

## TAX DATA

### District Bond Tax Rate Limitation

By law the District's tax rate for debt service on the Bonds is unlimited as to rate or amount.

### Maintenance and Operations Tax

The Board is also authorized to levy and collect an annual ad valorem tax for planning, constructing, acquiring, or maintaining or repairing or operating the District's improvements and facilities, if such maintenance and operations tax is authorized by a vote of the District's electors. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds which may be issued in the future. As shown in APPENDIX A, TABLE 13 - "TAX RATE DISTRIBUTION," the District levied a 2009-2010 maintenance and operations tax for fire protection purposes of \$0.1094/\$100 assessed valuation and \$0.02714/\$100 assessed valuation for all other operations and maintenance purposes.

### Overlapping Taxes

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The statement of direct and estimated overlapping ad valorem tax debt shown in APPENDIX A – TABLE 14 (page A-6) was developed from several sources, including information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes of debt service and the tax burden for operation, maintenance and/or general purposes is not included in these figures. (See APPENDIX A – TABLES 14, 15 & 17 for information on overlapping taxing entities.)

## TAXING PROCEDURES

### Authority to Levy Taxes

The Board has been authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, their pro rata share of debt service on any contract tax bonds and any additional bonds or obligations payable from taxes which the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. The District agrees in the Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS - Security for Payment." Under Texas law, the Board is also authorized to levy and collect an ad valorem tax for the operation and maintenance of the District and for the payment of certain contractual obligations, if authorized by its voters. (See "TAX DATA - District Bond Tax Rate Limitation" herein.)

### Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within the county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The board of directors of the appraisal district selects a chief appraiser to manage the appraisal offices of the appraisal district. The Denton Central Appraisal District and the Tarrant Appraisal District have the responsibility for appraising property for all taxing units within Denton and Tarrant Counties, including the District. Such appraisal values are subject to review and change by the appraisal review boards of each county. The appraisal roll as approved by the appraisal review boards must be used by the District in establishing its tax roll and tax rate.

General. Except for certain exemptions provided by Texas law, all property with a tax situs in the District is subject to taxation by the District; however, no effort is made by the District to collect taxes on tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property applicable to the District include: (i) property owned by the State of Texas or its political subdivisions if the property is used for public purposes; (ii) property exempt from ad valorem taxation by federal law; (iii) certain property owned by charitable organizations, youth development associations, religious organizations, and qualified schools; (iv) designated historical sites, and (v) solar and wind-powered energy devices.

Freeport Exemption: Article VIII, Section 1-j of the Texas Constitution authorizing an ad valorem tax exemption for "freeport property" was approved November 7, 1989. Freeport property is goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. **The District does grant this exemption.**

**Goods in Transit:** "Goods in Transit", which are 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; a taxpayer may receive only one of the freepoint exemptions or the goods-in-transit exemptions for items of personal property. **The District does not exempt Goods in Transit.**

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

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

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse. **The Board has granted such elderly and disabled exemptions in the amount of \$25,000 of assessed valuation.**

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of \$5,000. **The District does not grant the option percentage of market value exemption.**

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

**Disabled/Deceased Veterans Exemption:** State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse (for so long as the surviving spouse remains unmarried) or children (under 18 years of age) of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000; provided, however, that beginning in the 2009 tax year, a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. **The District does grant the disabled / deceased veterans Exemption.**

**Tax Abatement:** Dallas County or the City of Irving may designate all or part of the area within the District as a reinvestment zone. Thereafter, the District may enter into tax abatement agreements with owners of real property within the District for up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. **All of the area of the District is included in reinvestment zones designated by the Town of Trophy Club, for tax abatement purposes.**

#### **Valuation of Property for Taxation**

Generally, all taxable property in the District must be appraised by the Denton Central Appraisal District and the Tarrant Appraisal District (collectively, the "Appraisal District") at one hundred percent (100%) of market value as of January 1 of each year, subject to review and approval by the Appraisal Review Board. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate.

Certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited to 10 percent annually regardless of the market value of the property. Upon application of a landowner, land which qualifies as "open-space land" is appraised based on the category of land, using accepted income capitalization methods applied to the average net income derived from the use of the land for agriculture and hunting or recreational leases. Upon application of a landowner, land which qualifies as "timber land" is appraised using accepted income capitalization methods applied to the average net income derived from the use of the land for production of timber. Land which qualifies as an aesthetic management zone, critical wildlife management zone, or streamside management zone or is being regenerated for timber production for 10 years after harvest is valued at one-half that amount. In the case of both open space and timber land valuations, if the use of land changes, an additional tax is generally imposed on the land equal to the difference

between the taxes imposed on the land for each of the five (5) years preceding the year in which the change of use occurs and the tax that would have been imposed had the land been taxed on the basis of market value in each of those years, plus interest at an annual rate of seven percent (7%) calculated from the dates on which the differences would have become due. There are also special appraisal methods for agricultural land owned by individuals whose primary occupation and income are farming and for recreational, park, and scenic land. Also, houses or lots held for sale by a developer or builder which remain unoccupied, are not leased or rented and produce no income are required to be assessed at the price for which they would sell as a unit to a purchaser who would continue the owner's business, upon application of the owner.

Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property in the Appraisal District at least one every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or countywide basis.

#### **Notice and Hearing Procedures**

The Tax Code establishes a "truth-in-taxation" process identifying increases in the effective tax rate. The rollback tax rate equals 108% of the total tax rate for the prior year. If the District decides to increase the tax rate more than eight percent (8%) above the previous year's tax rate, it must hold a public hearing and give notice to its taxpayers. If the actual tax rate adopted exceeds the rollback tax rate, taxpayers may petition to hold an election to reduce the tax rate to the rollback tax rate for the fiscal year.

The Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll

#### **District and Taxpayer Remedies**

The chief appraiser must give written notice before the Appraisal Review Board meeting to an affected owner if a reappraisal has resulted in an increase in value over the prior year or the value rendered by the owner, or if property not previously included on the appraisal roll has been appraised. Any owner who has timely filed notice with the Appraisal Review Board may appeal the final determination by the Appraisal Review Board of the owner's protest by filing suit in Texas district court. Prior to such appeal, however, the owner must pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater, but not to exceed the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. Additionally, the District is entitled to challenge certain matters before the Appraisal Review Board, including the level of appraisal of certain category of property, the exclusion of property from the appraisal records, or the grant in whole or in part of a partial exemption, or a determination that land qualifies for a special use appraisal (agricultural or timber classification, for example). The District may not, however, protest a valuation of individual property.

#### **Levy and Collection of Taxes**

The rate of taxation is set by the Board based upon the valuation of property within the District as of the preceding January 1 and the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations.

Unless the Board, or the qualified voters of the District or of Denton County or Tarrant County at an election held for such purpose, determines to transfer the collection of taxes to the Denton Central Appraisal District or Tarrant Appraisal District or another taxing unit, the District is responsible for the levy and collection of its taxes. **The District has contracted with the Denton County Tax Collector to collect the taxes for the District.**

Taxes are due on receipt of the tax bill and become delinquent after January 31 of the following year. The date of the delinquency may be postponed if the tax bills are mailed after January 10 of any year. Delinquent taxes are subject to a 6% penalty for the first month of delinquency, one percent (1%) for each month thereafter to July 1, and 12% total if any taxes are unpaid on July 1. Delinquent taxes also accrue interest at the rate of 1% per month during the period they remain outstanding. In addition, where a district engages an attorney for collection of delinquent taxes, the Board may impose a further penalty not to exceed twenty percent (20%) on all taxes unpaid on July 1. The District may be prohibited from collection of penalties and interest on real property owned by the Federal Deposit Insurance Corporation. In prior years the District has engaged a delinquent tax attorney and imposed such a penalty.

#### **District's Rights in the Event of Tax Delinquencies**

Taxes levied by the District are a personal obligation of the owner of the property on 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 of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property

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

At any time after taxes on property become delinquent, the District 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 District 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 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. (See "INVESTMENT CONSIDERATIONS - General - Tax Collections and Foreclosure Remedies".)

## **LEGAL MATTERS**

### **Legal Opinions**

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the initial Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of McCall, Parkhurst & Horton L.L.P. ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's, legal opinion will also address the matters described below under "TAX MATTERS." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In its capacity as Bond Counsel, McCall, Parkhurst & Horton L.L.P. has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Order.

The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold and delivered, and therefore, such fees are contingent upon the sale and delivery of the Bonds. The legal opinion to be delivered concurrently with the delivery of the Bonds expresses the professional judgment of the attorney rendering the opinion as to the legal issue explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that 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 out of the transaction. Though it represents the financial Advisor and certain entities that may bid on the Bonds from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds.

