,000	\$ 7,588	\$ 177,588
2024	2,949,000	1,183,109	4,132,109	175,000	2,625	177,625
2025	3,072,000	1,089,682	4,161,682	-	-	-
2026	3,018,000	992,821	4,010,821	-	-	-
2027	3,133,000	906,885	4,039,885	-	-	-
2028-2032	12,025,000	3,013,869	15,038,869	-	-	-
2033-2037	11,749,000	479,500	12,228,500	-	-	-
2038-2041	835,000	33,750	868,750	-	-	-
Total	\$ 40,138,000	\$ 8,974,111	\$ 49,112,111	\$ 345,000	\$ 10,213	\$ 355,213

**Lease Liability**

The Town has agreements as lessee for equipment and copiers, the terms of which expire in various years through 2025.

The following is a schedule by year of payments under the leases as of September 30, 2022:

Year Ending September 30,	Principal	Interest	Total
2023	\$ 38,356	\$ 1,131	\$ 39,487
2024	30,449	731	31,180
2025	30,812	368	31,180
Total	\$ 99,617	\$ 2,230	\$ 101,847

**Note 7: Interfund Transactions**

**Due to/from component unit**

The composition of amounts due to/from component unit as of September 30, 2022, is as follows:

Receivable	Payable	Amount
Component Unit	General Fund	\$ 3,659
	Nonmajor Governmental Fund	\$ 7,322
		\$ 10,981

**Town of Trophy Club, Texas**  
**Notes to the Financial Statements**  
**September 30, 2022**

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**Advances from/to other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	PID No. 1	\$ 38,274
General Fund	Nonmajor Governmental Fund	<u>386,503</u>
		<u>\$ 424,777</u>

The amount payable to the general fund from the nonmajor governmental fund relates to a working capital loan made to a nonmajor governmental fund. None of the balance is scheduled to be collected in the subsequent year. The amount payable to the general fund from the Public Improvement District No. 1 fund relates to related expenditures paid for by the general fund during prior years. The balance is expected to be paid in future years as the Public Improvement District No. 1 fund increases revenues.

**Interfund transfers**

The composition of interfund transfers for the year ended September 30, 2022, is as follows:

<u>Transfer Out:</u>	<u>Transfer In</u>			<u>Total</u>
	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Storm Drainage Utility Fund</u>	
General Fund	\$ -	\$ 91,293	\$ -	\$ 91,293
Debt Service Fund	-	-	177,194	177,194
Capital Projects Fund	23,816	-	-	23,816
Nonmajor Governmental Funds	116,500	-	-	116,500
Storm Drainage Utility Fund	20,000	-	-	20,000
Nonmajor Enterprise Fund	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
Total	<u>\$ 175,316</u>	<u>\$ 91,293</u>	<u>\$ 177,194</u>	<u>\$ 443,803</u>

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



**Town of Trophy Club, Texas**  
**Notes to the Financial Statements**  
**September 30, 2022**

**Note 8: 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.

**Note 9: Contingencies**

***Federal Grant Programs***

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the *Single Audit Act* as amended. Accordingly, the Town's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town anticipates such amounts, if any, will be immaterial.

**Note 10: Defined Benefit Pension Plan**

***Plan Description***

The Town participates as one of over 900 plans in the defined benefit cash-balance pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Comprehensive Annual Financial Report (Annual Report) that can be obtained at [tmrs.com](http://tmrs.com).

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

# Town of Trophy Club, Texas

## Notes to the Financial Statements

### September 30, 2022

#### **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 Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the Town-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total Member contributions 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:

Member Deposit Rate	7%
Town Matching Ratio	2 to 1
Updated Service Credit	100% Transfers
Annuity Increases to Retirees	30% CPI-U since retirement date
Vesting	5 years
Service Retirement Eligibilities	5 years/age 60, 20 years/any age

#### **Employees Covered by Benefit Terms**

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	56
Inactive employees entitled to but not yet receiving benefits	109
Active employees	73
	238

#### **Contributions**

Member contribution rates in TMRS are either 5%, 6%, or 7% of the Member's total compensation, 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 Town's contribution rate is based on the liabilities created from the benefit plan options selected by the Town and any changes in benefits or actual experience over time.

Employees for the Town were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the Town were 13.45% and 12.58% in calendar years 2021 and 2022, respectively. The Town's contributions to TMRS for the year ended September 30, 2022, were \$793,562 and were equal to the required contributions.

