

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015

Economic factors and next year's budgets and rates: (Continued)

Expenses: The District's 2016 operational expense is budgeted to decrease by \$893,335.

- Even with an increase of \$20,434 for wholesale water costs, a higher cost of goods and supplies, higher contract labor expenses, additional maintenance costs for replacement meters and aged infrastructure and increased legal expenses for a retail customer rate challenge with the Public Utility Commission of Texas, the operational expenses are budgeted to decrease due to conservative fiscal management.

Overall:

The District's 2016 operational budget is anticipated to have expenses of \$9,413,168 and revenues of \$9,413,168.

Debt Service Fund 2016 budget:

- Debt service revenues are budgeted to increase from \$898,567 in fiscal year 2015 to \$1,451,061 in fiscal year 2016. This is an increase of \$552,494 and is attributable issuance of new debt in fiscal year 2015. There was an issuance of \$5,765,000 in tax bonds and \$9,230,000 in revenue bonds in fiscal year 2015.
- Property tax revenues for the Debt Service Fund are budgeted to increase by \$205,979 due to an increase in the debt service tax rate.

The consolidated District's overall budget for revenue decreased from \$11,205,070 in fiscal year 2015 to \$10,864,229 in fiscal year 2016, which is a 3.04% decrease. The overall budgeted expenses decreased from \$11,170,026 to \$10,862,539 which is a 2.75% decrease.

Water and sewer rates were increased by the District's Board of Directors with an effective date of September 1, 2015. A petition for a rate challenge by retail customers was submitted to the Public Utility Commission of Texas (PUCT) in August 2015. The rate challenge will result in a review of water and sewer rates set by the Board of Directors and its outcome is still unknown. The rate challenge before the PUCT may impact District water and sewer rates negatively or positively and will therefore impact operational revenues for FY 2016.

Although the O&M tax rate decreased and the debt service tax rate increased, the overall tax rate decreased for fiscal year 2016 from the overall tax rate for year 2015.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015

Requests for information

This financial report is designed to provide a general overview of the District's consolidated finances for all interested parties. Questions concerning any of the information in this report or requests for additional information should be directed to the Trophy Club Municipal Utility District No. 1, Finance Manager, 100 Municipal Drive, Trophy Club, Texas 76262.

BASIC FINANCIAL STATEMENTS

TCMUD001041

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

ASSETS	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 2,436,612
Pooled investments	2,089,312
Restricted pooled investments	13,000,786
Restricted certificate of deposit	35,000
Receivables	
Accounts receivable, net	1,175,869
Taxes	29,035
Due from other governments	48,985
Prepays	35,630
Net pension asset	7,515
Non-depreciable capital assets:	
Land	648,178
Construction in progress	2,148,106
Depreciable capital assets: (net)	
Buildings and other improvements	3,031,789
Machinery, vehicles, and other equipment	2,319,356
Water system	13,923,161
Organization costs	41,573
TOTAL ASSETS	\$ 40,970,907
DEFERRED OUTFLOWS OF RESOURCES	
Deferred TCDRS contributions	126,978
Deferred unamortized investment gains	8,024
TOTAL DEFERRED OUTFLOWS OF RESOURCES	135,002
LIABILITIES	
Accounts payable	\$ 1,646,596
Accrued liabilities	44,011
Accrued interest payable	65,004
Construction and retainage payable	65,901
Other deposits payable	35,000
Customer deposits	306,282
Noncurrent liabilities:	
Debt due within one year	1,153,966
Debt due in more than one year	20,043,531
TOTAL LIABILITIES	23,360,291
DEFERRED INFLOWS OF RESOURCES	
Deferred unamortized investment losses	6,175
TOTAL DEFERRED INFLOWS OF RESOURCES	6,175
NET POSITION	
Net investment in capital assets	937,899
Restricted for capital projects	13,000,786
Unrestricted	3,800,758
TOTAL NET POSITION	\$ 17,739,443

The notes to financial the statements are an integral part of this statement.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2015**

Program Activities	Governmental Activities				Net (Expenses) Revenue and Changes in Net Assets
	Expenses	Program Revenues		Capital Grants and Contributions	
		Charges for Services	Operating Grants and Contributions		
Governmental Activities					
General government	\$ 1,463,048	\$ 308,598	\$ -	\$ -	\$ (1,154,450)
Water operations	3,311,141	3,892,467	-	218,514	799,840
Wastewater operations	953,289	2,246,299	-	169,225	1,462,235
Wastewater collection system	78,274	-	-	-	(78,274)
Non-Departmental	864,123	-	-	-	(864,123)
Directors	24,541	-	-	-	(24,541)
Fire	954,698	-	10,000	-	(944,698)
Interest on long term debt	460,109	-	-	-	(460,109)
Total governmental activities	\$ 8,109,223	\$ 6,447,364	\$ 10,000	\$ 387,739	\$ (1,264,120)
General Revenues:					
					1,880,390
					25,454
					30,645
					142,130
					(21,450)
				Total general revenues	2,057,169
				Change in net position	793,049
				Net Position - beginning of year	16,804,343
				Prior period adjustments	142,051
				Net Position - end of year	\$ 17,739,443

The notes to the financial statements are an integral part of this statement.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2015

	ASSETS			
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 2,431,766	\$ 4,846	\$ -	\$ 2,436,612
Pooled investments	2,048,524	19,326	21,462	2,089,312
Restricted investments	-	87,030	12,913,756	13,000,786
Restricted certificate of deposit	35,000	-	-	35,000
Receivables:				
Accounts receivables, net	1,171,338	-	-	1,171,338
Taxes	19,182	9,853	-	29,035
Other receivables	4,531	-	-	4,531
Due from other governments	48,985	-	-	48,985
Due from other funds	16,430	-	-	16,430
Prepays	35,630	-	-	35,630
TOTAL ASSETS	<u>\$ 5,811,386</u>	<u>\$ 121,055</u>	<u>\$ 12,935,218</u>	<u>\$ 18,867,659</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 1,448,505	\$ -	\$ 198,091	\$ 1,646,596
Construction and retainage payable	65,901	-	-	65,901
Deposits payable	35,000	-	-	35,000
Accrued liabilities	44,011	-	-	44,011
Customer deposits	306,282	-	-	306,282
Due to other funds	-	-	16,430	16,430
Total liabilities	<u>1,899,699</u>	<u>-</u>	<u>214,521</u>	<u>2,114,220</u>
Deferred Inflows of Resources				
Unavailable revenues - property taxes	19,182	9,851	-	29,033
Total deferred inflows of resources	<u>19,182</u>	<u>9,851</u>	<u>-</u>	<u>29,033</u>
Fund Balances				
Non-spendable prepaids	35,630	-	-	35,630
Assigned-Capital outlays	1,008,524	-	12,720,697	13,729,221
Assigned-Debt service	-	111,204	-	111,204
Unassigned	2,848,351	-	-	2,848,351
Total fund balances	<u>3,892,505</u>	<u>111,204</u>	<u>12,720,697</u>	<u>16,724,406</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	<u>\$ 5,811,386</u>	<u>\$ 121,055</u>	<u>\$ 12,935,218</u>	<u>\$ 18,867,659</u>

The notes to financial statements are an integral part of this statement.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

Total fund balances - governmental funds	\$ 16,724,406
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	22,112,163
Net pension asset is not a financial resource; therefore, it is not reported in the governmental funds.	7,515
Unavailable tax revenues that are reported as deferred inflows of resources in the governmental funds balance sheet is recognized as revenue in the government-wide financial statements.	29,033
TCDRS contributions are not current financial resources/burden; therefore they are not reported in the governmental funds. The net of these amounts is:	126,978
Interest payable on long term debt does not require current financial resources; therefore interest payable is not reported as a liability in the governmental funds balance sheet.	(65,004)
Unamortized pension investment gains/losses are not current financial resources/burden; therefore they are not reported in the governmental funds. The net of these amounts is:	1,849
Accrued compensated absences do not require the use of current financial resources; therefore accrued vacation is not reported as a liability in the governmental funds balance sheet.	(23,233)
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	<u>(21,174,264)</u>
Net position of governmental activities	<u>\$ 17,739,443</u>

The notes to the financial statements are an integral part of this statement.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2015