### **Litigation**

The District 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 city, state or federal) which, if decided adversely to the District would have a material adverse effect on the financial condition of the District.

### **No-Litigation Certificate**

The District will furnish to the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature, except as disclosed in this Official Statement, has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds, restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

### **No Material Adverse Change**

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Official Statement.

## **TAX MATTERS**

### **Opinion**

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the Issuer, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), for federal income tax purposes, interest on the Bonds (i) will be excludable from the "gross income" of the holders thereof and (ii) will not be includable in the owner's alternative minimum taxable income under section 55 of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the Issuer will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Appendix C – Form of Legal Opinion of Bond Counsel.

In rendering its opinion, Bond Counsel to the Issuer will rely upon (a) certain information and representations of the Issuer, including information and representations contained in the Issuer's federal tax certificate, and (b) covenants of the Issuer contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the Issuer to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel to the Issuer is conditioned on compliance by the Issuer with such requirements, and Bond Counsel to the Issuer has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgement based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

### **Federal Income Tax Accounting Treatment of Original Issue Discount**

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under existing law, any owner who has purchased such Original Issue Discount Bond in the initial public offering 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 Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond 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 Bond was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued 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 Bonds 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 Bond 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 (a) 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 (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

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

#### **Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

#### **State, Local and Foreign Taxes**

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

#### **Qualified Tax-Exempt Obligations for Financial Institutions**

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year, except that such amount will be \$30,000,000 for taxable years beginning after December 31, 2008 and ending prior to January 1, 2011. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The Issuer has designated the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the Issuer has covenanted to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000 (\$30,000,000 for taxable years beginning after December 31, 2008 and ending prior to January 1, 2011), there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 (\$30,000,000 for taxable years beginning after December 31, 2008 and ending prior to January 1, 2011) is disregarded, however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Bonds would not be "qualified tax-exempt obligations."

#### **CONTINUING DISCLOSURE OF INFORMATION**

In the Order, the Issuer has made the following agreement for the benefit of the holders and beneficial owners of each of the Bonds. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB").

##### **Annual Reports**

The Issuer will provide certain updated financial information and operating data to the MSRB. The District will provide to any quantitative financial information and operating data with respect to the District of the general type included in this Official Statement. The information to be updated includes Tables 1, 12 and 13 of Appendix A, and the annual audited financial statements of the District.

The Issuer will update and provide this information within six months after the end of each fiscal year ending in and after 2010.

The financial information 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 SEC, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Issuer will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the Issuer may be required to employ from time to time pursuant to State law or regulation.

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

##### **Material Event Notices**

The Issuer will also provide timely notices of certain events to certain information vendors. The Issuer will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (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 or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. Neither the Bonds nor the Order makes any provision for debt service reserves or liquidity enhancement. In addition, the Issuer will provide timely notice of any failure by the Issuer to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The Issuer will provide each notice described in this paragraph to the MSRB.

##### **Availability of Information**

The Issuer has agreed to provide the foregoing financial information and operating data 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 material 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 Bonds 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 continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Bonds may seek a writ of mandamus to compel the Issuer to comply with its agreement.

The Issuer may amend its continuing disclosure 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 Bonds 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 Bonds 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 Bonds. The Issuer may also repeal or amend these provisions 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 Bonds in the primary offering of the Bonds 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**

For the last five years, the District has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule.

#### **FINANCIAL ADVISOR**

Southwest Securities is employed as Financial Advisor to the District to assist in the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds that is contained in 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 District to determine the accuracy or completeness of this Official Statement. Because of their limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the District for the investment of debt proceeds or other funds of the District, upon the request of the District.

#### **OFFICIAL STATEMENT**

##### **Updating the Official Statement During Underwriting Period**

If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to Rule 15c2-12 of the federal Securities Exchange Act of 1934 (the "Rule") (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository, but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser. (See "DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS" in the Official Notice of Sale herein.) The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers (but no longer than the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than 25 days after the "end of the underwriting period" for the Bonds). In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

##### **Forward-Looking Statements Disclaimer**

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

## **OTHER MATTERS**

### **Initial Purchaser**

After requesting competitive bids for the Bonds, the District accepted the bid of Southwest Securities, Inc. (the "Initial Purchaser of the Bonds") to purchase the Bonds at the interest rates shown on the inside cover page of the Official Statement at a price of par plus a cash premium of \$1,000. The Issuer has expressly consented in writing to allow Southwest Securities, Inc. the option to bid on the Bonds. Compensation earned by Southwest Securities, Inc. as Initial Purchaser of the Bonds will be in addition to fees received by Southwest Securities, Inc. as Financial Advisor as described under the caption "FINANCIAL ADVISOR."

The Initial Purchaser of the Bonds can give no assurance that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser of the Bonds. The District has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser of the Bonds.

### **Legal Investment 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 Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking fund of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the state, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (V.T.C.A., Government Code, Chapter 2256), the Bonds may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. (See "RATINGS" herein.)

No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The District 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 Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Bonds for such purposes. The District has not made any review of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

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

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration of the Bonds under the securities laws of any other jurisdiction in which the Bonds, may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

### **Absence of Litigation**

No litigation is currently outstanding or threatened which would result in any material claim against District.

### **Certification as to Official Statement**

At the time of payment for and delivery of the Bonds, the Purchaser will be furnished a certificate executed by the proper officials of the District acting in their official capacity, to the effect that: (a) the descriptions and statements of or pertaining to the District contained in its Official Statement relating to the Bonds, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of the sale of said Bonds, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statement therein, in the light of the circumstances under which they were made, not misleading; (c) to the best of their knowledge, insofar as the descriptions and statements, including financial data, or pertaining to entities, other than the District and its activities, contained in such Official Statement are concerned, such statements and data

have been obtained from sources which the District believes to be reliable and the District 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 District since September 30, 2009, the date of the last audited financial statements of the Issuer, portions of which appear in the Official Statement.

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

#### **Concluding Statement**

The financial data and other information contained in this Official Statement have been obtained from the District'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 resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

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

/s/ Jim Budarf

/s/ Dean Henry

Joint Presidents, Board of Directors  
Trophy Club Municipal Utility District No. 1

/s/ Jim Hase

/s/ James C. Thomas

Joint Secretaries, Board of Directors  
Trophy Club Municipal Utility District No. 1

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## **APPENDIX A**

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

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



## FINANCIAL INFORMATION OF THE ISSUER

### ASSESSED VALUATION

TABLE 1

2009 Actual Market Value of Taxable Property (100% of Actual) <sup>(a)</sup>	\$ 1,076,047,808
Less Exemptions:	
Local Optional Over-65	\$11,972,353
Disabled and Deceased Veterans'	1,287,007
Agricultural Productivity Loss	3,990,915
Freeport	58,351
10% Homestead Cap Value Loss	2,957,045
Total Exempt Property	22,740,838
Partial Exempt Property	7,208
	<u>43,013,717</u>
2009 Certified Net Taxable Assessed Valuation <sup>(a)</sup>	<u>\$ 1,033,034,091</u> <sup>(b)</sup>
Less: Estimated Supplemental Adjustments	<u>\$ (9,540,980)</u>
2009 <u>Estimated</u> Net Taxable Assessed Valuation	<u>\$ 1,023,493,111</u>

<sup>(a)</sup> See "TAXING PROCEDURES" in the Official Statement for a description of the Issuer's taxation procedures.