# Town of Trophy Club, Texas

## Notes to the Financial Statements

### September 30, 2022

#### **Net Pension Asset**

The Town's Net Pension Asset was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date. The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75% net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a four-year set-forward for males and a three-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. 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.

**Town of Trophy Club, Texas**  
**Notes to the Financial Statements**  
**September 30, 2022**

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Public Equity	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Other Public and Private Markets	12.00%	7.22%
Real Estate	12.00%	6.85%
Hedge Funds	5.00%	5.35%
Private Equity	10.00%	10.00%
Total	<u>100.00%</u>	

**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 Member 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 active and inactive 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 (Asset)**

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability / (Asset) (a) - (b)</u>
<b>Balance, Beginning of Year</b>	\$ 23,151,652	\$ 22,085,732	\$ 2,782,644
Changes for the year:			
Service cost	1,059,781	-	1,059,781
Interest (on the Total Pension Liability)	1,572,070	-	1,572,070
Difference between expected and actual experience	191,092	-	191,092
Changes in assumptions	-	-	-
Contributions - member	-	420,786	(420,786)
Contributions - employer	-	808,487	(808,487)
Net investment income	-	2,883,176	(2,883,176)
Benefit payments, including refunds of member contributions	(783,233)	(783,233)	-
Administrative expense	-	(13,322)	13,322
Other	-	91	(91)
Net Changes	<u>2,039,710</u>	<u>3,315,985</u>	<u>(1,276,275)</u>
<b>Balance, End of Year</b>	<u>\$ 25,191,362</u>	<u>\$ 25,401,717</u>	<u>\$ (210,355)</u>

**Town of Trophy Club, Texas**  
**Notes to the Financial Statements**  
**September 30, 2022**

**Sensitivity of the Net Position Liability (Asset) to Changes in the Discount Rate**

The following presents the net pension liability (asset) of the Town, calculated using the discount rate of 6.75%, as well as what the Town’s net pension liability (asset) 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 (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>1% Increase in Discount Rate (7.75%)</u>
Net pension liability (asset)	\$ 3,680,700	\$ (210,355)	\$ (3,356,880)

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City/Town. That report may be obtained at [tmrs.com](http://tmrs.com).

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

For the year ended September 30, 2022, the Town recognized pension expense of \$235,241.

At September 30, 2022, the Town reported deferred outflows of resources and deferred 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	\$ -	\$ 1,477,509
Changes in actuarial assumptions	-	46
Difference in expected and actual economic experience	126,315	47,376
Contributions subsequent to the measurement date	574,675	-
	<u>\$ 700,990</u>	<u>\$ 1,524,931</u>

**Town of Trophy Club, Texas**  
**Notes to the Financial Statements**  
**September 30, 2022**

\$574,675 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as an increase of the Net Pension Asset for the year ending 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	Net Deferred Inflows of Resources
2023	\$ (257,997)
2024	(549,286)
2025	(312,856)
2026	(278,477)
	\$ (1,398,616)

**Allocation of Pension Items**

The Town allocates pension items to the governmental activities on the basis of employee payroll funding. The net pension liability/(asset) is liquidated by the General Fund, Street Maintenance Sales Tax Fund, and Hotel Occupancy Tax Fund.

**Note 11: Other Postemployment Benefits (OPEB)**

A summary of the total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense of each plan is shown below. Detailed discussion of each plan will follow in this note.

	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
<b>Governmental Activities</b>				
Supplemental Death Benefits Plan	\$ 361,536	\$ 67,188	\$ 14,665	\$ 52,110
Retiree Health Care Plan	45,909	-	30,498	3,040
Total governmental activities	\$ 407,445	\$ 67,188	\$ 45,163	\$ 55,150

**Town of Trophy Club, Texas**  
**Notes to the Financial Statements**  
**September 30, 2022**

***Texas Municipal Retirement System Supplemental Death Benefits Fund***

**Plan Description**

Texas Municipal Retirement System (TMRS) administers an optional death benefit plan, the Supplemental Death Benefits Fund (SDBF), which operates like a group-term life insurance plan. This is a voluntary program in which participating member cities may elect, by ordinance, to provide supplemental death benefits for their active Members with optional coverage for their retirees. The Town has elected to participate in the SBDF for its active members, including retirees. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded single-employer OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75).

**Benefits Provided**

The death benefit for active Members provides a lump-sum payment approximately equal to the Member’s annual salary (calculated based on the Member’s actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered another postemployment benefit (OPEB) and is a fixed amount of \$7,500.