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Water and wastewater charges	\$ 6,138,766	\$ -	\$ -	\$ 6,138,766
Taxes	1,419,548	470,215	-	1,889,763
Utility Fees	239,200	-	-	239,200
Miscellaneous	141,923	-	-	141,923
Oversize meter reimbursements	58,023	-	-	58,023
Intergovernmental revenues	40,645	-	-	40,645
Investment income	6,117	13,976	5,361	25,454
Inspection and tap fees	11,375	-	-	11,375
Total Revenues:	<u>8,055,597</u>	<u>484,191</u>	<u>5,361</u>	<u>8,545,149</u>
Expenditures				
Water	3,151,532	-	-	3,151,532
Administration	1,123,293	-	-	1,123,293
Wastewater	864,305	-	-	864,305
Fire	928,610	-	-	928,610
Non-Departmental	524,289	-	-	524,289
Board of Directors	24,541	-	-	24,541
Permits & Fees	-	-	14,377	14,377
Capital Outlay	1,755,603	-	862,749	2,618,352
Debt Service				
Principal	185,991	440,000	-	625,991
Interest and fiscal charges	5,584	420,972	-	426,556
Bond Administrative Fees	-	1,750	-	1,750
Total Expenditures:	<u>8,563,748</u>	<u>862,722</u>	<u>877,126</u>	<u>10,303,596</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(508,151)</u>	<u>(378,531)</u>	<u>(871,765)</u>	<u>(1,758,447)</u>
Other Financing Sources (Uses)				
Transfers in	1,074,337	465,409	-	1,539,746
Transfers out	(465,409)	-	(1,074,337)	(1,539,746)
Bond Proceeds	-	-	14,995,000	14,995,000
Bond Premiums	-	9,573	-	9,573
Bond Issuance Costs	-	-	(338,469)	(338,469)
Proceeds from Sale of Assets	46,750	-	-	46,750
Capital Lease Financing	807,316	-	-	807,316
Total Other Financing Sources (Uses):	<u>1,462,994</u>	<u>474,982</u>	<u>13,582,194</u>	<u>15,520,170</u>
Net change in fund balance	954,843	96,451	12,710,429	13,761,723
Fund Balances - beginning of year	2,937,662	14,753	10,268	2,962,683
Fund Balances - end of year	<u>\$ 3,892,505</u>	<u>\$ 111,204</u>	<u>\$ 12,720,697</u>	<u>\$ 16,724,406</u>

The notes to financial statements are an integral part of this statement.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2015**

Net change in fund balances - total governmental funds	\$	13,761,723
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Depreciation expense on capital assets reported in the Statement of Activities does not require the use of current financial resources, therefore, depreciation expense is not reported as expenditures in the governmental funds.		(675,370)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.		2,618,352
Debt principal payments reduces long-term liabilities in the Statement of Net Position, but it is recorded as an expenditure in the governmental funds.		625,991
Current year contributions of capital assets are not recorded in the governmental funds, but are recognized for the government-wide financial statements.		387,739
Governmental funds report the effects of debt premiums, debt discounts, and deferred losses on refunding when debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.		18,325
Governmental funds recognize the full amount received as revenue for sale of disposed assets, but net book value of the assets are factored in for the government-wide financial statements.		(68,200)
Governmental funds report new debt issuances as other financing sources. However, these amounts are removed and recognized as new long term debt on the Statement of Net Position.		(15,811,889)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing the change in deferred revenue and various other items. The net effect of these reclassifications is to decrease net position.		(13,494)
Current year changes in accrued interest payable do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		<u>(50,128)</u>
Change in net position of governmental activities	\$	<u>793,049</u>

The notes to the financial statements are an integral part of this statement.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

Denton County Municipal Utility District No. 1 (the District) was created by the Texas Water Rights Commission (later known as Texas Commission on Environmental Quality (TCEQ)) on March 4, 1975 and confirmed by the electorate of the District at a confirmation election on October 7, 1975. The Board of Director's held its first meeting on April 24, 1975. The Bonds were first sold on June 8, 1976. The District operates pursuant to Article XVI, Chapter 59 of the Texas Constitution and Chapter 54 of the Texas Water Code, as amended. Effective April 1, 1983, the District's name was officially changed by order from Denton County Municipal Utility District No. 1 to Trophy Club Municipal Utility District No. 1.

On May 9, 2009, citizens voted to consolidate the District and Trophy Club Municipal Utility District No. 2 (MUD2). As a result, the District reports consolidated activity and balances for the District and the entities formerly known as MUD2 and the Trophy Club Master District Joint Venture (a joint venture of MUD1 and MUD2).

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for the District. The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units.

B. Financial Reporting Entity

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

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

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

rates or charges, or issue bonded debt without approval by the primary government. Accordingly, the District has no component units.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the District, except for fiduciary funds. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The activities of the District are comprised only of governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements are required to present each major fund in a separate column on the fund financial statements. For fiscal year 2015, the major funds are the General Fund and Capital Projects Fund. The non-major fund is the Debt Service Fund.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following governmental funds:

General Fund

The General Fund is the main operating fund of the District. 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 resources accumulated and payments made for principal and interest on the long-term debt of governmental funds.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Projects Fund

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

D. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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

The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the Statement of Net Position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available.

“Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

The revenues susceptible to accrual are interest income and ad valorem taxes. All other governmental fund revenues are recognized when received.

E. Cash and Investments

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments of three months or less from the date of acquisition.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The District's investment policy requires that all monies be deposited with the authorized District depository or 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 District, and placed through a primary government securities dealer.

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

F. Capital Assets

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

Assets capitalized have an original cost of \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	50 Years
Improvements other than buildings	15 - 30 Years
Machinery and equipment	5 - 15 Years
Vehicles	6 - 12 Years
Water and wastewater systems	30 - 65 Years

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

G. Accumulated Vacation Time

Employees earn vacation pay based upon seniority that accrues at various rates up to a maximum four weeks per year. Upon termination, employees will be paid for their unused earned vacation. The District records a liability for the value of these compensated absences.

H. Organizational Costs

The District, in conformance with requirements of the TCEQ, capitalized costs incurred in the creation of the District. The TCEQ requires capitalization of organizational costs for the construction period, amortized bond premium and discount losses on sales of investments, accrued interest on investments purchased, attorney fees and some administrative expenses until construction and acceptance or use of the first revenue producing facility has occurred. The District amortizes the organizational costs using the straight-line method over a period of 22 to 45 years.

I. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

J. Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported amounts of revenue and expenses/expenditures. Actual results could differ from those estimates.

K. Fund Balances

Governmental Accounting Standards Board (GASB) *Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) defines the different types of fund balances that a governmental entity must use for financial reporting purposes in the fund financial statements for governmental type funds. It does not apply for the government-wide financial statements.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

GASB 54 requires the fund balance amounts to be properly reported within one of the following fund balance categories:

Nonspendable - such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned)

Restricted - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Directors (the District's highest level of decision-making authority),

Assigned - fund balance classifications are assigned by the District Manager with the intentions to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned - fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications, and other fund's that have total negative fund balances.

NOTE 2. CASH AND INVESTMENTS

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At September 30, 2015, the carrying amount of the District's deposits (cash, certificates of deposit, and non-pooled savings accounts) was \$2,471,013 and the bank balance was \$2,484,173. The District's cash deposits at September 30, 2015, and during the year then ended were entirely covered by FDIC insurance, pledged securities, or by a letter of credit pledged by the District's agent bank in the District's name.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

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

Statutes and the District’s investment policy authorized the District to invest in the following investments as summarized below:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	2 years	50%	NA
U.S. Agencies Securities	2 years	50%	NA
State of Texas Securities	2 years	50%	NA
Certificates of Deposits	2 years	90%	NA
Money Market	2 years	90%	NA
Investment pools	2 years	90%	NA

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

Cash and investments as of September 30, 2015 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Primary Government:

Cash and cash equivalents	\$ 2,436,613
Pooled Investments	2,089,313
Restricted certificate of deposit	35,000
Restricted pooled investments	<u>13,000,786</u>
Total cash and investments	<u>\$ 17,561,712</u>

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Cash and investments as of September 30, 2015 consist of the following:

Petty Cash	\$	600
Deposits with financial institutions		2,436,013
Restricted Certificate of Deposit		35,000
Restricted Pooled Investments		13,000,786
Texpool Investments		<u>2,089,313</u>
Total cash, certificate of deposit, and pooled investments	\$	<u>17,561,712</u>

Disclosures Relating to Interest Rate Risk

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

As of September 30, 2015, the District had the following investment:

Investment Type	Amount	Weighted Average Maturity
TexPool	\$ 15,090,099	53 days
Total Investments	\$ 15,090,099	

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

Disclosures Relating to Credit Risk

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

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
TexPool	<u>\$ 15,090,099</u>	AAAm	AAAm
Total Investments	<u>\$ 15,090,099</u>		

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2015, other than external investment pools, the District did not have 5% or more of its investments with one issuer.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by either 1) pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit), or 2) an irrevocable standby letter of credit with the District named as the beneficiary. The market value of pledged securities in the collateral pool or the value of the letter of credit must equal at least the bank balance less FDIC insurance at all times.