<sup>(b)</sup> Includes taxable value of \$17,256,702 for incomplete accounts and accounts under ARB Review  
Source: Denton Central Appraisal District and Tarrant Appraisal District

### GENERAL OBLIGATION BONDED DEBT

TABLE 2

<b>General Obligation Debt Principal Outstanding (As of February 1, 2010):</b>	
WW & SS Combined Tax and Revenue Refunding Bonds, Series 1997	\$ 745,000
Unlimited Tax Bonds, Series 2002	2,800,000
Unlimited Tax Refunding Bonds, Series 2003	480,000
Unlimited Tax Bonds, Series 2003	945,000
Unlimited Tax Refunding Bonds, Series 2005	<u>2,320,000</u>
Total General Obligation Debt Principal Outstanding	\$ 7,290,000
<b>Current Issue General Obligation Debt Principal</b>	
Unlimited Tax Bonds, Series 2010 (the "Bonds")	<u>\$ 2,000,000</u>
Total General Obligation Debt Principal Outstanding (Following the Issuance of the Bonds)	<u>\$ 9,290,000</u>
Interest and Sinking Fund Balance as of January 31, 2010 (unaudited)	\$ 979,124
Ratio of General Obligation Debt Principal to 2009 Estimated Net Taxable Assessed Valuation	0.91%
2009 Estimated Net Assessed Valuation <sup>(a)</sup>	\$ 1,023,493,111
Population Estimates: 2000 - 6,350; Current 2009 (Estimate) -	7,441
Per Capita 2009 Estimated Net Assessed Valuation -	\$137,548
Per Capita General Obligation Debt Principal -	\$1,248

<sup>(a)</sup> See "TAXING PROCEDURES" in the Official Statement for a description of the Issuer's taxation procedures

### OTHER OBLIGATIONS

TABLE 3

Description	Year of Issue	Interest Rate Payable	Final Maturity	Average Annual Payment	Original Amount	Principal Outstanding as of 9-30-09
<b>Public Property Finance Contractual Obligations:</b>						
Improvements	2004	3.50%	2012	\$ 39,000	\$ 270,000	\$ 101,250
Fire Truck	2007	4.33%	2014	56,000	448,000	322,000
Improvements	2009	3.90%	2012	110,000	330,000	330,000
						<u>\$ 753,250</u>
<b>Notes Payable:</b>						
Equipment	1999	2.50%	2018	\$ 2,245	\$ 35,000	<u>\$ 17,895</u>
<b>Capital Lease Obligations:</b>						
Equipment	2006	4.95%	2010	\$ 33,000	\$ 165,000	\$ 33,000
Equipment	2008	4.00%	2012	9,886	49,432	<u>29,660</u>
						<u>\$ 62,660</u>
<b>Total Other Obligations</b>						<u>\$ 833,805</u>

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## GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

TABLE 4

Fiscal Year Sept 30	Current Total Debt Service	The Bonds			Combined
	Outstanding <sup>(a)</sup>	Principal	Interest	Total	Debt Service
2010	\$ 1,363,310	\$ -	\$ -	\$ -	\$ 1,363,310
2011	1,380,188	-	114,371	114,371	1,494,559
2012	720,568	65,000	80,733	145,733	866,300
2013	722,138	65,000	78,458	143,458	865,595
2014	512,940	70,000	76,183	146,183	659,123
2015	514,205	70,000	73,733	143,733	657,938
2016	514,655	75,000	71,283	146,283	660,938
2017	519,210	80,000	68,658	148,658	667,868
2018	517,610	85,000	65,858	150,858	668,468
2019	524,955	85,000	62,883	147,883	672,838
2020	520,830	90,000	59,908	149,908	670,738
2021	521,010	95,000	56,758	151,758	672,768
2022	525,100	100,000	53,433	153,433	678,533
2023	523,030	105,000	48,433	153,433	676,463
2024	-	110,000	43,183	153,183	153,183
2025	-	115,000	37,683	152,683	152,683
2026	-	115,000	33,083	148,083	148,083
2027	-	125,000	28,368	153,368	153,368
2028	-	130,000	23,243	153,243	153,243
2029	-	135,000	17,783	152,783	152,783
2030	-	140,000	12,113	152,113	152,113
2031	-	145,000	6,163	151,163	151,163
	<u>\$ 9,379,748</u>	<u>\$ 2,000,000</u>	<u>\$ 1,112,301</u>	<u>\$ 3,112,301</u>	<u>\$ 12,492,049</u>

<sup>(a)</sup> Does not include Public Property Finance Contractual Obligations indebtedness (see Table 3, page A-1).

## TAX ADEQUACY

TABLE 5

2009 Estimated Net Taxable Assessed Valuation	\$ 1,023,493,111
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-11)	\$ 1,494,559
Indicated Maximum Interest and Sinking Fund Tax Rate at 99% collections	\$ 0.14750

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

## INTEREST AND SINKING FUND MANAGEMENT INDEX

TABLE 6

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2009	\$ 239,434
FY 2010 Interest and Sinking Fund Tax Levy of \$0.06872 at 99% Collections based on the 2009 Estimated Net Taxable Assessed Valuation of \$1,023,493,111 Produces	696,311
Interest and Sinking Fund Deposit from Fire Department Rental Income	308,000
Budgeted Income from PID Utility Connection Fees Paid by Developer (guaranteed with bank letter of credit) (to be deposited to I&S Fund on or before June 2010)	<u>345,000</u>
Total Available for Debt Service	\$ 1,588,745
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-10	<u>1,363,310</u>
Estimated Surplus at Fiscal Year Ending 9-30-10 <sup>(a)</sup>	<u>\$ 225,435</u>

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

**PROJECTED GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE**  
(As of February 1, 2010)

**TABLE 7**

Fiscal Year Ending 9/30	Principal Repayment Schedule <sup>(b)</sup>			Bonds Unpaid at End of Year	Percent of Principal Retired (%)
	Outstanding Bonds <sup>(a)</sup>	The Bonds	Total		
2010	\$ 1,055,000	\$ -	\$ 1,055,000	\$ 8,235,000	11.36%
2011	1,115,000	-	1,115,000	7,120,000	23.36%
2012	500,000	65,000	565,000	6,555,000	29.44%
2013	520,000	65,000	585,000	5,970,000	35.74%
2014	330,000	70,000	400,000	5,570,000	40.04%
2015	345,000	70,000	415,000	5,155,000	44.51%
2016	360,000	75,000	435,000	4,720,000	49.19%
2017	380,000	80,000	460,000	4,260,000	54.14%
2018	395,000	85,000	480,000	3,780,000	59.31%
2019	420,000	85,000	505,000	3,275,000	64.75%
2020	435,000	90,000	525,000	2,750,000	70.40%
2021	455,000	95,000	550,000	2,200,000	76.32%
2022	480,000	100,000	580,000	1,620,000	82.56%
2023	500,000	105,000	605,000	1,015,000	89.07%
2024	-	110,000	110,000	905,000	90.26%
2025	-	115,000	115,000	790,000	91.50%
2026	-	115,000	115,000	675,000	92.73%
2027	-	125,000	125,000	550,000	94.08%
2028	-	130,000	130,000	420,000	95.48%
2029	-	135,000	135,000	285,000	96.93%
2030	-	140,000	140,000	145,000	98.44%
2031	-	145,000	145,000	-	100.00%
	\$ 7,290,000	\$ 2,000,000	\$ 9,290,000		

<sup>(a)</sup> Excludes all PPFCO principal outstanding (see Table 2, page A-1).

**FUND BALANCES**

**TABLE 8**

(As of January 31, 2010)

General Fund	\$ 1,012,553
Debt Service Fund	1,363,824 <sup>(a)</sup>
Fire Station Construction Reserve	1,784,044
<b>Total</b>	<b>\$ 4,160,421</b>

<sup>(a)</sup> Includes additional February 2010 deposits totaling \$384,700

**TAXABLE ASSESSED VALUATION FOR TAX YEARS 2005-2009 <sup>(a)</sup>**

**TABLE 9**

Tax Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent (%)
2005	\$ 744,193,000	35,623,000	5.03%
2006	811,214,000	67,021,000	9.01%
2007	912,618,000	101,404,000	12.50%
2008	960,911,000	48,293,000	5.29%
2009	1,023,493,111 (Estimated)	62,582,111	6.51%

<sup>(a)</sup> Historical comparison information for Tax Years 2005-2008 represents the combined totals from two separate entities (Trophy Club MUD NO. 1 and Trophy Club MUD NO. 2)

Sources: Denton Central Appraisal District, Tarrant Appraisal District and Issuer's 2009 Audited Financial Statements (Supplemental Information)

Note: Assessed Valuations may change during the year due to various supplements and protests, and valuations on a later date or in other tables of this Official Statement may not match those shown on this table