*Employees Covered by Benefit Terms*

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	35
Inactive employees entitled to but not yet receiving benefits	30
Active employees	73
	138

**Contributions**

The Town contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the Town. 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. As such, contributions fund the covered active Member and retiree deaths on a pay-as-you-go basis. Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the Town’s yearly contributions for retirees.

The retiree portion of the contribution rates for the Town to the SDBF were 0.06% in both calendar years 2020 and 2021. The Town’s contributions to the SBDF for the year ended September 30, 2022, were \$3,607, and were equal to the required contributions.

# Town of Trophy Club, Texas

## Notes to the Financial Statements

### September 30, 2022

#### Total OPEB Liability

The Town’s Total OPEB Liability was measured as of December 31, 2021, 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, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary increases	3.50% to 11.50% including inflation
Discount rate	1.84% (2.00% in prior year)
Retirees' share of benefit- related costs	\$0

All administrative expenses are paid through the Town’s Pension Trust and accounted for under reporting requirements of GASB Statement No. 68. Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Mortality rates for disabled annuitants were based on the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018. Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of the measurement date.

#### Changes in the Total OPEB Liability:

	<u>Total OPEB Liability</u>
<b>Balance, Beginning of Year</b>	\$ 313,840
Changes for the year	
Service cost	27,652
Interest on Total OPEB Liability	6,517
Differences between expected and actual experience	4,559
Changes of assumptions	12,575
Benefit payments	(3,607)
Net changes	<u>47,696</u>
<b>Balance, End of Year</b>	<u>\$ 361,536</u>



**Town of Trophy Club, Texas**  
**Notes to the Financial Statements**  
**September 30, 2022**

**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 1.84%, as well as what the Town’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.84%) or 1-percentage-point higher (2.84%) than the current rate:

	<u>1% Decrease in Discount Rate (0.84%)</u>	<u>Discount Rate (1.84%)</u>	<u>1% Increase in Discount Rate (2.84%)</u>
Total OPEB liability	\$ 456,055	\$ 361,536	\$ 291,637

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

For the year ended September 30, 2022, the Town recognized OPEB expense of \$52,110.

At September 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference in expected and actual experience	\$ 3,658	\$ 9,824
Changes in assumptions	61,205	4,841
Contributions made subsequent to measurement date	2,325	-
	<u>\$ 67,188</u>	<u>\$ 14,665</u>

The Town reported \$2,325 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended September 30,</u>	<u>Net Deferred Outflows of Resources</u>
2023	\$ 17,023
2024	15,794
2025	13,249
2026	3,933
2027	199
	<u>\$ 50,198</u>

**Town of Trophy Club, Texas**  
**Notes to the Financial Statements**  
**September 30, 2022**

**Retiree Health Care Plan**

**Plan Description**

The Town offers retired employees and their dependents the option to retain health, dental, and vision insurance coverage under the Town’s insurance carrier until the age 65 through a single employer defined benefit plan. The Town does not make a direct contribution for retiree medical coverage. The retirees participate in the same plan as active employees. This effect on cost is considered to be an implicit rate subsidy. To be eligible for retiree health plan benefits, retired employees must be at least age 55 and have 10 years of service with the Town. The plan does not issue a separate report. Benefit provisions for retirees are not mandated by any form of employment agreement and the continued provision of these benefits is based entirely on the discretion of the Town Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

**Benefits Provided**

Retiree medical coverage levels for retirees are the same plans and benefits for all active employees in accordance with the terms and conditions of the Town’s current health plan. Premiums for the retiree health plans are 195% of the current contribution rate for active employees. The plans themselves are the same as well with regard to benefits and structure with no differentiation. The contributions and coverage continue until the retiree reaches age 65.

*Employees Covered by Benefit Terms*

At September 30, 2022, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	-
Active employees	62
	62

**Total OPEB Liability**

The Town’s Total OPEB Liability was measured as of September 30, 2022, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions:*

The Total OPEB Liability in the September 30, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.50%, including inflation
Discount rate	4.77% (2.25% in prior year)
Retirees' share of benefit- related costs	Retiree pays a 195% of the active employee monthly contribution rate for medical/ dental/vision coverage
Health-care cost trend rates	Level 4.50%

**Town of Trophy Club, Texas**  
**Notes to the Financial Statements**  
**September 30, 2022**

Mortality rates were based on RPH-2014 Total Table with Projection MP-2019. Because the Retiree Health Care Plan is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the S&P Municipal Bond 20-Year High Grade Rate index as of the measurement date.