Investment in State Investment Pools

The District is a voluntary participant in TexPool. The State Comptroller of Public Accounts exercises responsibility over TexPool. This oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized costs rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

NOTE 3. ACCOUNTS RECEIVABLE

Receivables as of year-end, including the applicable allowances for uncollectible accounts, are as follows:

Accounts Receivable:		
MUD water	\$	638,818
MUD sewer		273,651
Unbilled receivables		147,672
Refuse (as agent for Town of Trophy Club)		64,723
Refuse tax (as agent for Town of Trophy Club)		5,539
PID Surcharge (as agent for Town of Trophy Club)		12,066
Miscellaneous		4,531
Storm drainage (as agent for Town of Trophy Club)		40,920
		1,187,920
Allowance for uncollectible accounts		(12,051)
Total (net)	\$	1,175,869
Due from Other Governments:		
Town of Trophy Club	\$	48,985

NOTE 4. INTERFUND TRANSFERS

Transfers between funds during the year are as follows:

Transfer In	Transfer Out	Amount	Purpose
Debt Service	General Fund	\$ 211,829	Assist with fire station bond payment
Debt Service	General Fund	14,000	Supplement for decrease in tax revenue
Debt Service	General Fund	30,645	Transfer of PID surcharges
Debt Service	General Fund	71,946	Bond reserve account required payments
Debt Service	General Fund	136,989	Interest on revenue bonds
General Fund	Capital Projects	1,074,337	To repay advances for project costs
	Total	\$ 1,539,746	

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

NOTE 5. CAPITAL ASSETS

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

	Beginning Balances	Additions	Retirements/ Transfers	Ending Balance
<u>Governmental Activities:</u>				
Capital assets - Non-Depreciable				
Land	\$ 648,178	\$ -	\$ -	\$ 648,178
Construction in progress	1,366,502	1,187,226	(405,622)	2,148,106
Total capital assets not being depreciated	<u>2,014,680</u>	<u>1,187,226</u>	<u>(405,622)</u>	<u>2,796,284</u>
Capital assets - Depreciable				
Buildings	3,344,790	-	-	3,344,790
Improvements other than buildings	303,492	10,967	-	314,459
Machinery and equipment	1,666,641	83,597	(179,283)	1,570,955
Organization costs	2,331,300	-	-	2,331,300
Vehicles	1,477,017	1,194,353	(74,945)	2,596,425
Water system	10,347,489	360,572	290,134	10,998,195
Wastewater treatment system	6,004,961	-	(341,641)	5,663,320
Wastewater collection system	3,502,103	169,225	457,129	4,128,457
Total capital assets being depreciated	<u>28,977,793</u>	<u>1,818,714</u>	<u>151,394</u>	<u>30,947,901</u>
Less accumulated depreciation for:				
Buildings	(325,862)	(66,888)	-	(392,750)
Improvements other than buildings	(223,410)	(11,301)	-	(234,711)
Machinery and equipment	(737,991)	(88,850)	111,083	(715,758)
Organization costs	(2,273,742)	(15,985)	-	(2,289,727)
Vehicles	(1,092,286)	(114,925)	74,945	(1,132,266)
Water system	(3,249,378)	(175,960)	-	(3,425,338)
Wastewater treatment system	(1,920,473)	(138,342)	2,635	(2,056,180)
Wastewater collection system	(1,319,538)	(63,119)	(2,635)	(1,385,292)
Total accumulated depreciation	<u>(11,142,680)</u>	<u>(675,370)</u>	<u>186,028</u>	<u>(11,632,022)</u>
Governmental activities capital assets, net	<u>\$ 19,849,793</u>	<u>\$ 2,330,570</u>	<u>\$ (68,200)</u>	<u>\$ 22,112,163</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

NOTE 5. CAPITAL ASSETS - CONTINUED

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

General government	\$	335,024
Water operations		160,585
Fire department		26,088
Non-Departmental		1,365
Wastewater operations		88,411
Wastewater collection systems		63,897
Total depreciation expense	\$	<u>675,370</u>

NOTE 6. LONG-TERM DEBT

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

Description	Interest Rate Payable	Year of Issue	Final Maturity	Average Annual Payment	Original Amount	Outstanding 9/30/2015
Tax and revenue bonds:						
Improvements	3.50-5.00%	2010	2031	\$ 148,205	\$2,000,000	\$ 1,730,000
Refunding	2.00-3.00%	2012	2023	251,373	2,355,000	1,785,000
Refunding	2.00-3.50%	2013	2023	224,734	1,905,000	1,565,000
Improvements	1.50-3.50%	2015	2034	199,898	5,765,000	5,765,000
Improvements	2.00-3.25%	2015	2035	305,174	9,230,000	9,230,000
						<u>\$20,075,000</u>
Capital lease payable:						
Capital lease obligations	2.50%	2015	2022	127,149	807,316	807,316
						<u>\$ 807,316</u>
Notes payable:						
Water/Wastewater Imp.'s	1.85%	2013	2016	153,588	445,000	152,000
						<u>\$ 152,000</u>

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

NOTE 6. LONG-TERM DEBT - CONTINUED

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Tax, revenue, and refunding bonds	\$ 5,520,000	\$ 14,995,000	\$ (440,000)	\$ 20,075,000	\$ 895,000
Deferred loss on refunding	(7,799)	-	867	(6,932)	-
Premium on bonding	156,499	9,573	(19,192)	146,880	-
	<u>5,668,700</u>	<u>15,004,573</u>	<u>(458,325)</u>	<u>20,214,948</u>	<u>895,000</u>
Notes payable	337,991	-	(185,991)	152,000	152,000
	<u>337,991</u>	<u>-</u>	<u>(185,991)</u>	<u>152,000</u>	<u>152,000</u>
Capital lease obligations	-	807,316	-	807,316	106,966
	<u>-</u>	<u>807,316</u>	<u>-</u>	<u>807,316</u>	<u>106,966</u>
Compensated absences	24,613	-	(1,380)	23,233	-
	<u>24,613</u>	<u>-</u>	<u>(1,380)</u>	<u>23,233</u>	<u>-</u>
Total Governmental Activities					
Long-term Liabilities	<u>\$ 6,031,304</u>	<u>\$ 15,811,889</u>	<u>\$ (645,696)</u>	<u>\$ 21,197,497</u>	<u>\$ 1,153,966</u>

The annual requirements to amortize all debt outstanding as of September 30, 2015, are as follows:

Tax, revenue, and refunding bonds:

Tax, revenue, and refunding bonds:

Year Ending September 30,	Principal	Interest	Total
2016	\$ 895,000	\$ 551,821	\$ 1,446,821
2017	1,075,000	531,221	1,606,221
2018	1,100,000	506,847	1,606,847
2019	1,135,000	481,897	1,616,897
2020	1,155,000	456,096	1,611,096
2021-2025	5,390,000	1,834,015	7,224,015
2026-2030	4,730,000	1,181,078	5,911,078
2031-2035	4,595,000	419,863	5,014,863
Total	<u>\$ 20,075,000</u>	<u>\$ 5,962,838</u>	<u>\$ 26,037,838</u>

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

NOTE 6. LONG-TERM DEBT – CONTINUED

Notes and capital leases payable:

Year Ending September 30,	Principal	Interest	Total
2016	\$ 258,966	\$ 21,589	\$ 280,555
2017	109,640	17,509	127,149
2018	112,381	14,768	127,149
2019	115,190	11,958	127,148
2020	118,070	9,078	127,148
2021	121,022	6,127	127,149
2022	124,047	3,101	127,148
Total	<u>\$ 959,316</u>	<u>\$ 84,130</u>	<u>\$ 1,043,446</u>

Tax Revenue Bonds

The tax revenue bonds are payable from the proceeds of ad valorem taxes levied upon all property subject to taxation within the District, without limitation as to rate or amount, and are further payable from, and secured by a lien on and pledge of the net revenue to be received from the operation of the District's waterworks and sanitary sewer system.