## CLASSIFICATION OF ASSESSED VALUATION

TABLE 10

Category	2009	% of Total	2008	% of Total	2007	% of Total	2006	% of Total	2005	% of Total
Land <sup>(a)</sup>	\$ -	0.00%	\$ 186,574,000	18.75%	\$ 213,640,000	22.56%	\$ 193,906,000	23.06%	\$ 166,046,000	22.06%
Land - Homesite	188,045,683	17.48%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Land - Non Homesite	271,608,898	25.24%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Land - Agricultural	3,998,666	0.37%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Improvements <sup>(a)</sup>	-	0.00%	737,273,000	74.10%	638,560,000	67.43%	581,667,000	69.18%	518,213,000	68.85%
Improvements - Homesite	505,293,510	46.96%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Improvements - Non Homesite	26,769,054	2.49%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Personal Property <sup>(a)</sup>	70,157,777	6.52%	71,091,000	7.15%	94,823,000	10.01%	65,248,000	7.76%	68,356,000	9.08%
Mineral Property	10,174,220	0.95%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
<b>Total Appraised Value</b>	<b>\$ 1,076,047,808</b>	<b>100.00%</b>	<b>\$ 994,938,000</b>	<b>100.00%</b>	<b>\$ 947,023,000</b>	<b>100.00%</b>	<b>\$ 840,821,000</b>	<b>100.00%</b>	<b>\$ 752,615,000</b>	<b>100.00%</b>
<b>Less Exemptions:</b>										
Exemptions <sup>(a)</sup>	\$ -		\$ 34,027,000		\$ 34,405,000		\$ 29,607,000		\$ 8,422,000	
Optional Over-65	11,972,353		-		-		-		-	
Disabled and Deceased Veterans'	1,287,007		-		-		-		-	
Agricultural Productivity Loss	3,990,915		-		-		-		-	
Freeport	58,351		-		-		-		-	
Homestead Cap Adjustment	2,957,045		-		-		-		-	
Total Exempt Property	22,740,838		-		-		-		-	
Partial Exempt Property	7,208		-		-		-		-	
<b>Total Exemptions</b>	<b>\$ 43,013,717</b>		<b>\$ 34,027,000</b>		<b>\$ 34,405,000</b>		<b>\$ 29,607,000</b>		<b>\$ 8,422,000</b>	
<b>Certified Net Taxable Assessed Valuation</b>	<b>\$ 1,033,034,091 <sup>(a)</sup></b>		<b>\$ 960,911,000</b>		<b>\$ 912,618,000</b>		<b>\$ 811,214,000</b>		<b>\$ 744,193,000</b>	
<b>Less: Estimated Supplemental Adjustments</b>										
	<b>\$ (9,540,980)</b>									
<b>Estimated Net Taxable Assessed Valuation</b>	<b>\$ 1,023,493,111</b>									

<sup>(a)</sup> Historical comparison information for Tax Years 2005-2008 represents the combined totals from two separate entities ( Trophy Club MUD No. 1 and Trophy Club MUD No. 2) and detailed information for Land, Improvements and Exemptions is not available

<sup>(b)</sup> Includes taxable value of \$17,256,702 for incomplete accounts and accounts under ARB Review.

Source: Denton Central Appraisal District, Tarrant Appraisal District and Issuer's 2009 Audited Basic Financial Statements (Supplemental Information)

Note: Assessed Valuations may change during the year due to various supplements and protests, and valuations on a later date or in other tables of this Official Statement may not match those shown on this table

PRINCIPAL TAXPAYERS 2009-2010

TABLE 11

Name	Type of Property	2009 Net Taxable	% of Total 2009
		Assessed Valuation	Assessed Valuation
Maguire Thomas Partners ETAL	Commercial Office Complex	\$129,644,096	12.67%
Maguire Partners	Commercial Office Complex	41,078,939	4.01%
CNL RETMT CRSI Trophy Club Texas LP	Medical Plaza / Hospital	20,300,000	1.98%
Citigroup Technology Inc.	Computer-Related Services	14,804,220	1.45%
Regency Centers LP	Retail Grocery	12,792,824	1.25%
4663 Okechobee Blvd. & Palm Beach Holdings	Commercial Office Complex	6,524,588	0.64%
Levi Strauss & Company	Commercial Office	6,224,386	0.61%
Trophy Club Medical Center	Healthcare Services	6,070,692	0.59%
Red Oak Gas Operating Co. LP	Natural Gas Wells / Mineral Exploration	6,014,100	0.59%
Clubcorp Golf Texas LP P/S	Golf Course Management	5,400,864	0.53%
BDMM Development LLC	Real Estate Development	5,276,198	0.52%
<b>Total</b>		<b>\$254,130,907</b>	<b>24.31%</b>

Based on a 2009 Estimated Net Taxable Assessed Valuation of \$ 1,023,493,111 <sup>(a)</sup>

<sup>(a)</sup> Excludes taxable values for incomplete accounts and accounts under ARB Review and some estimated supplemental adjustments  
Source: Texas Municipal Report published by the Municipal Advisory Council of Texas and the Denton Central Appraisal District.

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

TABLE 12

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% Collections		Fiscal Year Ended
				Current	Total	
2005	\$ 744,193,000	\$ 0.280000	\$ 2,271,746	98.04%	98.04%	9-30-06
2006	811,214,000	0.280000	2,191,536	100.62%	100.62%	9-30-07
2007	912,618,000	0.230000	2,234,909	100.36%	100.36%	9-30-08
2008	960,911,000	0.244615	2,380,679	98.94%	99.58%	9-30-09
2009	1,023,493,111 (Estimated)	0.205000	2,098,161	87.47% <sup>(c)</sup>	87.47% <sup>(c)</sup>	9-30-10

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

<sup>(b)</sup> Historical comparison information for Tax Years 2005-2008 represents the combined totals from two separate entities (Trophy Club MUD NO. 1 and Trophy Club MUD NO. 2).

<sup>(c)</sup> Current year collections as of January 31, 2010.

Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, the Denton Central Appraisal District and the Issuer

Note: Assessed Valuations may change during the year due to various supplements and protests, and valuations on a later date or in other tables of this Official Statement may not match those shown on this table.

TAX RATE DISTRIBUTION <sup>(a)</sup>

TABLE 13

	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Operations	\$0.027140	\$0.014040	\$0.010200	\$0.030900	\$0.030900	\$0.060000
Fire Protection	0.109140	0.116020	0.120900	0.102700	0.146400	0.107600
Debt Service	0.068720	0.114555	0.098900	0.146400	0.102700	0.112400
<b>TOTAL</b>	<b>\$ 0.205000</b>	<b>\$ 0.244615</b>	<b>\$ 0.230000</b>	<b>\$ 0.280000</b>	<b>\$ 0.280000</b>	<b>\$ 0.280000</b>

<sup>(a)</sup> Historical comparison information for Tax Years 2005-2008 represents the combined totals from two separate entities (Trophy Club MUD No. 1 and Trophy Club MUD No. 2).

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

**DIRECT AND OVERLAPPING DEBT DATA INFORMATION**
**TABLE 14**

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the District and the estimated percentages and amounts of such indebtedness attributable to property within the District. This information is based upon data secured from the individual jurisdictions and/or the Texas Municipal Reports published by the Texas Municipal Advisory Council. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the date stated, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

<u>Taxing Body</u>	<u>As of</u>	<u>Gross Debt Principal</u>	<u>% Overlapping</u>	<u>Amount Overlapping</u>
Carroll Independent School District	02-01-10	\$ 194,305,512	3.16%	\$ 6,140,054
Denton County	02-01-10	374,335,734	1.16%	4,342,295
Northwest Independent School District	02-01-10	515,730,159	6.78%	34,966,505
Tarrant County	02-01-10	322,210,000	0.18%	579,978
Tarrant County College District	02-01-10	42,785,000	0.18%	77,013
Tarrant County Hospital District	02-01-10	28,810,000	0.18%	51,858
Town of Trophy Club	02-01-10	8,722,000	94.53%	8,244,907
Westlake, Town of	02-01-10	21,525,000 <sup>(a)</sup>	21.16%	4,554,690
Total Net Overlapping Debt		\$ 1,508,423,405		\$ 58,957,299
Trophy Club MUD No. 1	02-01-10	9,290,000 <sup>(b)</sup>	100.00%	9,290,000 <sup>(b)</sup>
Total Gross Direct Principal and Overlapping Debt		\$ 1,517,713,405		\$ 68,247,299 <sup>(b)</sup>
Ratio of Direct and Overlapping Debt to 2009 Estimated Net Taxable Assessed Valuation				6.67%
Ratio of Direct and Overlapping Debt to 2009 Market Value				6.34%
Per Capita Direct and Overlapping Debt				\$9,172

<sup>(a)</sup> Includes \$560,000 Tax Notes, Series 2010 sold as a Private Placement to be delivered on March 9, 2010.

<sup>(b)</sup> Includes the Bonds.

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

**ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES**
**TABLE 15**

<u>Governmental Entity</u>	<u>2009 Net Taxable Assessed Valuation</u>	<u>% of Actual</u>	<u>2009 Tax Rate</u>
Carroll Independent School District	\$ 5,340,419,857	100%	\$ 1.41500
Denton County	53,341,773,091	100%	0.24980
Northwest Independent School District	10,381,883,214	100%	1.35500
Tarrant County	121,465,013,127	100%	0.26400
Tarrant County College District	122,129,756,706	100%	0.13770
Tarrant County Hospital District	121,565,707,495	100%	0.22790
Town of Trophy Club	668,728,455	100%	0.47000
Westlake, Town of	920,264,010	The Town of Westlake does not levy a property tax.	