**Changes in the Total OPEB Liability:**

	<b>Total OPEB Liability</b>
<b>Balance, Beginning of Year</b>	\$ 67,646
Changes for the year	
Service cost	6,570
Interest on Total OPEB Liability	1,670
Differences between expected and actual experience	(16,109)
Changes of assumptions	(13,868)
Net changes	(21,737)
 <b>Balance, End of Year</b>	 \$ 45,909

**Rate Sensitivity of the Total OPEB Liability**

The following presents the total OPEB liability of the Town, calculated using the discount rate of 4.77%, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.77%) or 1-percentage-point higher (5.77%) than the current rate:

	<b>1% Decrease in Discount Rate (3.77%)</b>	<b>Discount Rate (4.77%)</b>	<b>1% Increase in Discount Rate (5.77%)</b>
Total OPEB liability	\$ 50,995	\$ 45,909	\$ 41,365

The following presents the total OPEB liability of the Town, calculated using the healthcare cost trend rate of 4.5%, as well as what the Town's total OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower (3.5%) or 1-percentage-point higher (5.5%) than the current rate:

	<b>1% Decrease in Trend Rate (3.50%)</b>	<b>Healthcare Trend Rate (4.50%)</b>	<b>1% Increase in Trend Rate (5.50%)</b>
Total OPEB liability	\$ 40,128	\$ 45,909	\$ 52,710

**Town of Trophy Club, Texas**  
**Notes to the Financial Statements**  
**September 30, 2022**

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

For the year ended September 30, 2022, the Town recognized OPEB expense of \$3,040.

At September 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference in expected and actual experience	\$ -	\$ 14,578
Changes in assumptions	-	15,920
	\$ -	\$ 30,498

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ended September 30,</b>	<b>Net Deferred Inflows of Resources</b>
2023	\$ (5,200)
2024	(5,200)
2025	(5,200)
2026	(5,200)
2027	(5,058)
Thereafter	(4,640)
	\$ (30,498)

**Allocation of OPEB Items**

The Town allocates OPEB items to the governmental activities on the basis of employee payroll funding. The total OPEB liability is liquidated by the General Fund, Street Maintenance Sales Tax Fund, and Hotel Occupancy Tax Fund.

# Town of Trophy Club, Texas

## Notes to the Financial Statements

### September 30, 2022

#### **Note 12: Deferred Compensation Plan**

The Town has established a single-employer defined contribution, deferred compensation plan (457 Plan) in accordance with Internal Revenue Code, Section 457(b). The 457 Plan is available to all full-time employees of the Town. The 457 Plan is administered by ICMA Retirement Corporation doing business as Mission Square Retirement. Benefit provisions are contained in the plan document and were established and can be amended by action of the Town Council. All 457 Plan assets and income are held in trust for the exclusive benefit of participants and their beneficiaries; therefore, it is not reported in the financial statements of the Town.

The 457 Plan permits employees to defer a portion of their salaries until future years. The benefits of the 457 Plan are not available to employees until termination, retirement, or unforeseeable emergency. Benefits are available to employee's beneficiaries in case of death. The Town does not contribute to the 457 Plan.

#### **Note 13: Tax Abatements**

The Town enters into tax abatement agreements with local businesses under Chapter 380 of the Texas Local Government Code. The Town has the authority under both Article III, Section 52-a of the Texas Constitution and Chapter 380 to make public funds available for the purposes of promoting local economic development and stimulating business and commercial activity with the Town. The Town offers individual incentive packages to attract new business to the Town. Abatements may be granted by Town Council resolution to companies or developers agreeing to relocate to the Town or to establish a new business in the Town. As part of the agreements, the Town agrees to refund a portion of incremental Local Sales and Use Tax, Type B Sales and Use Tax, and/or Property Taxes after confirmation of payment. The agreements entered into by the Town include clawback provisions should the recipient of the tax abatement fail to fully meet its commitments, such as annual sales levels or appraised values of real and personal property located on the project site. As a part of these agreements, the Town may also provide Developers financial assistance for Developer's expenditures made towards the Project. In addition to tax abatements, the Town occasionally makes additional commitments in its economic development incentive agreements. The following additional commitments have been made:

- The Town agreed to provide a loan of \$200,000 to fund certain permanent improvements to a building related to a qualified project during fiscal year 2021. The loan was to be paid back with interest of 2% calculated annually within four years of the date the Certificate of Occupancy is issued. During fiscal year 2022, the payee closed operations and was in default of the agreement. The Town is currently developing a revised repayment plan with expectations of full collectability of the original outstanding amount. The current loan amount is the note receivable balance in the 4B Economic Development Corporation.