The outstanding bonds are callable for redemption prior to maturity at the option of the District as follows:

Series 2010 - All maturities from 2021 to 2025 are callable in principal increments of \$5,000 on or after September 1, 2020 at par plus unpaid accrued interest to the fixed date for redemptions.

Series 2012 - All maturities from 2021 to 2023 are callable in principal increments of \$5,000 on or after September 1, 2020 at par plus unpaid accrued interest to the fixed date for redemptions.

Series 2013 - The Series 2013 bonds are not subject to redemption prior to their stated maturity.

Series 2014 - All maturities from 2024 to 2034 are callable in principal increments of \$5,000 on or after September 1, 2025 at par plus unpaid accrued interest to the fixed date for redemptions.

Series 2015 - All maturities from 2025 to 2035 are callable in principal increments of \$5,000 on or after September 1, 2025 at par plus unpaid accrued interest to the fixed date for redemptions.

Contractual obligations and notes payable are liquidated from the General Fund. Tax and revenue bonds are liquidated from the Debt Service Fund.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

NOTE 7. PROPERTY TAXES

The provisions of the bond resolutions relating to debt service requirements have been met, and the cash allocated for these purposes was sufficient to meet debt service requirements for the year ended September 30, 2015.

Property taxes are levied as of October 1, on the assessed value listed as of the prior January 1, for all real and certain personal property located in the District. The appraisal of property within the District is the responsibility of Denton Appraisal District (Appraisal District) as required by legislation passed by the Texas legislature. The Appraisal District is required under such legislation to assess all property within the Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The value of property within the Appraisal District must be reviewed every five years; however, the District may, at its own expense, require annual reviews of appraised values. The District may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Property taxes for the District are not limited as to rate or amount. In an election held October 7, 1975, the electorate of the District authorized the levy of up to \$0.25 per \$100 valuation for the operations and maintenance of the District. Property taxes attach as an enforceable lien on property as of January 1, following the levy date. Taxes are due by January 31, following the levy date.

Property taxes are recorded as receivables when levied. Following is information regarding the 2015 tax levies:

	Adjusted taxable values	<u>\$ 1,380,463,303</u>
	O & M and Fire tax levy \$0.09213/\$100	1,382,018
	I & S tax levy \$0.04126/\$100	<u>459,382</u>
	Total tax levy \$0.13339/\$100	<u>\$ 1,841,400</u>

NOTE 8. FUND BALANCE CLASSIFICATIONS

The District's authorized their Director to designate certain fund balances as assigned. Excluding unassigned fund balances, the following describes the District's fund balance classifications at September 30, 2015:

Non-Spendable Fund Balances

The District's \$3,486 non-spendable fund balance represents expenses prepaid at fiscal year-end.

Assigned Fund Balances

The District assigned a total of \$1,008,524 of General Fund fund balances for the following future capital outlays: \$868,924 for wastewater system improvements, \$88,707 for vehicles, and \$50,893 for other improvements. Total fund balances for the Debt Service Fund and Capital Projects Fund have been assigned by the District for those respective purposes.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

NOTE 9. RISK MANAGEMENT

The District 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 nature. Commercial insurance is purchased for the risks of loss to which the District is exposed. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the District's basic financial statements.

Additionally, the District must operate in compliance with rules and regulations mandated for public water supply systems by federal and state governments. The District is subject to compliance oversight by the Texas Commission on Environmental Quality (TCEQ).

NOTE 10. DUE TO AND FROM OTHER FUNDS

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated for the Statement of Net Position presentation.

At September 30, 2015, the General Fund was due \$16,430 from the Capital Projects Fund for capital project expenditures paid for by the General Fund.

NOTE 11. RETIREMENT PLAN

Introduction

The funding policy governs how the Texas County & District Retirement System (TCDRS) determines the employer contributions required to ensure that benefits provided to TCERS members are funded in a reasonable and equitable manner. The goals of TCERS' funding policy are to fully fund benefits over the course of employees' careers to ensure intergenerational equity, and to balance rate and benefit stability with the need for the plan funding to be reflective of current plan conditions.

This policy documents the current funding policies in effect for the Dec. 31, 2014 actuarial valuation as established by state law, administrative rule and action by the TCERS Board of Trustees (the board). The policy serves as a comprehensive funding overview and complies with the GASB reporting requirements for an agent multiple-employer plan.

TCERS Funding Overview

TCERS is a model for responsible, disciplined funding. TCERS does not receive any state funding. As an agent, multiple-employer plan, each participating employer in the system funds its plan independently. A combination of three elements funds each employer's plan: employee deposits, employer contributions and investment income.

- The deposit rate for employees is 7% of compensation, as adopted by the employer's governing body.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

NOTE 11. RETIREMENT PLAN (CONTINUED)

- Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees.

- Investment income funds a large part of the benefits employees earn.

Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis.

Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience.

In addition, employers annually review their plans and may adjust benefits and costs based on their local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs.

Methodology for Determining Employer Contribution Rates

The board hires independent outside consulting actuaries to conduct an annual valuation to measure the funding status and to determine the required employer contribution rate for each employer plan. In order to calculate the employer contribution rate, the actuary does the following:

- Studies each employer's adopted plan of benefits and the profile of its plan participants, and uses assumptions established by the board to estimate future benefit payments.
- Discounts the estimate of future benefit payments to the present based on the long-term rate of investment return to determine the present value of future benefits.
- Compares the present value of future benefits with the plan's assets to determine the difference that needs to be funded based on the funding policy.

The valuation of each employer plan is based on the system funding policy and the assets, benefits and participant profile of each participating employer plan. The four key components in the determination of employer contribution rates are: the actuarial cost method, amortization policy, the asset valuation method and the actuarial assumptions.

Actuarial Cost Method

TCDRS has adopted the replacement life entry age cost method, a conservative cost method and an industry standard. The goal of this cost method is to fund benefits in an orderly manner for each participant over his or her career so that sufficient funds are accumulated by the time benefit payments begin. Under this approach, benefits are funded in advance as a level percentage of pay. This portion of the contribution rate is called the normal cost rate and generally remains stable from year to year.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

NOTE 11. RETIREMENT PLAN (CONTINUED)

Amortization Policy

The portion of the contribution rate that funds any remaining unfunded amounts for benefits that are not covered by the normal cost is called the unfunded actuarial accrued liability (UAAL) rate. UAAL amounts occur when benefit enhancements are adopted that have not been funded in advance, or when actual investment or demographic experience varies from the actuarial assumptions (actuarial gains and losses). UAAL amounts are amortized on a level-percentage-of-covered-payroll basis over a closed period with a layered approach. The closed periods ensure all unfunded liabilities are financed over no more than 20 years from the time they occur. Each year new layers are established to amortize changes in the UAAL due to actuarial gains or losses, as well as any plan benefit changes elected by an employer for that year.

Benefit enhancements are amortized over a 15-year closed period. All other changes in the UAAL are amortized over 20-year closed periods. These amortization periods are generally more conservative than those of most other public retirement plans and are stricter than the minimum amortization period required under state law.

For newly participating districts that have five or fewer employees who are all within five years of retirement eligibility, any initial UAAL and any subsequent adoption of prior service credits are amortized over a five-year closed amortization period. This ensures that benefits are appropriately funded over the current generation of employees.

Notwithstanding the layered approach, the total UAAL payment may not be less than the required payment obtained by amortizing the entire UAAL over a 20-year period.

If a plan is overfunded, the overfunded actuarial accrued liability (OAAL) is calculated annually using a 30-year open amortization period.

Asset Valuation Method

When determining the actuarial value of assets used for measuring a plan's funded status, TCDRS smooths each year's actuarial investment gains and losses and recognizes them over a five-year period to better reflect the system's long-term investment horizons and to keep employer contribution rates more stable. As actuarial asset investment gains and losses are recognized, they become part of the actuarial gains and losses for the year and are funded according to the amortization policy. The five-year period helps stabilize employer rates while still ensuring that rates are reflective of current market conditions.