Source: Most recent Texas Municipal Reports published by The Municipal Advisory Council of Texas and Denton and Tarrant County Appraisal Districts

**AUTHORIZED BUT UNISSUED DIRECT GENERAL OBLIGATION BONDS**

**TABLE 16**

<u>Taxing Body</u>	<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued To Date</u>	<u>This Issue</u>	<u>Unissued</u>
Trophy Club MUD No. 1	10-07-75	Water & Sewer	\$ 12,344,217	\$ 11,115,000	\$ -	\$ 1,229,217
	04-04-81	Water & Sewer	5,800,000	3,760,000	-	2,040,000
	10-29-88	Water & Sewer	2,500,000	-	-	2,500,000
	05-10-08	Fire Station	2,000,000	-	2,000,000	-
			<u>\$ 22,644,217</u>	<u>\$ 14,875,000</u>	<u>\$ 2,000,000</u>	<u>\$ 5,769,217</u>

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

**TABLE 17**

<u>Taxing Body</u>	<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued To Date</u>	<u>Unissued</u>
Carroll ISD	05-09-09	School Buildings	\$ 114,100,000	\$ 56,600,000	\$ 57,500,000
	05-09-09	School Buildings	19,300,000	6,000,000	13,300,000
	05-09-09	School Buildings	4,600,000	2,400,000	2,200,000
			<u>\$ 138,000,000</u>	<u>\$ 65,000,000</u>	<u>\$ 73,000,000</u>
Denton County	01-16-99	Road	\$ 85,320,000	\$ 77,629,375	\$ 7,690,625
	05-15-04	Road	186,970,000	131,465,000	55,505,000
	05-15-04	Equipment	2,000,000	-	2,000,000
	11-04-08	Road	310,000,000	41,820,000	268,180,000
	11-04-08	County Buildings	185,000,000	47,455,000	137,545,000
			<u>\$ 769,290,000</u>	<u>\$298,369,375</u>	<u>\$ 470,920,625</u>
Northwest I S D	05-10-08	School Buildings	\$ 260,000,000	\$ 65,000,000	\$ 195,000,000
Tarrant County	04-04-87	Courthouse Improv.	\$ 47,000,000	\$ 46,500,000	\$ 500,000 <sup>(a)</sup>
	08-08-98	Law Enforcement Ctr	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	Road & Bridge	200,000,000	96,000,000	104,000,000
	05-13-06	County Buildings	62,300,000	16,000,000	46,300,000
	05-13-06	Juvenile Deten. Ctr.	36,320,000	4,200,000	32,120,000
			<u>\$ 425,320,000</u>	<u>\$226,800,000</u>	<u>\$ 198,520,000</u>
Tarrant Co. College Dist	None				
Tarrant Co. Hospital Dis	None				
Trophy Club, Town of	11-16-09	Parks & Recreation	\$ 5,000,000	\$ -	\$ 5,000,000
Westlake, Town of	None				

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

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

**GENERAL FUND COMPARATIVE SCHEDULES OF  
REVENUES AND EXPENDITURES**

**TABLE 18**

	Fiscal Year Ended September 30				
	2009	2008	2007	2006	2005
<b>Revenue and Other Financing Sources:</b>					
Ad Valorem Property Taxes	\$ 1,283,705	\$ 1,002,608	\$ 909,495	\$ 1,038,439	\$ 894,343
Water & Wastewater Charges	3,721,868	3,678,859	3,151,144	4,005,608	3,355,439
Utility Fees	515,200	-	-	-	-
Inspection and Tap Fees	4,975	22,550	32,900	42,725	79,625
Interest Earned	20,755	69,447	106,168	57,329	21,840
Capital Proceeds/Contractual Obligations	330,000	49,432	-	165,000	-
Miscellaneous and Other	199,780	116,295	131,124	71,151	45,937
<b>Total Revenues and Other Financing Sources:</b>	<b>\$ 6,076,283</b>	<b>\$ 4,939,191</b>	<b>\$ 4,330,831</b>	<b>\$ 5,380,252</b>	<b>\$ 4,397,184</b>
<b>Expenditures and Other Financing Uses:</b>					
Administrative	\$ 1,297,613	\$ 905,052	\$ 835,590	\$ 769,646	\$ 806,272
Water Operations	1,811,385	1,934,792	1,638,294	1,916,008	1,632,987
Wastewater Operations	999,388	500,224	480,798	469,292	468,513
Wastewater Collection System	294,869	409,948	402,482	673,422	328,419
Information Systems	175,698	187,908	124,987	60,557	55,476
Contribution to Trophy Club Fire Dept.	783,736	902,353	725,764	724,738	579,873
Contribution to Joint Venture	-	-	-	-	95,000
Capital Outlay	-	29,379	442,782	31,381	26,678
Miscellaneous	383,009	45,457	135,121	67,054	200,454
<b>Total Expenditures and Other Financing Uses:</b>	<b>\$ 5,745,898</b>	<b>\$ 4,915,113</b>	<b>\$ 4,785,818</b>	<b>\$ 4,712,098</b>	<b>\$ 4,193,672</b>
<b>Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>\$ 330,385</b>	<b>\$ 24,078</b>	<b>\$ (454,987)</b>	<b>\$ 668,154</b>	<b>\$ 203,512</b>
<b>Beginning Fund Balance - October 1 (Restated) (Restated)</b>	<b>2,501,593</b>	<b>2,477,515</b>	<b>2,932,502</b>	<b>2,264,348</b>	<b>2,060,836</b>
<b>Ending Fund Balance - September 30</b>	<b>\$ 2,832,178</b>	<b>\$ 2,501,593</b>	<b>\$ 2,477,515</b>	<b>\$ 2,932,502</b>	<b>\$ 2,264,348</b>
<b>Total Active Retail Connections</b>					
Water and/or Wastewater Connections	3,161	3,092	2,827	2,799	2,794

*NOTE: Historical comparison information for Fiscal Years 2006-2009 represents the combined totals from two separate entities (Trophy Club MUD No. 1 and Trophy Club MUD No. 2)*

*N/A = Not Available*

*Source: The Issuer's 2009 Audited Financial Statements*

**DEBT SERVICE FUND COMPARATIVE SCHEDULES OF  
REVENUES AND EXPENDITURES**

**TABLE 19**

	Fiscal Year Ended September 30				
	2009	2008	2007	2006	2005
<b>Revenue and Other Financing Sources:</b>					
Ad Valorem Property Taxes	\$ 1,100,081	\$ 1,302,763	\$ 1,325,143	\$ 1,309,781	\$ 1,357,464
Penalties and Interest	122,225	-	-	-	4,558
Transfers In	383,009	-	-	-	4,558
Interest Earned	4,105	23,326	43,456	32,279	18,724
Miscellaneous and Other	-	29,379	29,379	41,210	11,831
<b>Total Revenues and Other Financing Sources:</b>	<b>\$ 1,499,420</b>	<b>\$ 1,355,468</b>	<b>\$ 1,397,978</b>	<b>\$ 1,383,270</b>	<b>\$ 1,397,135</b>
<b>Expenditures and Other Financing Uses:</b>					
Principal Retirement	\$ 1,025,000	\$ 975,000	\$ 945,000	\$ 636,635	\$ 752,795
Interest and Fiscal Charges	352,195	390,565	425,838	728,740	806,970
<b>Total Expenditures and Other Financing Uses:</b>	<b>\$ 1,377,195</b>	<b>\$ 1,365,565</b>	<b>\$ 1,370,838</b>	<b>\$ 1,365,375</b>	<b>\$ 1,559,765</b>
<b>Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>\$ 122,225</b>	<b>\$ (10,097)</b>	<b>\$ 27,140</b>	<b>\$ 17,895</b>	<b>\$ (162,630)</b>
<b>Beginning Fund Balance - October 1 (Restated) (Restated)</b>	<b>117,209</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Ending Fund Balance - September 30</b>	<b>\$ 239,434</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