**Town of Trophy Club, Texas**  
**Notes to the Financial Statements**  
**September 30, 2022**

For the fiscal year ended September 30, 2022, the Town has two open tax abatement agreements and abated the following amounts under these agreements:

<b>Open Agreements - Type of Tax Abatement</b>	<b>Amount of Taxes Abated during the Fiscal Year</b>
Town of Trophy Club	
Property Taxes	\$ 27,047
Sales Taxes	<u>14,889</u>
	<u><u>\$ 41,936</u></u>

**Note 14: 4B Economic Development Corporation (4B)**

The 4B Economic Development Corporation (4B) is financed with a voter approved half-cent Town sales tax, to aid, promote and further the economic development within the Town.

***Cash and Investments***

Cash and cash equivalents for the 4B as of September 30, 2022, consist of and are classified in the accompanying financial statements as follows:

Cash and cash equivalents	<u>\$ 914,836</u>
Total cash and cash equivalents	<u><u>\$ 914,836</u></u>

**Investments**

Because the Town provides investment services for the 4B, the Town adheres to its investment policy and all state statutes when investing available cash for the Town. The 4B's investments balances at September 30, 2022, were \$864,882 (included in cash and cash equivalents for financial statement purposes) and were in held in TexPool.

**Town of Trophy Club, Texas**  
**Notes to the Financial Statements**  
**September 30, 2022**

**Note Receivable**

In connection with an economic development incentive agreement, as noted previously, 4B agreed to provide a loan of \$200,000 to fund certain permanent improvements to a building related to a qualified project during fiscal year 2021. The loan was to be paid back with interest of 2% calculated annually within four years of the date the Certificate of Occupancy is issued. During fiscal year 2022, the payee closed operations and was in default of the agreement. The Town is currently developing a revised repayment plan with expectations of full collectability of the original outstanding amount. Scheduled note receivable payments as of year-end are as follows:

Year Ended September 30,	Future Minimum Note Receivable Amounts
2023	\$ 40,500
2024	50,000
2025	72,000
Total	\$ 162,500

**Capital Assets**

Capital asset activity for the year ended September 30, 2022, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Component Unit Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 2,538,765	\$ -	\$ -	\$ 2,538,765
Total capital assets, not being depreciated	2,538,765	-	-	2,538,765
Capital assets, being depreciated:				
Infrastructure	367,960	-	-	367,960
Total capital assets, being depreciated	367,960	-	-	367,960
Less accumulated depreciation for:				
Infrastructure	57,239	24,693	-	81,932
Total accumulated depreciation	57,239	24,693	-	81,932
Total capital assets, being depreciated, net	310,721	(24,693)	-	286,028
Total capital assets	\$ 2,849,486	\$ (24,693)	\$ -	\$ 2,824,793

Depreciation expense charged to the 4B component unit was \$24,693.

**Town of Trophy Club, Texas**  
**Notes to the Financial Statements**  
**September 30, 2022**

**Long-term Debt**

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2022, is as follows:

<b>Component Unit Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Sales Tax Revenue Bonds	\$ 2,065,000	\$ -	\$ 110,000	\$ 1,955,000	\$ 115,000
Bond Discounts	(18,543)	-	(1,333)	(17,210)	-
Total bonds payable	<u>2,046,457</u>	<u>-</u>	<u>108,667</u>	<u>1,937,790</u>	<u>115,000</u>
Total component unit activities	<u>\$ 2,046,457</u>	<u>\$ -</u>	<u>\$ 108,667</u>	<u>\$ 1,937,790</u>	<u>\$ 115,000</u>

**Sales Tax Revenue Bonds**

4B issued sales tax revenue bonds to provide funds for purchasing land within the Town to be used to promote new or expanded business enterprises including for entertainment, convention, tourist, sports and exhibition facilities, amphitheaters, concert halls, parks, open space, restaurants, retail, parking facilities, public safety facilities and related roads, street and water and sewer facilities and improvements. Sales tax revenue bonds outstanding at September 30, 2022, are as follows:

<b>Component Unit Activities</b>	<b>Interest Rate (%)</b>	<b>Final Maturity</b>	<b>Original Borrowing</b>	<b>Outstanding at Year-End</b>
Sales Tax Revenue Bonds, Taxable Series 2015	1.00-4.75	2035	\$ 2,690,000	\$ 1,955,000
			<u>\$ 2,690,000</u>	<u>\$ 1,955,000</u>

The debt service requirements for the sales tax revenue bonds are as follows:

<b>Year Ended September 30,</b>	<b>Component Unit Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total Requirements</b>
2023	\$ 115,000	\$ 86,518	\$ 201,518
2024	120,000	82,263	202,263
2025	125,000	77,463	202,463
2026	130,000	72,213	202,213
2027	135,000	66,688	201,688
2028-2032	775,000	241,050	1,016,050
2033-2035	<u>555,000</u>	<u>53,675</u>	<u>608,675</u>
Total	<u>\$ 1,955,000</u>	<u>\$ 679,870</u>	<u>\$ 2,634,870</u>

The following is a summary of pledged revenues of 4B for the year ended September 30, 2022:

<b>Revenue Pledged</b>	<b>Total Pledged Revenue</b>	<b>Current Year Debt Service Requirements</b>	<b>Percentage Portion of Pledged Revenue Stream</b>	<b>Remaining Principal and Interest</b>	<b>Period Revenue Will Not Be Available For Other Purposes</b>
.5% sales and use tax	\$ 748,791	\$ 200,258	26.7%	\$ 2,634,870	Until 2035





**Required Supplementary Information (Unaudited)**



**Town of Trophy Club, Texas**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual – General Fund**  
**For the Year Ended September 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>				
Property tax	\$ 7,680,000	\$ 7,680,000	\$ 7,726,035	\$ 46,035
Sales and mixed beverage taxes	1,311,800	1,311,800	1,563,799	251,999
Franchise and local taxes	820,000	820,000	908,033	88,033
License and permits	165,000	165,000	280,222	115,222
Intergovernmental	983,700	1,182,349	1,601,173	418,824
Charges for services	814,818	814,818	1,466,610	651,792
Fines and forfeitures	307,090	307,090	604,702	297,612
Lease revenue	-	-	83,834	83,834
Interest revenue - leases	-	-	24,288	24,288
Investment income	24,000	24,000	86,193	62,193
Other revenue	186,000	186,000	5,172	(180,828)
Total revenues	<u>12,292,408</u>	<u>12,491,057</u>	<u>14,350,061</u>	<u>1,859,004</u>
<b>Expenditures</b>				
Current:				
General government	180,553	207,265	208,687	(1,422)
Manager's office	806,864	703,419	620,172	83,247
Human resources	318,613	267,715	216,058	51,657
Finance	573,158	595,694	583,304	12,390
Information services	669,668	669,668	492,761	176,907
Legal	126,350	126,350	189,141	(62,791)
Municipal court	38,140	113,140	253,549	(140,409)
Police	3,050,230	3,163,783	3,058,897	104,886
Fire	1,449,197	1,491,674	1,446,680	44,994
Emergency medical services	1,389,308	1,410,724	1,513,238	(102,514)
Facilities management	373,721	373,721	1,460,399	(1,086,678)
Parks and recreation	2,305,322	2,357,805	2,129,947	227,858
Community development	457,623	533,672	447,720	85,952
Tourism	-	-	241,108	(241,108)
Sanitation	240,279	249,328	-	249,328
Debt Service:				
Principal	-	-	10,926	(10,926)
Capital outlay	-	-	880,998	(880,998)
Total expenditures	<u>11,979,026</u>	<u>12,263,958</u>	<u>13,753,585</u>	<u>(1,489,627)</u>
<b>Excess of Revenues Over Expenditures</b>	313,382	227,099	596,476	369,377
<b>Other Financing Sources (Uses)</b>				
Transfers in	158,500	158,500	175,316	16,816
Transfers out	(927,040)	(1,927,040)	(91,293)	1,835,747
Sale of general capital assets	-	-	60,142	60,142
Total other financing sources (uses)	<u>(768,540)</u>	<u>(1,768,540)</u>	<u>144,165</u>	<u>1,912,705</u>
<b>Net Change in Fund Balance</b>	<u>\$ (455,158)</u>	<u>\$ (1,541,441)</u>	740,641	<u>\$ 2,282,082</u>
<b>Fund Balance, Beginning</b>			<u>7,603,756</u>	
<b>Fund Balances, Ending</b>			<u>\$ 8,344,397</u>	