In addition, the board has the ability to set aside reserves from investment earnings that are used to help offset future negative economic cycles. These reserves are held separately and are not counted as part of a participating employer's plan assets until they are passed through to employers when determined necessary by the board. Reserves help maintain rate stability for employers. In addition, reserves ensure that employers do not adopt benefit increases based on a temporarily lower plan cost at a high point in a market cycle and, conversely, are not as pressured to immediately reduce benefit levels during a low point in a market cycle.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

NOTE 11. RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions

Demographic and economic assumptions are used to estimate employer liabilities and to determine the amount of funding required from employer contributions as opposed to investment earnings. These assumptions reflect a long-term perspective of 30 years or more. Examples of key economic assumptions include long-term investment return, long-term inflation and annual payroll increase.

Demographic assumptions are the actuary's best estimate of what will happen to TCDRS members and retirees. Examples of demographic assumptions are employment termination rates, retirement rates and retiree mortality rates. A complete listing of all actuarial assumptions can be found in the annual system-wide valuation report.

Oversight

The board has established review policies to ensure that actuarial assumptions are appropriate and that the methodology for determining employer contribution rates is being correctly applied.

Review of Actuarial Assumptions

TCDRS' actuarial assumptions are periodically reviewed and revised as deemed necessary to reflect best estimates of future experience. Every four years, the TCDRS consulting actuary conducts an investigation of experience. TCDRS assumptions are compared to plan experience and future expectations, and changes to the assumptions are recommended as needed. The board adopts actuarial assumptions to be used in the valuation based on the results of this study.

An actuarial audit of every investigation of experience is required and must be performed by an independent auditing actuary to review the consulting actuary's analysis, conclusions and recommendations for accuracy, appropriateness and reasonableness. These audits alternate between a peer review and a full replication audit of the investigation of experience. In a peer review audit of the investigation, the reviewing actuary uses the raw results of the investigation for demographic assumptions as calculated by the consulting actuary to test the conclusions and recommendations. In addition, the reviewing actuary independently analyzes economic assumptions to test the results and recommendations of the consulting actuary. The reviewing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency. In a full replication audit of the investigation, in addition to performing all of the steps of a peer review, the auditing actuary fully replicates the calculation of the investigation's raw results.

Review of Employer Contribution Rates

In order to test accuracy and ensure that the actuarial methods and assumptions are being correctly applied, an audit of the valuation is required every four years. These audits are conducted by an independent reviewing actuary and alternate between a peer review and a full replication audit of the valuation. In the peer review audit of the valuation, the actuary uses a sample of participant data and TCDRS plans to test the results of the valuation. The reviewing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency. In a full replication audit of the valuation, the auditing actuary performs all the steps of a peer review audit but instead of analyzing sample data and plans, the auditing actuary fully replicates the original actuarial valuation.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

NOTE 11. RETIREMENT PLAN (CONTINUED)

Review and Modification of Funding Policy

The board will review this policy on a regular basis and may modify this policy at its discretion. Modifications to the policy may be submitted for consideration to the board by staff and/or outside consulting actuaries as circumstances warrant.

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2015 information for a 7-10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2009 – December 31, 2013 for more details.

Asset Class	Benchmark	Long-term Expected	
		Target Allocation	Real of Return (arithmetic)
US Equities	Dow Jones U.S. Total Stock Market Index	16.50%	5.35%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	12.00%	8.35%
Global Equities	MSCI World (net) Index	1.50%	5.65%
International Equities- Developed	50% MSCI World Ex USA (net) + 50% MSCI World ex USA 100% Hedged to USD (net) Index	11.00%	5.35%
International Equities- Emerging	50% MSCI EM Standard (net) + 50% MSCI EM USA 100% Hedged to USD (net) Index	9.00%	6.35%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	0.55%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.75%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	5.00%	5.54%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.80%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	6.75%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.00%
Commodities	Bloomberg Commodities Index	2.00%	-0.20%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	3.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.15%
Total		100.00%	74.89%

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

NOTE 11. RETIREMENT PLAN (CONTINUED)

Contributions

SCHEDULE OF CONTRIBUTIONS

Last 10 Calendar Years (will ultimately be displayed)

		2013	2014
Actuarially Determined Contribution	\$	84,476	93,694
Contributions in relation to the actuarially determined contribution	\$	198,219	93,694
Contribution deficiency (excess)	\$	(113,743)	-
Covered employee payroll	\$	963,243	1,068,342
Contributions as a percentage of covered employee payroll		20.6%	8.8%

Deferred Inflows/Outflows of Resources

As of December 31, 2014, the deferred inflows and outflows of resources are as follows:

		Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$	6,175	\$ -
Changes of assumptions		-	-
Net difference between projected and actual earnings		-	8,024
Contributions made subsequent to measurement date		N/A	\$ 126,978

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

		Net deferred outflows (inflows) of resources
2015	\$	1,124
2016		1,124
2017		1,124
2018		1,124
2019		(882)
Thereafter		(1,764)
Total	\$	1,850

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

NOTE 11. RETIREMENT PLAN (CONTINUED)

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Timing:	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported
 Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	5 Year non-asymptotic; no corridor
Inflation	3.0%
Salary Increases	3.50% including inflation
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Trophy Club Municipal Utility District No 1 are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustment is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Experience-based table or rates that are specific to the District's plan of benefits.
Turnover	The rates vary by length of service, entry-age group (age at hire) and sex.
Mortality:	
Depositing members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA.
Service retirees, beneficiaries and non-depositing members	The Rp-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

NOTE 12. PRIOR PERIOD RESTATEMENTS

The following schedule itemizes the effects of prior period restatements related to the implementation of GASB 68 on the government-wide financial statements:

<u>Government-wide effects</u>	<u>Governmental Activities</u>
Unrestricted Net Position - beginning	\$ 2,961,240
Prior period adjustment - Deferred outflows for TCDRS contributions	130,277
Prior period adjustment - Net pension asset per GASB 68	11,774
Unrestricted Net Position - beginning as adjusted	<u>\$ 3,103,291</u>

NOTE 13. SUBSEQUENT EVENTS

The date of the independent auditor's report represents the date of issuance and the date through which subsequent events have been evaluated. There are no subsequent events to disclose.

REQUIRED SUPPLEMENTARY INFORMATION

TCMUD001071

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
YEAR ENDED SEPTEMBER 30, 2015

	<u>Budgeted amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Water and wastewater charges	\$ 7,715,258	\$ 7,195,586	\$ 6,138,766	\$ (1,056,820)
Taxes	1,404,328	1,404,328	1,419,548	15,220
Utility fees	184,000	184,000	239,200	55,200
Intergovernmental revenues	143,997	143,997	40,645	(103,352)
Miscellaneous	83,614	101,258	141,923	40,665
Oversize meter reimbursements	84,000	42,000	58,023	16,023
Inspection and tap fees	7,700	7,950	11,375	3,425
Investment income	5,000	5,000	6,117	1,117
Total revenues	<u>9,627,897</u>	<u>9,084,119</u>	<u>8,055,597</u>	<u>(1,028,522)</u>
Expenditures:				
Water operations	4,089,407	4,059,664	3,151,532	908,132
Fire	945,899	980,210	928,610	51,600
Wastewater operations	895,576	888,388	864,305	24,083
Non-Departmental	286,291	503,694	524,289	(20,595)
Administration	1,145,690	1,196,375	1,123,293	73,082
Directors	22,881	28,264	24,541	3,723
Capital Outlay	1,364,006	2,656,313	1,755,603	900,710
Debt Service	399,876	191,614	191,575	39
Total expenditures	<u>9,149,626</u>	<u>10,504,522</u>	<u>8,563,748</u>	<u>1,940,774</u>
Excess of revenues over expenditures	<u>478,271</u>	<u>(1,420,403)</u>	<u>(508,151)</u>	<u>912,252</u>
Other financing sources (uses):				
Transfers In	-	19,607	1,074,337	1,054,730
Transfers out	(569,367)	(500,019)	(465,409)	34,610
Proceeds from Sale of Assets	-	-	46,750	46,750
Capital Lease Financing	-	807,316	807,316	-
Total other financing sources (uses)	<u>(569,367)</u>	<u>326,904</u>	<u>1,462,994</u>	<u>1,136,090</u>
Net change in fund balance	<u>(91,096)</u>	<u>(1,093,499)</u>	<u>954,843</u>	<u>2,048,342</u>
Fund Balances - beginning of year	<u>2,937,662</u>	<u>2,937,662</u>	<u>2,937,662</u>	<u>-</u>
Fund Balances - end of year	<u>\$ 2,846,566</u>	<u>\$ 1,844,163</u>	<u>\$ 3,892,505</u>	<u>\$ 2,048,342</u>