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**APPENDIX B**

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



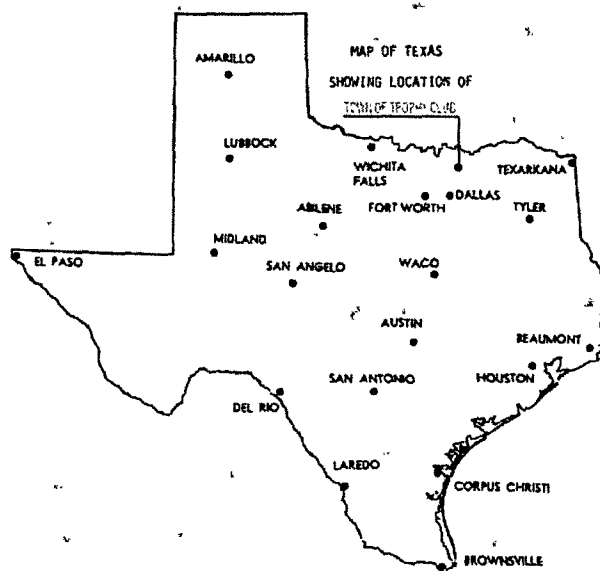
# **GENERAL INFORMATION REGARDING THE TOWN OF TROPHY CLUB AND DENTON COUNTY, TEXAS**

## **TOWN OF TROPHY CLUB**

### **General**

The Town of Trophy Club (the "Town"), incorporated in January of 1985 is Texas's first premiere planned residential and country-club community. The Town is located in the southern portion of the Denton County (the "County") on State Highway 114 approximately 8 miles west of the City of Grapevine, 17 miles south of the City of Denton and 14 miles northwest of the Dallas-Fort Worth International Airport. Lake Grapevine is located approximately 2 miles north and east of the Town. The majority of property within the Town consists of single-family and multi-family housing. The Solana Business Complex is located adjacent to the Town's eastern border in the cities of Westlake and Southlake. Both residents and businesses of the Town are furnished water and wastewater treatment from Trophy Club Municipal Utility District No. 1. The Town's 2000 Census was 6,350, which is a 61.9% increase over the 1990 Census. The Town's 2009 population estimate is 8,211.

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



### **Population**

<u>Year</u>	<u>Town of Trophy Club</u>	<u>Denton County</u>
2009 Estimate	8,211	628,300
2000 Census	6,350	423,976
1990 Census	3,922	273,525
1980 Census	N/A	143,126

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



**Leading Employers in the District:**

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees (2009)</u>
Maguire Partners	Commercial Office Complex	3,531
Northwest Independent School District	Public School District	267
Trophy Club Country Club	Country Club	100
Trophy Club Country Club	Country Club and Golf Course	99
Tom Thumb	Retail Grocery	90
Town of Trophy Club & Trophy Club MUD #1	Municipal Governmental Entities	87
Ivy Glen	Daycare	31
Blockbuster	Video Rental / Sales	12
Bank of America	Financial Institution	7
Texas National Bank	Financial Institution	6
Quizno's	Delicatessen	4
Beck Properties/Centurion	Real Estate Development	4

*Source: Information from the Issuer*

**Education**

The Town is served by the Northwest Independent School District (the "School District" or "Northwest ISD"). Northwest ISD covers approximately 232 square miles in Denton, Wise and Tarrant Counties. In addition to serving the Town, the School District also serves the communities of Aurora, Fairview, Haslet, Justin, Newark, Northlake, Rhome, Roanoke and portions of Flower Mound, Fort Worth, Keller, Southlake and Westlake. Northwest ISD is comprised of 14 primary schools for grades pre-kindergarten through fifth, 3 middle schools for grades sixth through eighth, 2 high schools for grades ninth through twelfth, and two alternative education campuses for grades seventh through twelfth. One of the high schools, Byron Nelson High School, is located in the Town of Trophy Club. It opened in August 2009 with ninth and tenth grades. Eleventh grade will be added in August 2010, and twelfth grade will attend Byron Nelson High School in August 2011. All campuses offer enriched curricula with special programs for gifted/talented students as well as students achieving below grade level, and all are equipped with computers and full cafeteria service. The School District serves a 2009-2010 estimated enrollment of 14,096 students (as of February 1, 2010).

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

**DENTON COUNTY****General**

Denton County (the "County") is located in north central Texas. The County was created in 1846. It is the eighth most populous county in the state occupying a land area of 911 square miles. The population of the County has grown by nearly 41% since the 2000 census. The County seat is the City of Denton.

The economy is diversified by manufacturing, state supported institutions, and agriculture. The Texas Almanac designates cattle, horses, poultry, hay and wheat as the principal sources of agricultural income. Minerals produced in Denton County include natural gas and clay. There were 212.6 billion cubic feet of natural gas recovered in 2008, making it the 8th largest gas producing county in the state.

Institutions of higher education include University of North Texas and Texas Woman's University with a combined 2009 fall enrollment of over 64,000.

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

Alliance Airport, the largest industrial airport in the world is located in the county and continues to attract new transportation, distribution, and manufacturing tenants. The Texas Motor Speedway, a major NASCAR race track, was completed in 1997 and has had a positive impact on employment and recreational spending for the area. A major Wal-Mart distribution center located in Sanger is adding to the growth of the northern portion of the County. Robson Development is constructing one of the nation's largest new communities for retired citizens in the southern portion of the County.

*Source: Texas Municipal Report and information from the County.*

### Major Employers in Denton County

Employer	Principal Line of Business	Number of Employees
University of North Texas	Education	7,100
Lewisville Independent School District	Education	4,500
Frito Lay Co	Distribution Center	2,436
American Airlines	Airline	2,350
Texas Women's University	Education	2,200
Denton Independent School District	Education	2,000
Horizon Health	Healthcare	1,500
Denton State School	MHMR Facility	1,473
Xerox Corporation	Office Equipment	1,400
Denton County	County Government	1,227
City of Denton	Municipality	1,200
Federal Express	Mail Center	863
Denton Reg. Medical Center	Medical Center	850
Wal-Mart Distribution Center	Distribution Center	800
Medical Center of Lewisville	Health Care	769
FEMA	Emergency Management	750

Source: Denton County Economic Development

### Labor Force Statistics

	Denton County	
	December 2009	December 2008
Civilian Labor Force	351,583	338,134
Total Employed	325,993	320,416
Total Unemployed	25,590	17,718
% Unemployed	7.3%	5.2%
% Unemployed (Texas)	8.0%	5.7%
% Unemployed (United States)	9.7%	7.1%

Source: Texas Workforce Commission, Labor Market Information Department.

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**APPENDIX C**

**FORM OF LEGAL OPINION OF BOND COUNSEL**



**Proposed Form of Opinion of Bond Counsel**

*An opinion in substantially the following form will be delivered by  
McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds,  
assuming no material changes in facts or law.*

[DATE OF DELIVERY]

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1  
UNLIMITED TAX BONDS, SERIES 2010, DATED APRIL 1, 2010  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$2,000,000**

**AS BOND COUNSEL FOR TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1** (the "District") issuer of the Bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Bonds. Terms used herein and not otherwise defined shall have the meaning given in the Order of the District authorizing the issuance and sale of the Bonds (the "Order").

**WE HAVE EXAMINED** the Constitution and laws of the State of Texas, and other documents authorizing and relating to the issuance of said Bonds, including one of the executed Bonds (Bond Number T-1), and specimens of Bonds to be authenticated and delivered in exchange for the Bonds.

**BASED ON SAID EXAMINATION, IT IS OUR OPINION THAT** the Bonds have been authorized and issued and the Bonds delivered concurrently with this opinion have been duly delivered, and that, assuming due authentication, Bonds issued in exchange therefor will have been duly delivered, in accordance with law, and that said Bonds, except as may be limited by laws applicable to the District relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the District, payable from ad valorem taxes to be levied and collected by the District upon taxable property within the District, which taxes the District has covenanted to levy in an amount sufficient to pay the interest on and the principal of the Bonds. Such covenant to levy taxes is subject to the right of a city, under existing Texas law, to annex all of the territory within the District; to take over all properties and assets of the District; to assume all debts, liabilities, and obligations of the District, including the Bonds; and to abolish the District or if the District consolidates with another District.

**IT IS FURTHER OUR OPINION THAT**, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Bonds (i) is excludable from the gross income of the owners thereof and (ii) is not includable in an owner's alternative minimum taxable income under section 55 of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

**EXCEPT AS STATED ABOVE**, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds.

**OUR OPINIONS ARE BASED ON EXISTING LAW**, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our

opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

**WE EXPRESS NO OPINION** as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

**OUR SOLE ENGAGEMENT** in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

#### **APPENDIX D**

#### **EXCERPTS FROM THE DISTRICT'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

(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.)







## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Trophy Club Municipal Utility District No. 1  
Trophy Club, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of the Trophy Club Municipal Utility District No. 1, (the District), as of and for the year ended September 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Trophy Club Municipal Utility District No. 1 as of September 30, 2009, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and budgetary comparison information on pages 3 through 10 and 32 through 33, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have issued a report dated January 25, 2010 on our consideration of the District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Trophy Club Municipal Utility District No. 1  
January 25, 2010

Page 2

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Trophy Club Municipal Utility District No. 1's basic financial statements. The accompanying individual schedules and other supplementary information listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying individual schedules and other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
January 25, 2010

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2009**

Trophy Club Municipal Utility District No. 1, Texas (the District) Management's Discussion and Analysis (MD&A), is a narrative overview and analysis designed to provide the reader a means to identify and understand the financial activity of the District and changes in the District's financial position during the fiscal year ended September 30, 2009.

The Management's Discussion and Analysis is supplemental to, and should be considered along with the District's financial statements.

**Financial Highlights**

As a result of the May 9, 2009 election, voters approved the consolidation of Trophy Club Municipal District No. 1 (MUD 1) and Trophy Club Municipal District No. 2 (MUD 2). The consolidation also incorporated and dissolved the Trophy Club Master District Joint Venture, which was a joint venture of the two municipal utility districts' water and wastewater operations. While each of the three entities budgeted and reported financial information independently previous to the election results, state law required that the consolidation be completed within 90 days of the election. As of August 1, 2009, all budgets and financial data for the three entities were combined as Trophy Club Municipal Utility District Number 1. All contracts, debt instruments, and official documents of the three entities were revised and/or reauthorized to be that of the consolidated Trophy Club Municipal Utility District Number 1.

At the close of the fiscal year, the assets of the consolidated District exceeded its liabilities by \$9,017,058. Of this amount, \$1,982,083 is unrestricted net assets and may be used to meet the District's ongoing commitments to its citizens and creditors.

The District's consolidated net assets increased by \$910,336 as a result of operations.

At the end of the fiscal year, the District's consolidated governmental funds reported a combined fund balance of \$3,071,612.

For the year ended September 30, 2009, the unreserved fund balance for the General Fund was \$2,829,068, which is 53% of the total expenditures for the General Fund for fiscal year 2009.

The governmental long-term consolidated liabilities of the District decreased by \$828,252.

**Overview of the Financial Statements**

The MD&A is intended to introduce the reader to the District's basic financial statements, which are comprised of three components: 1. Government Wide Financial Statements, 2. Fund Financial Statements, and 3. Notes to those Financial Statements. The report also contains other required supplementary information in addition to the basic financial statements.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2009**

**Overview of the Financial Statements – Continued**

Government Wide Financial Statements – the government wide financial statements are designed to provide the reader with a general overview of the District's finances in a way that is comparable with financial statements from the private sector. The government wide financial statements consist of two statements:

1. The Statement of Net Assets – (Page 11) this statement presents information on all of the District's consolidated assets and liabilities; the difference between the two is reported as net assets. Over an extended period, the increase or decrease in net assets will serve as a good indicator of whether the financial position of the District is improving or deteriorating.
2. The Statement of Activities – (Page 12) gives information showing how the District's consolidated net assets have changed during the fiscal year. All revenues and expenses are reported on the full accrual basis so certain revenue and expense items will result in cash flows in future fiscal periods (such as uncollected taxes or unused vacation leave).

**Note: the government wide financial statements are found on pages 11 and 12 of this report.**

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been set aside for specific activities or objectives. Fund financial statements provide detailed information about the most important funds and not about the District as a whole as in the government-wide financial statements.

The District uses fund accounting to demonstrate compliance with finance related legal requirements which can be categorized as governmental fund activities.

Governmental Funds – All of the District's activities are reported in governmental funds. They are used to account for those functions known as governmental activities. But unlike government – wide financial statements, governmental fund financial statements focus on how monies flow into and out of those funds and their resulting balances at the end of the fiscal year. Statements of governmental funds provide a detailed short-term view of the District's general government operations and the basic services it provides. Such information can be useful in evaluating a government's short-term financing requirements.

The District maintains two 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 and the Debt Service Funds, both of which are considered to be major funds.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2009**

**Overview of the Financial Statements – Continued**

The District adopts annual appropriated budgets for the general fund, and debt service funds. A budgetary comparison statement is provided for each annually budgeted fund to demonstrate compliance with its budget.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-31.

**Government-wide Financial Analysis**

The management discussion and analysis highlights the information provided in both the Statement of Net Assets and Statement of Activities in the government-wide financial statements. It may serve over an extended period of time, as a useful indicator of the District's financial position. At the end of the fiscal year, the District's assets exceeded liabilities by \$9,017,058. Of this amount \$6,791,050 (75.3%) reflects the District's investment in capital assets (e.g., land, buildings, machinery and equipment, net of accumulated depreciation), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide service to the community; therefore these assets are not available for future spending.

Table 1  
Condensed Statement of Net Assets

	Governmental Activities 2009	Governmental Activities 2008
Current and other	\$ 3,922,519	\$ 3,412,180
Capital assets	14,018,127	14,000,337
<b>Total Assets</b>	<b>17,940,646</b>	<b>17,412,517</b>
Long-term liabilities	8,194,694	9,022,946
Other liabilities	728,894	681,712
<b>Total Liabilities</b>	<b>8,923,588</b>	<b>9,704,658</b>
<b>Net Assets</b>		
Invested in capital		
Net of related debt	6,791,050	6,390,163
Restricted	243,925	115,353
Unrestricted	1,982,083	1,202,343
<b>Total Net Assets</b>	<b>\$ 9,017,058</b>	<b>\$ 7,707,859</b>

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2009**

**Government-wide Financial Analysis - Continued**

District operational analysis – The following table provides a summary analysis of the District's consolidated operations for the fiscal year ended September 30, 2009. Governmental activities have increased the District's net assets by \$1,309,199 which amounts to a 17.0% increase in net assets for the year.

**Changes in net assets**

Table 2  
Changes in Net Assets

	Governmental Activities 2009	Governmental Activities 2008
Revenue:		
Program revenue		
Charges for services	\$ 4,242,862	\$ 3,901,575
Operating Grants and Contributions	33,653	
General Revenue		
Ad valorem taxes	2,405,928	2,299,886
Unrestricted investment earnings	24,860	92,773
Miscellaneous	165,308	115,539
Intergovernmental revenue		569,379
Total Revenue	<u>6,872,611</u>	<u>6,979,152</u>
Expenses:		
General government	4,448,268	4,190,448
Fire	770,108	902,353
Interest and fiscal charges	345,036	400,962
Total Expenses	<u>5,563,412</u>	<u>5,493,763</u>
Increase in net assets	<u>\$ 1,309,199</u>	<u>\$ 1,485,389</u>

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2009**

**Financial analysis of the District's funds**

Governmental Funds - the main focus of the District's governmental funds is to provide information on the consolidated flow of monies to and from the funds, and to note the consolidated unreserved fund balance, which is a good indicator of resources available for spending in the near term. The information derived from these funds is highly useful in assessing the District's financial requirements. The consolidated unreserved fund balance may serve as a useful measure of the government's net resources available for use at the fiscal year end.

At the end of the fiscal year, the District's consolidated governmental funds reported combined ending fund balances of \$3,071,612, of which 92.1%, or \$2,829,068, is unreserved and available to the District for future spending. \$3,110 is reserved for prepaid items. The remaining fund balance is not available for spending and is committed to pay debt service.

**General fund budgetary highlights**

**Revenue: Revenues were \$319,766 less than budgeted**

- Water and wastewater charges were \$452,954 (10.85%) less than budgeted. The budget was based on estimated growth in new housing similar to the rate in the prior fiscal year. Actual housing starts were much less than anticipated.
- Utility fees were \$170,200 more than budgeted (49.3%).

**Expenses: Expenses were \$290,946 less than budgeted**

- Salary savings compared to budget during the fiscal year were \$38,319.
- Bulk water purchases related to water sales were \$24,851, less than budgeted due to unusually cool weather with a high incidence of rain.
- Electricity costs were \$10,823 less than budget due to successful negotiations for reduced electric rates.
- Budgeted maintenance costs were \$57,705 under budget for the fiscal year.
- Fire department vacancies provided salary savings of \$23,125 under budget.
- Other Fire Department operational savings in training, travel, fuel, and insurance costs provided an additional \$45,225 in budget savings during the fiscal year.

**Debt Service:**

- The debt service revenue was \$ 6,763 more than budgeted. The debt service expenses were \$1 less than budget.



**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2009**

**Debt Service – Continued**

- Transfers from operations were \$ 225,461 more than budgeted. The additional transfers were made in order to establish an ending fund balance adequate to provide a 110% debt coverage ratio at the end of the subsequent fiscal year.
- The debt service reserves were increased from \$117,209 to \$239,434.