**Town of Trophy Club, Texas**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual – Public Improvement District No. 1**  
**For the Year Ended September 30, 2022**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Special assessments	\$ 2,232,423	\$ 2,263,090	\$ 30,667
Investment income	-	71,934	71,934
Miscellaneous	47,981	-	(47,981)
Total revenues	<u>2,280,404</u>	<u>2,335,024</u>	<u>54,620</u>
<b>Expenditures</b>			
General government	47,981	47,981	-
Debt Service:			
Principal	1,400,000	1,400,000	-
Interest and fiscal charges	832,423	849,922	(17,499)
Total expenditures	<u>2,280,404</u>	<u>2,297,903</u>	<u>(17,499)</u>
<b>Net Change in Fund Balances</b>	<u>\$ -</u>	<u>37,121</u>	<u>\$ 37,121</u>
<b>Fund Balances, Beginning</b>		<u>3,933,794</u>	
<b>Fund Balances, Ending</b>		<u>\$ 3,970,915</u>	

# Town of Trophy Club, Texas

## Schedule of Changes in the Town's Net Pension Liability / (Asset) and Related Ratios – Texas Municipal Retirement System

Measurement Date December 31,	2014	2015	2016	2017	2018	2019	2020	2021
<b>Total Pension Liability</b>								
Service cost	\$ 809,057	\$ 804,453	\$ 795,448	\$ 789,530	\$ 863,553	\$ 980,663	\$ 1,044,859	\$ 1,059,781
Interest (on the Total Pension Liability)	970,682	1,053,745	1,113,555	1,173,728	1,263,163	1,354,175	1,466,317	1,572,070
Changes of benefit terms	(1,544,038)	-	-	-	-	-	-	-
Difference between expected and actual experience	(49,303)	(237,279)	(471,044)	(62,418)	(258,925)	(3,497)	(142,491)	191,092
Change in assumptions	-	368,895	-	-	-	(802)	-	-
Benefit payments, including refunds of employee contributions	(450,100)	(632,921)	(450,496)	(636,604)	(589,161)	(566,895)	(835,638)	(783,233)
<b>Net Change in Total Pension Liability</b>	(263,702)	1,356,893	987,463	1,264,236	1,278,630	1,763,644	1,533,047	2,039,710
<b>Total Pension Liability - Beginning</b>	15,231,441	14,967,739	16,324,632	17,312,095	18,576,331	19,854,961	21,618,605	23,151,652
<b>Total Pension Liability - Ending</b>	14,967,739	16,324,632	17,312,095	18,576,331	19,854,961	21,618,605	23,151,652	25,191,362
<b>Plan Fiduciary Net Position</b>								
Contributions - employer	660,364	658,543	593,840	606,585	633,832	710,975	760,116	808,487
Contributions - employee	316,613	340,458	329,281	323,389	347,155	384,574	406,480	420,786
Net investment income	681,774	19,357	912,155	2,061,434	(515,889)	2,642,216	1,537,272	2,883,176
Benefit payments, including refunds of employee contributions	(450,100)	(632,921)	(450,496)	(636,604)	(589,161)	(566,895)	(835,638)	(783,233)
Administrative expense	(7,117)	(11,788)	(10,296)	(10,676)	(9,961)	(14,914)	(9,935)	(13,322)
Other	(585)	(582)	(555)	(541)	(520)	(448)	(388)	91
<b>Net Change in Plan Fiduciary Net Position</b>	1,200,949	373,067	1,373,929	2,343,587	(134,544)	3,155,508	1,857,907	3,315,985
<b>Plan Fiduciary Net Position - Beginning</b>	11,915,329	13,116,278	13,489,345	14,863,274	17,206,861	17,072,317	20,227,825	22,085,732
<b>Plan Fiduciary Net Position - Ending</b>	13,116,278	13,489,345	14,863,274	17,206,861	17,072,317	20,227,825	22,085,732	25,401,717
<b>Net Pension Liability / (Asset) - Ending</b>	\$ 1,851,461	\$ 2,835,287	\$ 2,448,821	\$ 1,369,470	\$ 2,782,644	\$ 1,390,780	\$ 1,065,920	\$ (210,355)
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	87.63%	82.63%	85.85%	92.63%	85.99%	93.57%	95.40%	100.84%
<b>Covered Payroll</b>	\$ 4,523,041	\$ 4,863,685	\$ 4,704,011	\$ 4,619,838	\$ 4,954,406	\$ 5,493,911	\$ 5,722,119	\$ 6,011,235
<b>Net Pension Liability / (Asset) as a Percentage of Covered Payroll</b>	40.93%	58.30%	52.06%	29.64%	56.17%	25.31%	18.63%	-3.50%

**Other Information:**

For the 2015 valuation, inflation used was 2.5%, investment rate of return and discount rate used was 6.75% and actuarial studies were updated through December 31, 2014. For the 2019 valuation, actuarial studies were updated through December 31, 2018.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for only those years for which information is available. Information has been determined as of the Town's measurement date (December 31).