Notes to Required Supplementary Information:

The District annual budgets are approved on the budgetary basis. The Board also approves all revisions and appropriations which lapse at each fiscal year-end.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
YEAR ENDED SEPTEMBER 30, 2015

	2014
A. Total pension liability	
1. Service Cost	\$ 170,600
2. Interest (on the Total Pension Liability)	27,449
3. Changes of benefit terms	-
4. Difference between expected and actual experience	(7,057)
5. Changes of assumptions	-
6. Benefit payments, including refunds of employee contributions	(3,156)
7. Net change in total pension liability	\$ 187,836
8. Total pension liability - beginning	256,784
9. Total pension liability - ending	\$ 444,620
 B. Plan fiduciary net position	
1. Contributions - employer	\$ 93,694
2. Contributions - employee	74,784
3. Net investment income	18,561
4. Benefit payments, including refunds of employee contributions	(3,156)
5. Administrative Expense	(285)
6. Other	(21)
7. Net change in plan fiduciary net position	\$ 183,577
8. Plan fiduciary net position - beginning	268,557
9. Plan fiduciary net position - ending	\$ 452,134
 C. Net pension liability [A.9 - B.9]	\$ (7,514)
 D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	101.69%
 E. Covered-employee payroll	\$ 1,068,342
 F. Net pension liability as a percentage of covered employee payroll [C / E]	-0.70%

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)

	2014
Total pension liability	
Service Cost	\$ 170,600
Interest (on the Total Pension Liability)	27,449
Changes of benefit terms	-
Difference between expected and actual experience	(7,057)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(3,156)
Net Change in Total Pension Liability	187,836
Total Pension Liability - Beginning	256,784
Total Pension Liability - Ending (a)	\$ 444,620
Plan Fiduciary Net Position	
Contributions - Employer	\$ 93,694
Contributions - Employee	74,784
Net Investment Income	18,561
Benefit payments, including refunds of employee contributions	(3,156)
Administrative Expense	(285)
Other	(21)
Net Change in Plan Fiduciary Net Position	183,577
Plan Fiduciary Net Position - Beginning	268,557
Plan Fiduciary Net Position - Ending (b)	\$ 452,134
Net Pension Liability - Ending (a) - (b)	\$ (7,514)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	101.69%
Covered Employee Payroll	\$ 1,068,342
Net Pension Liability as a Percentage of Covered Employee Payroll	-0.70%

Notes to Schedule:

GASB 68 requires 10 fiscal years of data to be provided in this schedule. GRS will provide the current year results. The employer will be required to build this schedule over the next 10 year period.

**INDIVIDUAL SCHEDULES AND OTHER
SUPPLEMENTARY INFORMATION REQUIRED
BY TEXAS COMMISSION ON
ENVIRONMENTAL QUALITY (TCEQ)**

TCMUD001075

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
TS-1 SERVICES AND RATES
SEPTEMBER 30, 2015

1. Services provided by the District:

- a) Retail Water
- b) Retail Wastewater
- c) Wholesale Water
- d) Wholesale Wastewater Treatment
- e) Fire Protection
- f) Irrigation
- g) Participates in regional system and/or wastewater service (other than emergency interconnect)

2. Retail service providers:

Current Rates

Water Base Rates		Water Volumetric Rates		
Meter Size	Base Rate	Rates per 1,000 Gallons Over		Gallons
		Base		
5/8"	\$12.99			
1"	20.39	\$3.03		0 to 6,000
1.5"	32.23	3.53		6,001 to 17,000
2"	46.43	4.09		17,001 to 25,000
3"	79.58	4.75		25,001 to 50,000
4"	126.93	5.52		50,001 +
6"	245.29			
<u>Base Fee</u>				
WASTEWATER	\$ 15.35	0	No	\$ 2.63 0 to 18,000
			No	- Caps at 18,000

*Commercial sewer usage is billed based on actual water usage per month

NOTE: all rates noted above were amended effective September 1, 2015.

District employs winter averaging for wastewater usage? No

Total water and wastewater charges per 10,000 gallons usage (including surcharges) effective September 1, 2015 (based on 5/8" & 3/4")

First 10,000 gallons used	\$ 86.94
Next 10,000 gallons used	58.02
Next 10,000 gallons used	44.20
Next 10,000 gallons used	47.50
Next 10,000 gallons used	47.50
Next 10,000 gallons used and subsequent	55.20

Maximum residential wastewater charge is for 18,000 gallons or \$62.69

Trophy Club Municipal Utility District No.1
TS-1 SERVICES AND RATES
SEPTEMBER 30, 2015

- b) Retail service providers: number of retail water and/or wastewater* connections within the District as of the fiscal year end. Provide actual numbers and single family equivalents (ESFC).

Meter Size	Connections		ESFC Factor	Active ESFC's
	Total	Active		
Unmetered	-	-	1.0	-
Less than 3/4"	2,522.0	2,497.0	1.0	2,497.0
1"	689.0	689.0	2.5	1,722.5
1 1/2"	21.0	20.0	5.0	100.0
2"	94.0	87.0	8.0	696.0
3"	27.0	26.0	15.0	390.0
4"	14.0	14.0	25.0	350.0
6"	3.0	3.0	50.0	150.0
8"	-	-	80.0	-
10"	-	-	115.0	-
Total Water	3,370.0	3,336.0		5,905.5
Total Wastewater	3,376.0	3,342.0	1.0	3,342.0

* Number of connections relates to water service if provided. Otherwise, the number of wastewater connections should be provided.

Note: "inactive" means that water and wastewater connections were made, but service is not being provided.

Note: District provides wholesale services to the Town of Trophy Club through 1,368 connections

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into the system	902,398
Gallons billed to customers	818,827
Water accountability ratio	90.7%

4. Standby Fees:

Does the District assess standby fees? No

For the most recent fiscal year, FY2015:

	Total Levy	Total Collected	Percentage Collected
Debt Service	\$ 468,147	\$ 466,286	99.6%
Operations and Maintenance	\$ 1,045,333	\$ 1,041,176	99.6%

Have standby fees been levied in accordance with Water Code Section 49.231, thereby constituting a lien on property? No**

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
 TSI - 2
 General Fund Expenditures and Other Financing Uses
 Year Ended September 30, 2015

	<u>Current Year</u> 2015	<u>Prior Year</u> 2014
Administrative	\$ 1,672,124	\$ 1,779,470
Water Operations	3,151,533	3,031,672
Wastewater Operations	864,305	* 621,108
Wastewater Collection Systems	* 0	* 185,561
Contribution to Trophy Club Fire Dept	928,607	879,830
Capital Outlay	1,755,603	990,311
Transfers Out and Debt Service	<u>656,985</u>	<u>993,451</u>
Total Expenditures	<u>\$ 9,029,157</u>	<u>\$ 8,481,403</u>

* FY 2015 Wastewater Operations and Wastewater Collection Systems has been merged together.

Number of employees employed by the District:

Full time Equivalents (FTEs)	18 *	18
Part time	0	0

* The Fire Department personnel is paid by the Town and receive Town benefits. The MUD reimburses the Town 50/50% of Payroll and related expenses. Fire Department personnel have been excluded from FTE's.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 CONSOLIDATED
TSI-3 TEMPORARY INVESTMENTS
September 30, 2015

Funds	Identification Number	Interest Rate	Maturity Date	Balance End of Year	Accrued Interest End of Year
General Fund TexPool	613300002	0.073	Demand	\$ 2,048,524	Paid daily
General Fund Bank of the West	4526372	0.250	Demand (money market)	\$ 1,508,870	Paid monthly
Debt Service Fund TexPool	613300003	0.073	Demand	\$ 19,326	Paid daily
Debt Service-Revenue Bond Texpool	613300013	0.073	Demand	\$ 15,068	Paid daily
Revenue Bond Reserve Texpool	613300014	0.073	Demand	\$ 71,962	Paid daily
Capital Projects Texpool	613300010	0.073	Demand	\$ 21,462	Paid daily
Capital Projects Tax Bond Construction Texpool	613300011	0.073	Demand	\$ 4,378,563	Paid daily
Capital Projects Revenue Bond Construction Texpool	613300012	0.073	Demand	\$ 8,535,193	Paid daily
Total - All Funds				<u>\$ 16,598,968</u>	

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-4 TAXES LEVIED AND RECEIVABLE
SEPTEMBER 30, 2015

	General Fund			Debt	Total
	Operations	Fire	Total	Service	
Taxes receivable beginning of year	\$ 2,191	\$ 25,860	\$ 28,051	\$ 9,995	\$ 38,046
2014 tax levy	165,449	1,216,569	1,382,018	459,382	1,841,400
Total to be accounted for	167,641	1,242,429	1,410,070	469,377	1,879,447
Less collections and adjustments:					
Current year	(164,780)	(1,212,737)	(1,377,517)	(457,520)	(1,835,037)
Prior years	(504)	(12,868)	(13,372)	(2,004)	(15,376)
Total to be accounted for	(165,284)	(1,225,605)	(1,390,889)	(459,524)	(1,850,413)
Taxes receivable, end of year	\$ 2,357	\$ 16,824	\$ 19,181	\$ 9,853	\$ 29,034

Taxes receivable by year					
1996 and prior	\$ 19	\$ 108	\$ 127	\$ 454	\$ 581
1997	7	41	48	150	198
1998	7	44	51	140	191
1999	7	48	55	108	163
2000	7	34	41	122	163
2001	7	36	43	120	163
2002	7	61	68	136	204
2003	49	89	138	94	232
2004	17	145	162	210	372
2005	59	199	258	283	541
2006	88	409	497	632	1,129
2007	52	508	560	621	1,181
2008	96	754	850	612	1,462
2009	225	906	1,131	570	1,701
2010	159	1,976	2,135	1,393	3,528
2011	197	2,175	2,372	1,112	3,484
2012	227	2,390	2,617	448	3,065
2013	457	3,069	3,526	785	4,311
2014	670	3,832	4,502	1,861	6,363
	\$ 2,357	\$ 16,824	\$ 19,181	\$ 9,853	\$ 29,034

Property valuations (in 000's)	FY	FY	FY	FY	FY
	14/15	13/14	12/13	11/12	10/11
Land	\$ 474,068	\$ 439,499	\$ 431,312	\$ 432,801	\$ 442,492
Improvements	630,249	573,454	551,135	516,182	518,390
Personal property	80,605	95,598	84,548	92,311	74,566
Exemptions	(52,617)	(45,150)	(46,788)	(43,476)	(42,737)
	\$ 1,132,305	\$ 1,063,401	\$ 1,020,207	\$ 997,818	\$ 992,711

Tax rate per \$100 valuation					
Operations	0.014860	0.009350	0.009890	0.009890	0.008790
Fire department	0.077270	0.087380	0.104900	0.109250	0.109250
Debt service	0.041260	0.036660	0.019500	0.055860	0.076960
Tax rate per \$100 valuation	0.133390	0.133390	0.133390	0.175000	0.195000

Tax levy:	\$ 1,870,728	\$ 1,726,648	\$ 1,581,619	\$ 1,714,788	\$ 1,934,045
Percent of taxes collected to taxes levied	98.91%	99.42%	99.72%	99.44%	99.59%

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
 TSI-5 LONG-TERM SERVICE REQUIREMENTS- BY YEARS
 SEPTEMBER 30, 2015

Due During Fiscal Years Ending	All Bonded Debt Series		Total
	Principal Due 1-Sep	Interest Due Mar 1/ Sep 1	
2016	\$ 895,000	\$ 551,821	\$ 1,446,821
2017	1,075,000	531,221	1,606,221
2018	1,100,000	506,847	1,606,847
2019	1,135,000	481,897	1,616,897
2020	1,155,000	456,096	1,611,096
2021	1,195,000	428,083	1,623,083
2022	1,230,000	398,408	1,628,408
2023	1,270,000	366,308	1,636,308
2024	835,000	331,333	1,166,333
2025	860,000	309,883	1,169,883
2026	880,000	287,783	1,167,783
2027	915,000	263,943	1,178,943
2028	945,000	238,281	1,183,281
2029	980,000	210,408	1,190,408
2030	1,010,000	180,663	1,190,663
2031	1,050,000	147,751	1,197,751
2032	935,000	113,538	1,048,538
2033	970,000	84,563	1,054,563
2034	1,010,000	53,538	1,063,538
2035	630,000	20,475	650,475
	<u>\$ 20,075,000</u>	<u>\$ 5,962,835</u>	<u>\$ 26,037,835</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
 TSI-5 LONG-TERM SERVICE REQUIREMENTS- BY YEARS
 SEPTEMBER 30, 2015

General Obligation Bonds - Series 2010
 (\$2,000,000)

Due During Fiscal Years Ending	Principal Due 1-Sep	Interest Due Mar 1/ Sep 1	Total
2016	\$ 75,000	\$ 71,283	\$ 146,283
2017	80,000	68,658	148,658
2018	85,000	65,858	150,858
2019	85,000	62,883	147,883
2020	90,000	59,908	149,908
2021	95,000	56,758	151,758
2022	100,000	53,433	153,433
2023	105,000	48,433	153,433
2024	110,000	43,183	153,183
2025	115,000	37,683	152,683
2026	115,000	33,083	148,083
2027	125,000	28,368	153,368
2028	130,000	23,243	153,243
2029	135,000	17,783	152,783
2030	140,000	12,113	152,113
2031	145,000	6,163	151,163
	<u>\$ 1,730,000</u>	<u>\$ 688,833</u>	<u>\$ 2,418,833</u>

General Obligation Bonds - Series 2012
 (\$2,355,000)

Due During Fiscal Years Ending	Principal Due 1-Sep	Interest Due Mar 1/ Sep 1	Total
2016	\$ 200,000	\$ 49,350	\$ 249,350
2017	205,000	44,350	249,350
2018	210,000	39,226	249,226
2019	225,000	33,976	258,976
2020	225,000	28,350	253,350
2021	230,000	21,600	251,600
2022	240,000	14,700	254,700
2023	250,000	7,500	257,500
	<u>\$ 1,785,000</u>	<u>\$ 239,052</u>	<u>\$ 2,024,052</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
TSI-5 LONG-TERM SERVICE REQUIREMENTS- BY YEARS
SEPTEMBER 30, 2015

General Obligation Bonds - Series 2013
(\$1,905,000)

Due During Fiscal Years Ending	Principal Due 1-Sep	Interest Due Mar 1/ Sep 1	Total
2016	\$ 175,000	\$ 48,025	\$ 223,025
2017	185,000	42,775	227,775
2018	185,000	37,225	222,225
2019	195,000	31,675	226,675
2020	195,000	25,825	220,825
2021	205,000	19,975	224,975
2022	210,000	13,825	223,825
2023	215,000	7,525	222,525
	<u>\$ 1,565,000</u>	<u>\$ 226,850</u>	<u>\$ 1,791,850</u>

General Obligation Bonds - Series 2014
(\$5,765,000)

Due During Fiscal Years Ending	Principal Due 1-Sep	Interest Due Mar 1/ Sep 1	Total
2016	\$ 235,000	\$ 148,325	\$ 383,325
2017	240,000	144,800	384,800
2018	245,000	141,200	386,200
2019	250,000	137,525	387,525
2020	255,000	133,775	388,775
2021	265,000	129,313	394,313
2022	270,000	124,013	394,013
2023	280,000	118,613	398,613
2024	290,000	112,313	402,313
2025	295,000	105,063	400,063
2026	305,000	97,688	402,688
2027	315,000	90,063	405,063
2028	325,000	81,400	406,400
2029	335,000	72,463	407,463
2030	345,000	62,413	407,413
2031	360,000	51,200	411,200
2032	370,000	39,500	409,500
2033	385,000	27,475	412,475
2034	400,000	14,000	414,000
	<u>\$ 5,765,000</u>	<u>\$ 1,831,138</u>	<u>\$ 7,596,138</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
 TSI-5 LONG-TERM SERVICE REQUIREMENTS- BY YEARS
 SEPTEMBER 30, 2015

Revenue Bonds - Series 2015
 (\$9,230,000)

Due During Fiscal Years Ending	Principal Due 1-Sep	Interest Due Mar 1/ Sep 1	Total
2016	\$ 210,000	\$ 234,838	\$ 444,838
2017	365,000	230,638	595,638
2018	375,000	223,338	598,338
2019	380,000	215,838	595,838
2020	390,000	208,238	598,238
2021	400,000	200,438	600,438
2022	410,000	192,438	602,438
2023	420,000	184,238	604,238
2024	435,000	175,838	610,838
2025	450,000	167,138	617,138
2026	460,000	157,013	617,013
2027	475,000	145,513	620,513
2028	490,000	133,638	623,638
2029	510,000	120,163	630,163
2030	525,000	106,138	631,138
2031	545,000	90,388	635,388
2032	565,000	74,038	639,038
2033	585,000	57,088	642,088
2034	610,000	39,538	649,538
2035	630,000	20,475	650,475
	<u>\$ 9,230,000</u>	<u>\$ 2,976,963</u>	<u>\$ 12,206,963</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-6 CHANGES IN LONG-TERM BONDED DEBT
SEPTEMBER 30, 2015

	Series 2010 GO Bonds	Series 2012 GO Bonds	Series 2013 GO Bonds	Series 2014 GO Bonds	Series 2015 Revenue Bonds	Total
Interest rate	3.50-5.00%	2.00-3.00%	2.00-3.50%	1.50-3.50%	2.0-3.25%	
Date interest payable	3/1 & 9/1	3/1 & 9/1	3/1 & 9/1	3/1 & 9/1	3/1 & 9/1	
Maturity date	9/1/2031	9/1/2023	9/1/2023	9/1/2034	9/1/2035	
Bonds outstanding at beginning of year	\$ 1,800,000	\$ 1,980,000	\$ 1,740,000	\$ -	\$ -	\$ 5,520,000
Retirements of principal	\$ 70,000	\$ 195,000	\$ 175,000	\$ -	\$ -	\$ 440,000
Bonds outstanding at end of fiscal year	<u>\$ 1,730,000</u>	<u>\$ 1,785,000</u>	<u>\$ 1,565,000</u>	<u>\$ 5,765,000</u>	<u>\$ 9,230,000</u>	<u>\$ 20,075,000</u>
Retirements of interest	<u>\$ 73,733</u>	<u>\$ 53,250</u>	<u>\$ 51,525</u>	<u>\$ 105,476</u>	<u>\$ 136,989</u>	<u>\$ 420,972</u>
Paying agent's name & city:	The Bank of New York Mellon Newark, NJ	The Bank of New York Mellon Newark, NJ	The Bank of New York Mellon Newark, NJ	The Bank of TX Corporate Trust Austin, TX	The Bank of TX Corporate Trust Austin, TX	
Bond Authority	General Obligation Bonds					
Amount authorized by voters	\$ 29,094,217					
Amount issued	\$ 29,090,000					
Remaining to be issued	<u>\$ -</u>					

The general obligation bonds were authorized on October 7, 1975

Debt Service Fund cash and cash equivalents balance as of September 30, 2015: \$ 111,203

Average annual debt service payment (principal & interest) for remaining term of debt: \$ 1,301,892

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
 TS1-7 COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES-FIVE YEARS
 GENERAL FUND
 SEPTEMBER 30, 2015

	Amounts					Percent of total revenue				
	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011
REVENUE										
Ad valorem property taxes	\$ 1,419,548	\$ 1,340,502	\$ 1,426,185	\$ 1,374,808	\$ 1,313,027	14.2%	17.6%	16.1%	16.1%	18.8%
Water and wastewater charges	6,138,766	5,730,872	5,467,371	5,210,788	5,323,244	61.5%	75.2%	60.9%	60.9%	76.3%
Utility Fees	239,200	331,200	508,300	647,080	165,600	2.4%	4.3%	7.6%	7.6%	2.4%
Inspection and tap fees	11,375	10,725	9,600	10,250	7,800	0.1%	0.1%	0.1%	0.1%	0.1%
Interest earned	6,117	6,071	4,841	5,706	5,534	0.1%	0.1%	0.1%	0.1%	0.1%
Debt proceeds	-	-	-	1,100,000	-	0.0%	0.0%	12.8%	12.8%	0.0%
Transfers In	1,074,337	-	-	-	-	10.8%	0.0%	0.0%	0.0%	0.0%
Proceeds from Sale of Assets	46,750	-	-	-	-	0.5%	0.0%	0.0%	0.0%	0.0%
Capital Lease Financing	807,316	-	-	-	-	8.1%	0.0%	0.0%	0.0%	0.0%
Miscellaneous and other	240,591	202,481	214,294	213,277	159,221	2.4%	2.7%	2.5%	2.5%	2.3%
Total revenue	\$ 9,984,000	\$ 7,621,851	\$ 7,630,391	\$ 8,561,909	\$ 6,974,426	100.0%	100.0%	100.0%	100.0%	100.0%
EXPENDITURES										
Administrative	\$ 1,672,123	\$ 1,779,470	\$ 1,476,488	\$ 1,097,547	\$ 1,042,073	16.7%	23.3%	12.8%	12.8%	14.9%
Water operations	3,151,532	3,031,672	2,623,822	2,503,331	2,737,946	31.6%	39.8%	29.2%	29.2%	39.3%
Wastewater operations	864,305	621,108	896,538	614,102	727,272	8.7%	8.1%	7.2%	7.2%	10.4%
Wastewater collection system	-	185,561	322,017	260,895	300,215	0.0%	2.4%	3.0%	3.0%	4.3%
Information systems	-	-	-	173,386	150,516	0.0%	0.0%	2.0%	2.0%	2.2%
Contribution to Trophy Club Fire Dept	928,610	879,830	790,779	822,307	1,429,159	9.3%	11.5%	9.6%	9.6%	20.5%
Capital outlay	1,755,603	990,311	462,876	1,962,809	-	17.6%	13.0%	18.3%	18.3%	0.0%
Transfers Out and Debt Service	656,984	993,450	1,115,390	1,011,260	308,000	6.6%	13.0%	11.8%	11.8%	4.4%
Total expenditures	\$ 9,029,157	\$ 8,481,402	\$ 7,687,950	\$ 8,045,637	\$ 6,695,181	90.4%	111.3%	94.0%	94.0%	96.0%
Excess (deficiency) of revenues over (under) expenditures	\$ 954,843	\$ (859,551)	\$ (57,499)	\$ 516,272	\$ 279,245	9.6%	-11.3%	6.0%	6.0%	4.0%
Total active retail water and/or wastewater connections	3,376	3,140	3,096	3,887	3,554					

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
 TSI-7 COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES-FIVE YEARS (Continued)
 DEBT SERVICE FUND
 SEPTEMBER 30, 2015

	Amounts					Percentage				
	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011
REVENUE										
Ad valorem property taxes	\$ 468,194	\$ 386,992	\$ 201,207	\$ 547,567	\$ 771,631	48.8%	62.4%	28.0%	62.9%	57.9%
Penalties and interest	2,021	2,676	1,688	3,226	6,018	0.2%	0.4%	0.2%	0.4%	0.5%
Intergovernmental	465,409	230,804	503,000	308,000	554,100	48.5%	37.2%	70.1%	35.4%	41.6%
Interest earned	13,976	97	11,900	5,956	985	1.5%	0.0%	1.7%	0.7%	0.1%
Miscellaneous and other	9,573	-	-	6,120	-	1.0%	0.0%	0.0%	0.7%	0.0%
Total revenue	959,173	620,569	717,795	870,889	1,332,734	100.0%	100.0%	100.0%	100.0%	100.0%
EXPENDITURES										
Principal retirement	440,000	425,000	605,000	565,000	1,115,000	45.9%	68.5%	84.3%	64.9%	83.7%
Interest and fiscal charges	422,722	198,695	231,333	277,319	382,019	44.1%	32.0%	32.2%	31.8%	28.7%
Total expenditures	862,722	623,695	836,333	842,319	1,497,019	89.9%	100.5%	116.5%	63.2%	112.3%
Excess (deficiency) of revenues over (under) expenditures	\$ 96,451	\$ (3,126)	\$ (118,538)	\$ 28,570	\$ (164,285)	10.1%	-0.5%	-16.5%	36.8%	-12.3%