**Overall:**

- The District's revenue and other financing sources totaled \$7,192,694 on expenses of \$6,739,884.
- The total fund balance increased from \$2,618,802 to \$3,071,612; an increase of \$452,810 or 17.3% in reserves.

**Capital asset and debt administration.**

The District's consolidated investments of capital assets for its governmental activities as of September 30, 2009 amounted to \$14,018,127 net of accumulated depreciation. This represents a broad range of capital assets including, but not limited to land, buildings, improvements, machinery and equipment, vehicles, and water, wastewater treatment, and wastewater collection systems, as well as, organization costs.

Table 3  
Capital Assets at Year-end  
Net of Accumulated Depreciation

	Governmental Activities 2009	Governmental Activities 2008
Land	\$ 248,093	\$ 248,093
Buildings	357,877	389,290
Improvements other than buildings	103,796	115,326
Machinery and equipment	854,109	435,298
Vehicles	533,633	617,476
Water system	5,338,964	5,104,126
Wastewater treatment system	4,082,727	4,653,503
Wastewater collection system	2,101,115	2,195,861
Organization costs	397,813	480,341
Construction in Progress	-	159,886
Total	<u>\$ 14,018,127</u>	<u>\$ 14,399,200</u>

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2009**

**Capital asset and debt administration – Continued**

The major additions to capital assets for the fiscal year included a \$417,490 disk filter system.

Consolidated capital assets net of depreciation at year end: \$14,018,127

Additional information about capital assets may be found in Notes 1 F and 5 in the notes to financial statements.

**Debt administration**

Long-Term Debt – at the end of the current fiscal year the consolidated District had \$8,194,694 in general obligation bonds, contractual obligation bonds, notes payable, capital lease obligations, and accrued compensated absences, a decrease of 9.2% from the previous fiscal year. Of this amount, \$8,091,522 is backed by the full faith and credit of the government.

**General debt currently outstanding**

Table 4  
Outstanding Debt at Year-end

	Governmental Activities 2009	Governmental Activities 2008
General obligation bonds	\$ 7,338,272	\$ 8,366,802
Contract obligations	753,250	514,000
Notes payable	17,895	19,649
Capital lease obligations	62,660	105,546
Compensated absences	22,617	16,949
Total	<u>\$ 8,194,694</u>	<u>\$ 9,022,946</u>

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2009**

**Economic factors and next year's budgets and rates:**

**General fund fiscal 2010 budgetary highlights**

**Revenue: Operational revenue budget decreased by \$983,701 from fiscal 2009.**

- Property tax revenue budget increased by \$145,668 due to increased valuations.
- Utility fees revenue decreased \$345,000 due to the reallocation of those fees to the Debt Service Fund.
- Water and wastewater revenue budget decreased by \$94,084 due to reduced estimates on new housing starts.
- Loan proceeds budget related to capital purchases decreased by \$707,750.
- Interest revenue decreased by \$12,896 as a result of lower fund balances and interest rates.

**Expenses: Operational expense budget increased by \$206,728 from fiscal 2009.**

- The majority of the budget increase is related to \$332,660 in bulk water purchases related to increased rates and anticipated growth.
  - Payroll increases related to anticipated raises and insurance costs are \$97,765.
- The remainder of the budget lines in operating expenses remained basically the same.

**Overall:**

The consolidated District's operational budget is anticipated to have expenses of \$5,860,363 on revenues of \$5,860,363 resulting in no anticipated excess or deficit.

**Debt Service:**

- Budgeted debt service revenues have increased from \$1,267,196 in fiscal 2009 to \$1,367,310 in fiscal 2010, an increase of \$100,114, or a 7.9% increase.
- Debt service appropriations decreased from \$1,377,196 to \$1,367,310 as a result of normal annual variances in bond payments.

The consolidated District's overall budget for revenue decreased from \$8,058,495 in fiscal 2009 to \$7,227,673 in fiscal 2010 a 10.3% decrease. The overall appropriations increased from \$7,213,378 to \$7,227,673 a 0.2% increase.

**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, Director of Finance, 100 Municipal Drive, Trophy Club, Texas 76262.

## **BASIC FINANCIAL STATEMENTS**

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2009**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,077,898
Receivables	
Accounts receivable, net	514,663
Taxes	55,711
Other	5,892
Due from other governments	37,275
Prepays	3,110
Restricted cash	135,976
Capital assets:	
Land	248,093
Buildings	506,790
Improvements other than buildings	292,801
Machinery and equipment	1,212,378
Vehicles	1,502,552
Water system	8,509,288
Wastewater treatment system	6,432,479
Wastewater collection system	4,286,723
Organization costs	2,331,300
Accumulated depreciation	(11,304,277)
Deferred charges	91,994
<b>TOTAL ASSETS</b>	<u><u>\$ 17,940,646</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 431,403
Accrued liabilities	78,677
Accrued interest payable	25,692
Due to other governments	53,095
Customer deposits	140,027
Noncurrent liabilities:	
Debt due within one year	1,324,400
Debt due in more than one year	6,870,294
<b>Total liabilities</b>	<u>8,923,588</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	6,791,050
Restricted for debt service	243,925
Unrestricted	1,982,083
<b>TOTAL NET ASSETS</b>	<u><u>\$ 9,017,058</u></u>

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

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2009**

Governmental Activities				Net (Expenses) Revenue and Changes in Net Assets
Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
General government	\$ 960,449	\$ 4,242,862	\$ -	\$ 3,282,413
Water operations	1,125,502	-	-	(1,125,502)
Wastewater operations	999,388	-	-	(999,388)
Wastewater collection system	261,869	-	-	(261,869)
Utility billing	160,719	-	-	(160,719)
Directors	31,244	-	-	(31,244)
Manager's office	463,252	-	-	(463,252)
Human resources	38,681	-	-	(38,681)
Finance	173,359	-	-	(173,359)
Facilities management	70,291	-	-	(70,291)
Information systems	163,514	-	-	(163,514)
Fire	770,108	-	33,653	(736,455)
Interest on long term debt	345,036	-	-	(345,036)
<b>Total governmental activities</b>	<b>\$ 5,563,412</b>	<b>\$ 4,242,862</b>	<b>\$ 33,653</b>	<b>(1,286,897)</b>
General Revenues:				
	Ad valorem taxes			2,405,928
	Investment income			24,860
	Miscellaneous			165,308
	<b>Total general revenues</b>			<b>2,596,096</b>
	Change in net assets			1,309,199
	Net Assets - beginning of year, as restated			7,707,859
	<b>Net Assets - end of year</b>			<b>\$ 9,017,058</b>

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

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2009**

**ASSETS**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 2,838,464	\$ 239,434	\$ 3,077,898
Receivables:			
Accounts receivables, net	514,663	-	514,663
Taxes	25,528	30,183	55,711
Other receivables	5,892	-	5,892
Due from other governments	37,275	-	37,275
Prepays	3,110	-	3,110
Restricted cash	135,976	-	135,976
<b>TOTAL ASSETS</b>	<u><u>\$ 3,560,908</u></u>	<u><u>\$ 269,617</u></u>	<u><u>\$ 3,830,525</u></u>

**LIABILITIES AND FUND BALANCES**

Liabilities			
Accounts payable	\$ 431,403	\$ -	\$ 431,403
Accrued liabilities	78,677	-	78,677
Customer deposits	140,027	-	140,027
Due to other governments	53,095	-	53,095
Deferred revenue	25,528	30,183	55,711
<b>Total liabilities</b>	<u>728,730</u>	<u>30,183</u>	<u>758,913</u>
Fund Balances			
Reserved for prepaids	3,110	-	3,110
Unreserved and undesignated, reported in:			
General fund	2,829,068	-	2,829,068
Debt service fund	-	239,434	239,434
<b>Total fund balances</b>	<u>2,832,178</u>	<u>239,434</u>	<u>3,071,612</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 3,560,908</u></u>	<u><u>\$ 269,617</u></u>	<u><u>\$ 3,830,525</u></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 ASSETS  
SEPTEMBER 30, 2009**

Total fund balances - governmental funds	\$ 3,071,612
Amounts reported for governmental activities in the statement of net assets 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.	14,018,127
Costs associated with the issuance of long-term debt are expensed when incurred in governmental funds. These costs are capitalized and amortized over the life of the debt in the government wide financial statements.	91,994
Revenue reported as deferred revenue in the governmental funds balance sheet is recognized as revenue in the government wide statement financial statements.	55,711
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.	(25,692)
Accrued vacation does not require the use of current financial resources; therefore accrued vacation is not reported as a liability in the governmental funds balance sheet.	(22,617)
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>(8,172,077)</u>
Net assets of governmental activities	<u>\$ 9,017,058</u>

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