# Town of Trophy Club, Texas

## Schedule of Contributions

### Texas Municipal Retirement System

Fiscal Year Ended September 30,	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially determined contribution	\$ 642,631	\$ 627,419	\$ 598,176	\$ 638,736	\$ 736,208	\$ 728,124	\$ 810,363	\$ 793,562
Contribution in relation of the actuarially determined contribution	642,631	627,419	598,176	638,736	736,208	728,124	810,363	793,562
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,617,652	\$ 4,822,763	\$ 4,559,463	\$ 4,911,902	\$ 5,640,011	\$ 5,524,768	\$ 5,985,416	\$ 6,195,743
Contributions as a percentage of covered payroll	13.92%	13.01%	13.12%	13.00%	13.05%	13.18%	13.54%	12.81%

## Notes to Required Supplementary Information – TMRS

### Notes to Schedule of Contributions

#### 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	24 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the Town'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.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for only those years for which information is available. Information has been determined as of the Town's most recent fiscal year-end (September 30).

**Town of Trophy Club, Texas**  
**Schedule of Changes in the Town's Total OPEB Liability and Related Ratios**  
**Texas Municipal Retirement System**  
**Supplemental Death Benefits Fund**

Measurement Date December 31,	2017	2018	2019	2020	2021
<b>Total OPEB Liability</b>					
Service cost	\$ 10,164	\$ 12,386	\$ 15,383	\$ 21,744	\$ 27,652
Interest (on the Total OPEB Liability)	6,033	6,400	7,252	7,204	6,517
Difference between expected and actual experience	-	(887)	(4,443)	(12,515)	4,559
Change in assumptions	17,400	(16,237)	46,233	46,896	12,575
Benefit payments	(924)	(991)	(1,099)	(1,144)	(3,607)
<b>Net Change in Total OPEB Liability</b>	32,673	671	63,326	62,185	47,696
<b>Total OPEB Liability - Beginning</b>	154,985	187,658	188,329	251,655	313,840
<b>Total OPEB Liability - Ending</b>	\$ 187,658	\$ 188,329	\$ 251,655	\$ 313,840	\$ 361,536
<b>Covered Employee Payroll</b>	\$ 4,619,838	\$ 4,954,406	\$ 5,493,911	\$ 5,722,119	\$ 6,011,235
<b>Total OPEB Liability as a Percentage of Covered-Employee Payroll</b>	4.06%	3.80%	4.58%	5.48%	6.01%

**Notes to Schedule:**

Changes of Benefit Terms:

None

Changes of Assumptions:

1) Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2016	3.78%
2017	3.00%
2018	4.10%
2019	2.75%
2020	2.00%
2021	1.84%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for only those years for which information is available.

# Town of Trophy Club, Texas

## Schedule of Changes in the Town's Total OPEB Liability and Related Ratios

### Retiree Health Care Plan

Measurement Date September 30,	2018	2019	2020	2021	2022
<b>Total OPEB Liability</b>					
Service cost	\$ 5,179	\$ 5,389	\$ 5,389	\$ 6,570	\$ 6,570
Interest (on the Total OPEB Liability)	2,019	2,101	2,624	1,489	1,670
Difference between expected and actual experience	-	-	(1,194)	-	(16,109)
Change in assumptions	-	-	(6,481)	-	(13,868)
Benefit payments	-	-	-	-	-
<b>Net Change in Total OPEB Liability</b>	7,198	7,490	338	8,059	(21,737)
<b>Total OPEB Liability - Beginning</b>	44,561	51,759	59,249	59,587	67,646
<b>Total OPEB Liability - Ending</b>	<u>\$ 51,759</u>	<u>\$ 59,249</u>	<u>\$ 59,587</u>	<u>\$ 67,646</u>	<u>\$ 45,909</u>
<b>Covered Employee Payroll</b>	\$ 4,911,902	\$ 5,493,911	\$ 5,524,768	\$ 5,985,416	\$ 6,195,743
<b>Total OPEB Liability as a Percentage of Covered-Employee Payroll</b>	1.05%	1.08%	1.08%	1.13%	0.74%

**Notes to Schedule:**

Changes of Benefit Terms:

None

Changes of Assumptions:

1) Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2017	4.06%
2018	4.06%
2019	2.25%
2020	2.25%
2021	2.25%
2022	4.77%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for only those years for which information is available.





Financial Advisory Services  
Provided By:

