

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2013

Governmental Activities					Net (Expenses)
		Program Revenues			Revenue and
		Charges for	Operating	Capital Grants	Changes in Net
Program Activities	Expenses	Services	Grants and	and	Assets
			Contributions	Contributions	Governmental
					Activities
Governmental Activities					
General government	\$ 1,530,396	\$ 602,776	\$ -	\$ -	\$ (927,620)
Water operations	2,773,409	3,513,485	-	165,339	905,415
Wastewater operations	985,860	1,953,886	-	109,345	1,077,371
Wastewater collection system	385,037	-	-	-	(385,037)
Non-Departmental	351,784	-	-	-	(351,784)
Directors	22,876	-	-	-	(22,876)
Fire	811,552	-	10,000	-	(801,552)
Interest on long term debt	256,272	-	-	-	(256,272)
Total governmental activities	\$ 7,117,186	\$ 6,070,147	\$ 10,000	\$ 274,684	\$ (762,355)

General Revenues:

Ad valorem taxes	1,619,051
Investment income	16,649
Miscellaneous	114,036
Total general revenues	<u>1,749,736</u>

Change in net position 987,381

Net Position - beginning of year 14,140,050

Net Position - end of year \$ 15,127,431

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2013

	ASSETS			
	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 3,606,382	\$ 17,879	\$ 330,571	\$ 3,954,832
Receivables:				
Accounts receivables, net	832,861	-	-	832,861
Taxes	16,274	11,863	-	28,137
Due from other governments	94,936	-	-	94,936
Due from other funds	37,580	-	-	37,580
Prepays	31,664	-	-	31,664
TOTAL ASSETS	\$ 4,619,697	\$ 29,742	\$ 330,571	\$ 4,980,011
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 524,522	\$ -	\$ 47,891	\$ 572,414
Accrued liabilities	40,836	-	-	40,836
Customer deposits	240,852	-	-	240,852
Due to other funds	-	-	37,580	37,580
Deferred revenue	16,274	11,863	-	28,137
Total liabilities	822,484	11,863	85,471	919,819
Fund Balances				
Non-spendable prepaids	31,664	-	-	31,664
Assigned-Budgetary deficits	456,156	-	-	456,156
Assigned-Other	313,050	17,879	245,100	576,029
Unassigned	2,996,343	-	-	2,996,343
Total fund balances	3,797,213	17,879	245,100	4,060,192
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,619,697	\$ 29,742	\$ 330,571	\$ 4,980,011

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

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

Total fund balances - governmental funds	\$ 4,060,192
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	18,047,016
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.	169,566
Revenue reported as deferred revenue in the governmental funds balance sheet is recognized as revenue in the government wide statement financial statements.	28,137
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.	(17,160)
Accrued compensated absences does not require the use of current financial resources; therefore accrued vacation is not reported as a liability in the governmental funds balance sheet.	(94,781)
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>(7,065,539)</u>
Net position of governmental activities	<u>\$ 15,127,431</u>

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2013

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Water and wastewater charges	\$ 5,467,371	\$ -	\$ -	\$ 5,467,371
Taxes	1,426,185	202,894	-	1,629,079
Utility Fees	508,300	-	-	508,300
Oversize meter reimbursements	84,876	-	-	84,876
Miscellaneous	81,317	-	-	81,317
Investment income	4,641	11,900	108	16,649
Intergovernmental revenues	10,000	-	-	10,000
Inspection and tap fees	9,600	-	-	9,600
Total Revenues:	<u>7,592,291</u>	<u>214,794</u>	<u>108</u>	<u>7,807,193</u>
Expenditures				
Water	2,623,822	-	-	2,623,822
Administration	1,135,098	-	-	1,135,098
Wastewater	896,538	-	-	896,538
Fire	790,779	-	-	790,779
Collections	322,017	-	-	322,017
Non-Departmental	318,494	-	-	318,494
Board of Directors	22,876	-	-	22,876
Capital Outlay	462,876	-	200,008	662,884
Debt Service				
Principal	468,991	605,000	-	1,073,991
Interest and fiscal charges	31,066	229,033	-	260,098
Bond Administrative Fees	-	2,300	-	2,300
Total Expenditures:	<u>7,072,557</u>	<u>836,333</u>	<u>200,008</u>	<u>8,108,897</u>
Excess (deficiency) of revenues over (under) expenditures	<u>519,734</u>	<u>(621,538)</u>	<u>(199,899)</u>	<u>(301,704)</u>
Other Financing Sources (Uses)				
Issuance of refunding bonds	-	1,905,000	-	1,905,000
Refunding bond	-	(1,913,666)	-	(1,913,666)
Payment to refunding bond escrow agent	-	(54,390)	-	(54,390)
Issuance of notes	-	-	445,000	445,000
Premium on bonds	-	63,056	-	63,056
Transfers in	38,101	503,000	112,333	653,434
Transfers out	(615,333)	-	(38,101)	(653,434)
Total Other Financing Sources (Uses):	<u>(577,232)</u>	<u>503,000</u>	<u>519,232</u>	<u>445,000</u>
Net change in fund balance	(57,498)	(118,538)	319,332	143,296
Fund Balances - beginning of year	3,854,711	136,417	(74,232)	3,916,896
Fund Balances - end of year	<u>\$ 3,797,213</u>	<u>\$ 17,879</u>	<u>\$ 245,100</u>	<u>\$ 4,060,192</u>

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

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2013**

Net change in fund balances - total governmental funds	\$ 143,296
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Depreciation expense on capital assets reported in the statement of activities does not require the use of current financial resources, therefore, depreciation expense is not reported as expenditures in the governmental funds.	(663,778)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.	662,884
Governmental funds reflect the proceeds of notes payable as other financing sources. However, in the government-wide statements, the proceeds are reflected as increases in long-term liabilities.	(445,000)
Debt principal payments reduces long-term liabilities in the statement of net position, but it is recorded as an expenditure in the governmental funds	1,073,991
Current year contributions of capital assets are not recorded in the governmental funds, but are recognized for the government-wide financial statements.	274,684
Governmental funds report the effects of issuance costs, premiums, and deferred losses on refunding when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.	(52,494)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing the change in deferred revenue and various other items. The net effect of these reclassifications is to decrease net position.	(10,028)
Current year changes in accrued interest payable do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	3,826
Change in net position of governmental activities	<u>\$ 987,381</u>

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

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

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

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

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

B. Financial Reporting Entity

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

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

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

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

C. Government-Wide and Fund Financial Statements

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

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

Fund Financial Statements

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements are required to present each major fund in a separate column on the fund financial statements. For fiscal year 2013, the major funds are the General Fund and the Debt Service Fund. The non-major fund is the Capital Projects Fund.

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

General Fund

The General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund

The Debt Service Fund is used to account for resources accumulated and payments made for principal and interest on the long-term debt of governmental funds.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Projects Fund

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

E. Cash and Investments

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

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. Cash and Investments - Continued

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

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

F. Capital Assets

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

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

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

G. Accumulated Vacation Time

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

H. Organizational Costs

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

I. Net Position

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

J. Estimates

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

K. Fund Balances

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

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

K. Fund Balances - Continued

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

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

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

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

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

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

NOTE 2. CASH AND INVESTMENTS

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

At September 30, 2013, the carrying amount of the District's deposits (cash, certificates of deposit, and non-pooled savings accounts) was \$419,752 and the bank balance was \$697,336. The District's cash deposits at September 30, 2013, and during the year then ended were entirely covered by FDIC insurance or by a letter of credit pledged by the District's agent bank in the District's name.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

NOTE 2. CASH AND INVESTMENTS – CONTINUED

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

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

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

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

Cash and investments as of September 30, 2013 are classified in the accompanying financial statements as follows:

Statement of Net Position

Primary Government:

Cash and cash equivalents	\$ 3,954,832
Total cash and investments	<u>\$ 3,954,832</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Cash and investments as of September 30, 2013 consist of the following:

Petty Cash	\$ 600
Deposits with financial institutions	419,752
Investments	<u>3,534,480</u>
Total cash and investments	<u>\$ 3,954,832</u>

Disclosures Relating to Interest Rate Risk

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

As of September 30, 2013, the District had the following investment:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>
TexPool	<u>\$ 3,534,480</u>	60 days
Total Investments	<u>\$ 3,534,480</u>	

As of September 30, 2013, the District did not invest in any securities which are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

NOTE 2. CASH AND INVESTMENTS – CONTINUED

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
TexPool	\$ 3,534,480	AAA	AAAm
Total Investments	\$ 3,534,480		

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2013, other than external investment pools, the District did not have 5% or more of its investments with one issuer.

Custodial Credit Risk

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

Investment in State Investment Pools

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

NOTE 3. ACCOUNTS RECEIVABLE

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

Accounts Receivable:		
MUD water	\$	428,519
MUD sewer		199,414
Unbilled receivables		119,624
Refuse (as agent for Town of Trophy Club)		56,167
Refuse tax (as agent for Town of Trophy Club)		4,912
Storm drainage (as agent for Town of Trophy Club)		36,277
		<u>844,912</u>
Allowance for uncollectible accounts		(12,051)
Total (net)	\$	<u>832,861</u>
Due from Other Governments:		
Town of Trophy Club	\$	<u>94,936</u>

NOTE 4. INTERFUND TRANSFERS

Transfers between funds during the year are as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
Capital Projects	General Fund	\$ 112,333	Capital Imp. Reimbursements
General Fund	Capital Projects	38,101	Capital Imp. Reimbursements
Debt Service	General Fund	503,000	Debt service
	Total	<u>\$ 653,434</u>	

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013, was as follows:

	Beginning Balances	Additions	Retirements/ Transfers	Ending Balance
<u>Governmental Activities:</u>				
Capital assets - Non-Depreciable not being depreciated				
Land	\$ 248,093	\$ 400,085	\$ -	\$ 648,178
Construction in progress	278,856	177,455	(286,775)	169,536
Total capital assets not being depreciated	526,949	577,540	(286,775)	817,714
Capital assets - Depreciable				
Buildings	3,344,790	-	-	3,344,790
Improvements other than buildings	303,492	-	-	303,492
Machinery and equipment	1,595,651	66,658	(11,173)	1,651,136
Organization costs	2,331,300	-	-	2,331,300
Vehicles	1,661,557	42,110	(226,650)	1,477,017
Water system	9,337,121	165,339	218,372	9,720,832
Wastewater treatment system	5,663,320	-	-	5,663,320
Wastewater collection system	3,021,812	118,640	68,403	3,208,855
Total capital assets being depreciated	27,259,043	392,747	48,952	27,700,742
Less accumulated depreciation for:				
Buildings	(192,086)	(66,888)	-	(258,974)
Improvements other than buildings	(200,937)	(11,654)	-	(212,591)
Machinery and equipment	(571,917)	(87,557)	11,173	(648,301)
Organization costs	(2,178,182)	(51,312)	-	(2,229,494)
Vehicles	(1,125,829)	(98,406)	226,650	(997,585)
Water system	(2,923,503)	(157,532)	-	(3,081,035)
Wastewater treatment system	(1,641,154)	(138,342)	-	(1,779,496)
Wastewater collection system	(1,211,877)	(52,087)	-	(1,263,964)
Total accumulated depreciation	(10,045,485)	(663,778)	237,823	(10,471,440)
Governmental activities capital assets, net	\$ 17,740,507	\$ 306,509	\$ -	\$ 18,047,016

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

NOTE 5. CAPITAL ASSETS - CONTINUED

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

General government	\$ 369,761
Water operations	141,355
Fire department	21,521
Non-Departmental	4,333
Wastewater operations	72,970
Wastewater collection systems	53,838
Total depreciation expense	<u>\$ 663,778</u>

NOTE 6. LONG-TERM DEBT

At September 30, 2013, the District's long-term debt payable consisted of the following:

Description	Interest Rate Payable	Year of Issue	Final Maturity	Average Annual Payment	Original Amount	Outstanding 9/30/2013
Tax and revenue bonds:						
Operations	4.00-5.00%	2003	2023	\$ 89,793	\$ 1,200,000	\$ -
Refunding	3.00-4.20%	2005	2023	195,676	3,143,998	-
Improvements	3.50-5.00%	2010	2031	148,205	2,000,000	1,870,000
Refunding	2.00-3.00%	2012	2023	251,373	2,355,000	2,170,000
Refunding	2.00-3.50%	2013	2023	224,734	1,905,000	1,905,000
						<u>\$ 5,945,000</u>
Contractual Obligations:						
Fire Truck	4.33%	2007	2014	\$ 56,000	\$ 448,000	\$ 70,000
						<u>\$ 70,000</u>
Notes payable:						
Equipment	3.90%	2010	2015	201,318	179,955	\$ 71,982
Ground Storage	2.87%	2012	2014	383,140	1,100,000	367,000
Water/Wastewater Imp.'s	1.85%	2013	2016	153,588	445,000	445,000
						<u>\$ 883,982</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

NOTE 6. LONG-TERM DEBT - CONTINUED

The following is a summary of long-term debt transactions of the District for the year ended September 30, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Tax, revenue, and refunding bonds	\$ 6,555,000	\$ 1,905,000	\$ (2,515,000)	\$ 5,945,000	\$ 425,000
Contractual obligations	137,000	-	(67,000)	70,000	70,000
Deferred loss on refunding	(47,079)	(8,666)	47,079	(8,666)	(867)
Premium on bonding	209,349	63,057	(97,183)	175,223	18,724
	<u>6,854,270</u>	<u>1,959,391</u>	<u>(2,632,104)</u>	<u>6,181,557</u>	<u>512,857</u>
Notes payable	840,973	445,000	(401,991)	883,982	545,991
Compensated absences	<u>36,226</u>	<u>58,555</u>	<u>-</u>	<u>94,781</u>	<u>-</u>
Total Governmental Activities					
Long-term Liabilities	<u>\$ 7,731,469</u>	<u>\$ 2,462,946</u>	<u>\$ (3,034,095)</u>	<u>\$ 7,160,320</u>	<u>\$ 1,058,848</u>

The annual requirements to amortize all debts outstanding as of September 30, 2013, are as follows:

Tax, revenue, and refunding bonds:

Year Ending September 30,	Principal	Interest	Total
2014	\$ 425,000	\$ 197,196	\$ 622,196
2015	440,000	178,508	618,508
2016	450,000	168,658	618,658
2017	470,000	155,783	625,783
2018	480,000	142,309	622,309
2019-2023	2,665,000	486,366	3,151,366
2024-2028	595,000	165,560	760,560
2029-2031	420,000	36,059	456,059
Total	<u>\$ 5,945,000</u>	<u>\$ 1,530,439</u>	<u>\$ 7,475,439</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

NOTE 6. LONG-TERM DEBT – CONTINUED

Contractual obligations

Year Ending September 30,	Principal	Interest	Total
2014	\$ 70,000	\$ 3,031	\$ 73,031
Total	<u>\$ 70,000</u>	<u>\$ 3,031</u>	<u>\$ 73,031</u>

Notes payable:

Year Ending September 30,	Principal	Interest	Total
2014	\$ 545,991	\$ 23,536	\$ 569,527
2015	185,991	5,623	191,614
2016	152,000	1,406	153,406
Total	<u>\$ 883,982</u>	<u>\$ 30,565</u>	<u>\$ 914,547</u>

Tax Revenue Bonds

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

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

Series 2003 (debt issued by the entity formerly known as MUD 2) – All maturities from 2013 to 2023 are callable in principal increments of \$5,000 on or after September 1, 2012 at par plus unpaid accrued interest to the fixed date for redemptions. Series 2003 outstanding bonds principal was called and debt legally defeased during 2013 with the issuance of Series 2013 refunding bonds.

Series 2005 - All maturities from 2014 to 2023 are callable in principal increments of \$5,000 on or after September 1, 2013 at par plus unpaid accrued interest to the fixed date for redemptions. Series 2005 outstanding bonds principal was called and debt legally defeased during 2013 with the issuance of Series 2013 refunding bonds.

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

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

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 6. LONG-TERM DEBT – CONTINUED

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

Contractual obligations and notes payable are liquidated from the general fund. Tax and revenue bonds are liquidated from the debt service fund.

The provisions of the bond resolutions relating to debt service requirements have been met, and the cash allocated for these purposes was sufficient to meet debt service requirements for the year ended September 30, 2013.

Series 2013 Unlimited Tax Refunding Bonds

On September 18, 2013, Series 2013 Unlimited Tax Refunding Bonds were issued by the District in the amount of \$1,905,000. Proceeds from the sale of the bonds were used to refund the District's outstanding Series 2003 and Series 2005 Bonds in order to restructure such indebtedness while providing a net present value savings of \$116,094 after paying all issuance and other costs on the Bonds. The refunded bonds and interest due thereon, are to be paid from funds deposited with the Escrow Agent. The Escrow Agreement between the District and the Escrow Agent provides that the District deposit with the Escrow Agent an amount sufficient for the final payment on the refunded bonds. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal and interest on the refunded bonds. All outstanding maturities for the Series 2003 and 2005 Refunded Bonds were redeemed on September 18, 2013.

NOTE 7. PROPERTY TAXES

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

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 7. PROPERTY TAXES – CONTINUED

Property taxes are recorded as receivables when levied. Following is information regarding the 2013 tax levies:

Adjusted taxable values		<u>\$ 1,262,249</u>
O & M and Fire tax levy	\$0.11389/\$100	1,387,014
I & S tax levy	\$0.019500/\$100	<u>194,605</u>
Total tax levy	\$0.13339/\$100	<u>\$ 1,581,619</u>

NOTE 8. FUND BALANCE CLASSIFICATIONS

The District's authorized their Director to designate certain fund balances as assigned. Excluding unassigned fund balances, the following describes the District's fund balance classifications at September 30, 2013:

Non-Spendable Fund Balances

The District's \$31,664 non-spendable fund balance represents expenses prepaid at fiscal year-end.

Assigned Fund Balances

The District assigned \$456,156 of General Fund fund balances to offset any fiscal year 2014 budgetary deficits for general operations and the fire department.

The District assigned a total of \$589,550 of General Fund fund balances for the following: \$126,000 for collection system improvements, \$120,000 for water system improvements, \$83,780 for a fire truck, \$82,000 for two other trucks, \$109,270 for technology upgrades, \$25,000 for a skid loader, and \$43,500 for other improvements. Total fund balances for the Debt Service Fund and Capital Projects Fund have been assigned by the District for those respective purposes.

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various nature. Commercial insurance is purchased for the risks of loss to which the District is exposed. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the District's basic financial statements.

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

NOTE 10. DUE TO AND FROM OTHER FUNDS

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

At September 30, 2013, the General Fund was due \$37,580 from the Capital Projects Fund for capital project expenditures paid for by the General Fund.

NOTE 11. RETIREMENT PLAN

Plan Description

The District provides retirement, and disability benefits for all of its employees (excluding temporary) through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 624 non-traditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report ("CAFR") on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

Under the state law governing TCDRS, and effective January 1, 2013, the District selected a plan of benefits, while at the same time considering the level of the employer contribution rate required to adequately finance the plan. The District adopted an annually determined contribution rate plan, for which the employer contribution rate is actuarially determined as a part of the annual actuarial valuation. The rate, applicable for a calendar year, consists of the normal cost contribution rate plus the rate required to amortize the unfunded actuarial liability over the remainder of the plan's 25-year amortization period which began January 1, 2013 using the entry age actuarial cost method. Monthly contributions by the District are based on the covered payroll and the employer contribution rate in effect. The contribution rate for calendar year 2013 is 8.77%. Members can retire at ages 60 and above with five or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after five years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are entitled to any amounts contributed by the District.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest and employer-financed monetary credits. The level of these monetary credits is adopted by Board of Directors, within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

NOTE 11. RETIREMENT PLAN - CONTINUED

Funding Policy

The District has elected the annually determined contribution rate ("ADCR") plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the District based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the District is actuarially determined annually. The District contributed using actuarially determined rate of 8.77% for the calendar year 2013. The contribution rate payable by the employee members for 2013 is the rate of 7%. The employee contribution rate and the employer contribution rate may be changed by the Board of Directors, within the options available in the TCDRS Act.

In future years, TCDRS will provide a calendar year-end schedule of funding progress, presented as RSI following the notes to the financial statements, and present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Since the District's retirement plan was effective January 1, 2013, no such TCDRS funding schedules are available for fiscal year 2013.

Annual Pension Cost

For the District's fiscal year ending September 30, 2013, the annual pension cost for the TCDRS plan was \$177,720. This cost is comprised of \$63,977 for the nine monthly required contributions, plus a one-time \$113,743 payment for TCDRS calculated unfunded liabilities for the plan at its inception date. Employee contributions for fiscal year 2013 were \$49,871.

NOTE 12. SUBSEQUENT EVENTS

The District has evaluated all events and transactions that occurred after September 30, 2013 up through audit report date, which is the date the financial statements were issued. No subsequent events are identified.

REQUIRED SUPPLEMENTARY INFORMATION

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
YEAR ENDED SEPTEMBER 30, 2013

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Water and wastewater charges	\$ 5,353,712	\$ 5,353,712	\$ 5,467,371	\$ 113,659
Taxes	1,419,767	\$ 1,415,891	1,426,185	10,294
Utility fees	644,000	\$ 644,000	508,300	(135,700)
Intergovernmental revenues	10,000	\$ 10,000	10,000	-
Miscellaneous	25,914	\$ 42,322	81,317	38,995
Oversize meter reimbursements	73,000	\$ 73,000	84,876	11,876
Inspection and tap fees	7,500	\$ 7,675	9,600	1,925
Investment income	5,500	\$ 5,500	4,641	(859)
Total revenues	<u>7,539,393</u>	<u>7,552,100</u>	<u>7,592,291</u>	<u>40,191</u>
Expenditures:				
Water operations	3,222,593	3,000,877	2,623,822	377,055
Fire	809,353	814,941	790,779	24,162
Wastewater operations	798,228	823,101	896,538	(73,437)
Wastewater collection system	329,627	343,581	322,017	21,564
Non-Departmental	110,100	110,100	318,494	(208,394)
Administration	1,024,927	1,155,231	1,135,098	20,133
Directors	26,575	26,575	22,876	3,699
Capital Outlay	513,000	513,000	462,876	50,124
Debt Service	500,229	500,229	500,057	172
Total expenditures	<u>7,334,632</u>	<u>7,287,635</u>	<u>7,072,557</u>	<u>215,078</u>
Excess of revenues over expenditures	<u>204,761</u>	<u>264,465</u>	<u>519,734</u>	<u>255,269</u>
Other financing sources (uses):				
Transfers in	-	38,101	38,101	-
Transfers out	<u>(308,000)</u>	<u>(308,000)</u>	<u>(615,333)</u>	<u>(307,333)</u>
Total other financing sources (uses)	<u>(308,000)</u>	<u>(269,899)</u>	<u>(577,232)</u>	<u>(307,333)</u>
Net change in fund balance	(103,239)	(5,434)	(57,498)	(52,064)
Fund Balances - beginning of year	<u>3,854,711</u>	<u>3,854,711</u>	<u>3,854,711</u>	<u>-</u>
Fund Balances - end of year	<u>\$ 3,751,472</u>	<u>\$ 3,849,277</u>	<u>\$ 3,797,213</u>	<u>\$ (52,064)</u>

Notes to Required Supplementary Information:

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 205,857	\$ 205,857	\$ 202,894	\$ (2,963)
Investment income	1,700	1,700	11,900	10,200
Total revenues	207,557	207,557	214,794	7,237
Expenditures:				
Debt service				
Principal	605,000	605,000	605,000	-
Interest	229,033	229,033	229,033	-
Fees	4,000	4,000	2,300	1,700
Total expenditures	838,033	838,033	836,333	1,700
Deficiency of revenues under expenditures	(630,476)	(630,476)	(621,538)	8,937
Other financing sources (uses)				
Transfers in	653,000	653,000	503,000	(150,000)
Total other financing sources	653,000	653,000	503,000	(150,000)
Net change in fund balance	22,524	22,524	(118,538)	(141,063)
Fund Balances - beginning of year	136,417	136,417	136,417	-
Fund Balances - end of year	\$ 158,941	\$ 158,941	\$ 17,879	\$ (141,062)

Notes to Required Supplementary Information:

The District annual budgets are approved on the budgetary basis. The Board also approves all revisions and appropriations which lapse at each fiscal year-end. The District's budgetary basis excludes the "Other Financing Sources (Uses)" related to the issuance of the Series 2013 Unlimited Tax Refunding Bonds which has no net effect on total budget variances presented in this schedule.

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-1 SERVICES AND RATES
September 30, 2013

1. Services provided by the District:

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

2. Retail service providers: *

a) Retail rates-based on 5/8" meter:

Most prevalent type of meter (if not a 5/8"): 1 inch

	Admin Fee	Minimum Usage	Flat Rate Y/N	Rates per 1,000 Gallons Over Minimum	Usage Levels
WATER	\$ 12.71	0	No	\$ 2.50	0 to 6,000
			No	3.05	7,000 to 17,000
			No	3.30	18,000 to 25,000
			No	3.40	26,000 to 50,000
			No	3.50	51,000 +

Note: Out of district water rates are double the "in-town" rate and are included in the rate order.

WASTEWATER	\$ 12.71	0	No	\$ 2.50	0 to 12,000
			No	-	Caps at 12,000

GOLF COURSE Subject to peak draw rates from Ft Worth water department.

NOTE: all rates noted above were amended effective February 1, 2012.

District employs winter averaging for wastewater usage? No

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-1 SERVICES AND RATES
September 30, 2013

Total water and wastewater charges per 10,000 gallons usage (including surcharges)
effective August 27, 2013

First 10,000 gallons used	\$ 77.62
Next 10,000 gallons used	36.25
Next 10,000 gallons used	33.50
Next 10,000 gallons used	34.00
Next 10,000 gallons used	34.00
Next 10,000 gallons used and subsequent	35.00

Maximum residential wastewater charge is for 12,000 gallons or \$42.71

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

Meter Size	Connections		ESFC Factor	Active ESFC's
	Total	Active		
Unmetered	-	-	1.0	-
Less than 3/4"	2,514.0	2,492.0	1.0	2,492.0
1"	452.0	402.0	2.5	1,005.0
1 1/2"	17.0	16.0	5.0	80.0
2"	80.0	75.0	8.0	600.0
3"	17.0	16.0	15.0	240.0
4"	13.0	13.0	25.0	325.0
6"	3.0	3.0	50.0	150.0
8"	-	-	80.0	-
10"	-	-	115.0	-
Total Water	<u>3,096.0</u>	<u>3,017.0</u>		<u>4,892.0</u>
Total Wastewater	<u>3,101.0</u>	<u>3,022.0</u>	1.0	<u>3,022.0</u>

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

Note: "inactive" means that water and wastewater connections were made, but service is not being provided. The District also provides wholesale services to the Town of Trophy Club through 1,105 connections not included in the totals above.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-1 SERVICES AND RATES
September 30, 2013

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

Gallons pumped into the system	984,981
Gallons billed to customers	900,766
Water accountability ratio	91.5%

4. Standby Fees:

Does the District assess standby fees? No

For the most recent fiscal year, FY2013:

	Total Levy	Total Collected	Percentage Collected
Debt Service	\$ 198,830	\$ 198,179	99.7%
Operations and Maintenance	\$ 1,161,268	\$ 1,157,470	99.7%

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

5. Location of District:

Counties in which District is located: a) Denton
b) Tarrant

Is the District located entirely in one county? No

Is the District located within a city? Partially

Cities in which District is located: Town of Trophy Club
Town of Westlake

Is District located within a city's extra territorial jurisdiction (ETJ)? Unknown

ETJ's in which District is located: Unknown

Is the general membership of the Board appointed by an office outside the District? No

Trophy Club Municipal Utility District No. 1
TSI - 2
General Fund Expenditures and Other Financing Uses
Year Ended September 30, 2013

	<u>Current Year</u>	<u>Prior Year</u>
	2013	2012
Administrative	\$ 1,476,468	\$ 1,097,547
Water Operations	2,623,822	2,503,331
Wastewater Operations	896,538	614,102
Wastewater Collection Systems	322,017	260,895
* Information Systems	-	173,386
Contribution to Trophy Club Fire Dept	790,779	822,307
Capital Outlay	462,876	1,562,809
Transfers Out and Debt Service	<u>1,115,390</u>	<u>1,011,260</u>
Total Expenditures	<u>\$ 7,687,890</u>	<u>\$ 8,045,637</u>

* Information Systems is included in Administrative totals effective FY 2013.

Number of employees employed by the District:

Full time Equivalents (FTEs)	17 **	32.5
Part time	0	1

** The Fire Department (F.D.) personnel is paid by the Town, receive Town benefits, and have been excluded from FY13 FTE's. This personnel was included in FY12 FTE's. The MUD reimburses the Town 50% of the F.D.'s payroll and related expenses.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 CONSOLIDATED
TSI-3 TEMPORARY INVESTMENTS
September 30, 2013

<u>Funds</u>	<u>Identification Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance End of Year</u>	<u>Accrued Interest End of Year</u>
General Fund					
TexPool	613300002	0.0362%	Demand	\$ 3,190,876	Paid daily
Debt Service Fund					
TexPool	613300003	0.0362%	Demand	\$ 13,033	Paid daily
Capital Projects					
Texpool	613300010	0.0362%	Demand	<u>\$ 330,585</u>	Paid daily
Total - All Funds				<u><u>\$ 3,534,494</u></u>	

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-4 TAXES LEVIED AND RECEIVABLE
SEPTEMBER 30, 2013

	General Fund			Debt	
	Operations	Fire	Total	Service	Total
Taxes receivable beginning of year	\$ 2,646	\$ 19,119	\$ 21,765	\$ 16,395	\$ 38,160
2012 tax levy	98,700	1,288,314	1,387,014	194,605	1,581,619
Total to be accounted for	101,346	1,307,433	1,408,779	211,000	1,619,779
Less collections and adjustments:					
Current year	(98,370)	(1,284,845)	(1,383,215)	(193,955)	(1,577,169)
Prior years	(1,085)	(8,203)	(9,288)	(5,182)	(14,470)
Total to be accounted for	(99,455)	(1,293,048)	(1,392,503)	(199,137)	(1,591,639)
Taxes receivable, end of year	<u>\$ 1,891</u>	<u>\$ 14,385</u>	<u>\$ 16,276</u>	<u>\$ 11,863</u>	<u>\$ 28,139</u>
Taxes receivable by year					
1996 and prior	\$ 19	\$ 108	\$ 127	\$ 454	\$ 581
1997	7	41	48	150	198
1998	7	44	51	140	191
1999	7	48	55	108	163
2000	7	34	41	122	163
2001	7	36	43	120	163
2002	208	1,848	2,056	4,102	6,158
2003	70	126	196	132	328
2004	17	145	162	210	372
2005	59	199	258	283	541
2006	88	409	497	632	1,129
2007	52	508	560	621	1,181
2008	123	963	1,086	781	1,867
2009	315	1,267	1,582	797	2,379
2010	189	2,345	2,534	1,652	4,186
2011	231	2,551	2,782	1,305	4,087
2012	485	3,713	4,198	254	4,452
	<u>\$ 1,891</u>	<u>\$ 14,385</u>	<u>\$ 16,276</u>	<u>\$ 11,863</u>	<u>\$ 28,139</u>
Property valuations (in 000's)	F/Y 12/13	F/Y 11/12	F/Y 10/11	F/Y 09/10	F/Y 08/09
Land	\$ 324,474	\$ 282,115	\$ 247,335	\$ 209,177	\$ 186,574
Improvements	\$ 910,964	707,431	713,265	786,539	737,273
Personal property	83,539	55,618	73,914	80,332	71,091
Exemptions	(56,728)	(42,735)	(41,345)	(40,057)	(34,027)
	<u>\$ 1,262,249</u>	<u>\$ 1,002,429</u>	<u>\$ 993,169</u>	<u>\$ 1,035,991</u>	<u>\$ 960,911</u>
Tax rate per \$100 valuation					
Operations	0.009890	0.009890	0.008790	0.027140	0.014040
Fire department	0.104000	0.109250	0.109250	0.109140	0.116020
Debt service	0.019500	0.055860	0.076960	0.068720	0.114555
Tax rate per \$100 valuation	<u>0.133390</u>	<u>0.175000</u>	<u>0.195000</u>	<u>0.205000</u>	<u>0.244615</u>
Tax levy:	\$ 1,581,619	\$ 1,714,788	\$ 2,047,972	\$ 2,091,414	\$ 2,380,679
Percent of taxes collected to taxes levied	99.72%	99.44%	99.59%	99.69%	99.92%

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2013

Due During Fiscal Years Ending	All Bonded Debt Series		Total
	Principal Due 1-Sep	Interest Due Mar 1/ Sep 1	
2014	\$ 425,000	\$ 197,196	\$ 622,196
2015	440,000	178,508	618,508
2016	450,000	168,658	618,658
2017	470,000	155,783	625,783
2018	480,000	142,309	622,309
2019	505,000	128,534	633,534
2020	510,000	114,083	624,083
2021	530,000	98,333	628,333
2022	550,000	81,958	631,958
2023	570,000	63,458	633,458
2024	110,000	43,183	153,183
2025	115,000	37,683	152,683
2026	115,000	33,083	148,083
2027	125,000	28,368	153,368
2028	130,000	23,243	153,243
2029	135,000	17,783	152,783
2030	140,000	12,113	152,113
2031	145,000	6,163	151,163
	<u>\$ 5,945,000</u>	<u>\$ 1,530,439</u>	<u>\$ 7,475,439</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS (CONTINUED)
SEPTEMBER 30, 2013

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

<u>Due During Fiscal</u> <u>Years Ending</u>	<u>Principal Due</u> <u>1-Sep</u>	<u>Interest Due</u> <u>Mar 1/ Sep 1</u>	<u>Total</u>
2014	\$ 70,000	\$ 76,183	\$ 146,183
2015	70,000	73,733	143,733
2016	75,000	71,283	146,283
2017	80,000	68,658	148,658
2018	85,000	65,858	150,858
2019	85,000	62,883	147,883
2020	90,000	59,908	149,908
2021	95,000	56,758	151,758
2022	100,000	53,433	153,433
2023	105,000	48,433	153,433
2024	110,000	43,183	153,183
2025	115,000	37,683	152,683
2026	115,000	33,083	148,083
2027	125,000	28,368	153,368
2028	130,000	23,243	153,243
2029	135,000	17,783	152,783
2030	140,000	12,113	152,113
2031	145,000	6,163	151,163
	<u>\$ 1,870,000</u>	<u>\$ 838,749</u>	<u>\$ 2,708,749</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS (CONTINUED)
SEPTEMBER 30, 2013

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

<u>Due During Fiscal</u> <u>Years Ending</u>	<u>Principal Due</u> <u>1-Sep</u>	<u>Interest Due</u> <u>Mar 1/ Sep 1</u>	<u>Total</u>
2014	190,000	57,050	247,050
2015	195,000	53,250	248,250
2016	200,000	49,350	249,350
2017	205,000	44,350	249,350
2018	210,000	39,226	249,226
2019	225,000	33,976	258,976
2020	225,000	28,350	253,350
2021	230,000	21,600	251,600
2022	240,000	14,700	254,700
2023	250,000	7,500	257,500
	<u>\$ 2,170,000</u>	<u>\$ 349,352</u>	<u>\$ 2,519,352</u>

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

<u>Due During Fiscal</u> <u>Years Ending</u>	<u>Principal Due</u> <u>1-Sep</u>	<u>Interest Due</u> <u>Mar 1/ Sep 1</u>	<u>Total</u>
2014	\$ 165,000	\$ 63,963	\$ 228,963
2015	175,000	51,525	226,525
2016	175,000	48,025	223,025
2017	185,000	42,775	227,775
2018	185,000	37,225	222,225
2019	195,000	31,675	226,675
2020	195,000	25,825	220,825
2021	205,000	19,975	224,975
2022	210,000	13,825	223,825
2023	215,000	7,525	222,525
	<u>\$ 1,905,000</u>	<u>\$ 342,338</u>	<u>\$ 2,247,338</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-6 CHANGES IN LONG-TERM BONDED DEBT
SEPTEMBER 30, 2013

	Series 2003 Combination Tax	Series 2005 Combination Tax	Series 2010 GO Bonds	Series 2012 GO Bonds	Series 2013 GO Bonds	Totals
Interest rate	3.10-4.25%	2.97-4.20%	3.50-5.00%	2.00-3.00%	2.00-3.50%	
Date interest payable	3/1 & 9/1	3/1 & 9/1	3/1 & 9/1	3/1 & 9/1	3/1 & 9/1	
Maturity date	9/1/2023	9/1/2023	9/1/2031	9/1/2023	9/1/2023	
Bonds outstanding at beginning of year	\$ 785,000	\$ 1,480,000	\$ 1,935,000	\$ 2,355,000	\$ -	\$ 6,555,000
Bonds sold during the year	-	-	-	-	1,905,000	1,905,000
Retirements of principal	\$ (785,000)	\$ (1,480,000)	\$ (65,000)	\$ (185,000)	\$ -	\$ (2,515,000)
Bonds outstanding at end of fiscal year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,870,000</u>	<u>\$ 2,170,000</u>	<u>\$ 1,905,000</u>	<u>\$ 5,945,000</u>
Retirements of interest	<u>\$ 31,290</u>	<u>\$ 58,535</u>	<u>\$ 78,458</u>	<u>\$ 60,750</u>	<u>\$ -</u>	<u>\$ 229,033</u>

Paying agent's name & city: The Bank of New York Mellon, Newark, NJ
PO Box 2320
All Series Dallas, TX. 75221-2320

Bond Authority	General Obligation Bonds
Amount authorized by voters	\$ 29,094,217
Amount issued	<u>(23,325,000)</u>
Remaining to be issued	<u>\$ 5,769,217</u>

The general obligation bonds were authorized on October 7, 1975

Debt Service Fund cash and cash equivalents balance as of September 30, 2013: \$ 17,879

Average annual debt service payment (principal & interest) for remaining term of debt: \$ 415,302

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TS1-7 COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES-FIVE YEARS
GENERAL FUND
SEPTEMBER 30, 2013

	Amounts					Percent of total revenue				
	2013	2012	2011	2010	2009	2013	2012	2011	2010	2009
REVENUE										
Ad valorem property taxes	\$ 1,426,185	\$ 1,374,808	\$ 1,311,296	\$ 1,491,564	\$ 1,283,705	18.7%	16.1%	18.6%	26.2%	21.1%
Water and wastewater charges	5,467,371	5,210,788	5,323,244	3,919,084	3,721,868	71.7%	60.9%	75.5%	68.8%	61.3%
Utility Fees	508,300	647,080	165,600	80,500	515,200	6.7%	7.6%	2.3%	1.4%	8.5%
Inspection and tap fees	9,600	10,250	8,560	5,775	4,975	0.1%	0.1%	0.1%	0.1%	0.1%
Interest earned	4,641	5,706	5,534	6,171	20,755	0.1%	0.1%	0.1%	0.1%	0.3%
Capital lease proceeds/Contractual Obligations	-	1,100,000	-	-	330,000	0.0%	12.8%	0.0%	0.0%	5.4%
Miscellaneous and other	214,294	213,277	240,831	191,498	199,780	2.8%	2.5%	3.4%	3.4%	3.3%
Total revenue	\$ 7,630,391	\$ 8,561,909	\$ 7,055,065	\$ 5,694,592	\$ 6,076,283	100.0%	100.0%	100.0%	100.0%	100.0%
EXPENDITURES										
Administrative and Other	\$ 1,476,467	\$ 1,097,547	\$ 1,042,073	\$ 993,986	\$ 1,297,613	19.3%	12.8%	14.8%	17.5%	21.4%
Water operations	2,623,822	2,503,331	2,271,490	1,882,511	1,811,385	34.4%	29.2%	32.2%	33.1%	29.8%
Wastewater operations	896,538	614,102	598,465	711,382	999,388	11.7%	7.2%	8.5%	12.5%	16.4%
Wastewater collection system	322,017	260,895	277,775	308,798	294,869	4.2%	3.0%	3.9%	5.4%	4.9%
Information systems	-	173,386	123,605	182,658	175,698	0.0%	2.0%	1.8%	3.2%	2.9%
Contribution to Trophy Club Fire Dept	790,779	822,307	770,123	876,521	783,736	10.4%	9.6%	10.9%	15.4%	12.9%
Capital outlay	462,876	1,562,809	515,884	-	-	6.1%	18.3%	7.3%	0.0%	0.0%
Transfers Out and Debt Service	1,115,390	1,011,260	1,130,123	558,000	383,009	14.6%	11.8%	16.0%	9.8%	6.3%
Total expenditures	\$ 7,687,889	\$ 8,045,637	\$ 6,729,538	\$ 5,513,856	\$ 5,745,698	100.8%	94.0%	95.4%	96.8%	94.6%
Excess (deficiency) of revenues over (under) expenditures	\$ (57,498)	\$ 516,272	\$ 325,527	\$ 180,736	\$ 330,585	-0.8%	6.0%	4.6%	3.2%	5.4%
Total active retail water and/or wastewater connections	3096	3,887	3,554	3,361	3,161					

TCMUD005285

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-7 COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES-FIVE YEARS (Continued)
DEBT SERVICE FUND
SEPTEMBER 30, 2013

	Amounts					Percentage			
	2013	2012	2011	2010	2009	2013	2012	2011	2010
REVENUE									
Ad valorem property taxes	201,207	547,587	771,631	740,420	\$ 1,100,115	28.0%	62.9%	57.9%	52.9%
Penalties and interest	1,688	3,226	6,018	-	11,885	0.2%	0.4%	0.5%	0.0%
Intergovernmental	503,000	308,000	554,100	653,000	383,009	70.1%	35.4%	41.6%	46.7%
Interest earned	11,900	5,956	985	4,848	4,105	1.7%	0.7%	0.1%	0.3%
Miscellaneous and other	-	6,120	-	1,000	-	0.0%	0.7%	0.0%	0.1%
Total revenue	717,795	870,889	1,332,734	1,399,268	1,499,114	100.0%	100.0%	100.0%	100.0%
EXPENDITURES									
Principal retirement	605,000	565,000	1,115,000	1,055,000	1,025,000	84.3%	64.9%	83.7%	75.4%
Interest and fiscal charges	231,333	277,319	382,019	311,570	352,194	32.2%	31.8%	28.7%	22.3%
Total expenditures	836,333	842,319	1,497,019	1,366,570	1,377,194	116.5%	63.2%	112.3%	97.7%
Excess (deficiency) of revenues over (under) expenditures	\$ (118,538)	\$ 28,570	\$ (164,285)	\$ 32,698	\$ 121,920	-16.5%	36.8%	-12.3%	2.3%
									8.1%

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 CONSOLIDATED
TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
September 30, 2013**

Complete District Mailing Address: 100 Municipal Drive, Trophy Club, Texas 76262

District Business Telephone Number: Metro (682) 831-4600

Limit of Fees of Office that a Director may receive during a fiscal year: \$6,000
(Set by Board Resolution - TWC Section 49.060)

<u>Name and Address</u>	<u>Term of Office Elected/Expires or Date Hired</u>	<u>Fees of Office Paid FY13</u>	<u>Expense Reimbursements FY13</u>	<u>Title at Year End</u>
Board Members:				
James Moss 979 Trophy Club Drive Trophy Club, TX 76262	05/10-5/16	\$ 1,800	\$	President
William Armstrong 18 Avenue Twenty Trophy Club, TX 76262	05/10-5/14	\$ 2,500	\$	Vice-President
Kevin Carr 15 Edgemere Drive Trophy Club, TX 76262	05/04-05/14	\$ 2,600	\$ 1,730	Secretary/Treasurer
C. Nick Sanders 7 Hayes Court Trophy Club, TX 76262	05/10-5/16	\$ 2,300	\$ 229	Director
James C. Thomas 7 Meadowbrook Lane Trophy Club, TX 76262	05/04-05/14	\$ 1,700	\$	Director

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)
SEPTEMBER 30, 2013

<u>Name and Address</u>	<u>Term of Office Elected/Expires or Date Hired</u>	<u>Fees of Office Paid FY13</u>	<u>Title at Year End</u>
<u>Key Personnel:</u>			
Jennifer McKnight 122 Reatta Drive Justiin, Texas 76247	3/19/2012	\$ -	District Manager
<u>Consultants:</u>			
Denton Central Appraisal District P.O. Box 2816 Denton, TX 76202	4/1/1981	\$ 7,773	Appraiser
Tarrant Appraisal District 2500 Handley-Ederville Rd. Fort Worth, TX 76262	10/1/2007	\$ 2,323	Appraiser
LaFollett & Company PLLC P.O. Box 717 Tom Bean, TX 75489	10/1/2010	\$ 21,188	Auditors
The Wallace Group P.O. Box 22007 Waco, TX 76702	5/1/2012	\$ 158,898	Engineers
Whitaker, Chalk, Swindle & Sawyer, L.L.P. 3500 City Center, Tower II Fort Worth, TX 76102	10/1/1999	\$ 86,912	Legal Counsel
Liston Law Firm 2801 Weems Way, Suite B Rowlett, TX 75088	7/1/2002	\$ 117,205	Legal Counsel
Freeman & Corbett 8500 Bluffstone Cove Suite B-104 Austin, TX 78759	12/17/2012	\$ 18,095	Legal Counsel
Booth, Ahrens & Werkenthin P. C. 515 Congress Ave., Suite 1515 Austin, Texas 78701	10/1/2012	\$ 58,359	Legal Counsel
McCall, Parkhurst & Horton LLP 717 North Harwood, Suite 900 Dallas, Texas 75201-6587	10/1/1991	\$ 7,793	Bond Counsel
J Stowe & Company 1300 E. Lookout Dr., Suite 100 Richardson, TX 75082	7/1/2013	\$ 19,164	Consultant

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INSTRUCTION SHEET

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TRANSCRIPT OF PROCEEDINGS

RELATING TO

**\$5,765,000
UNLIMITED TAX BONDS
SERIES 2014**

ISSUED BY,

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1

COUNTIES OF DENTON AND TARRANT

STATE OF TEXAS

Delivery: December 23, 2014

 **NORTON ROSE FULBRIGHT**

**TRANSCRIPT OF PROCEEDINGS
RELATING TO

\$5,765,000
TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
UNLIMITED TAX BONDS
SERIES 2014**

Dated December 15, 2014

Index of Documents

<u>Tab No.</u>	<u>Description of Document</u>
1	Order by the Texas Commission on Environment Quality approving an Engineering Project and the Issuance of Bonds
2	Certified Resolution approving and authorizing publication of Notice of Sale and authorizing personnel and consultants to proceed with the arrangements for the Bond Sale
3	Affidavit of Publication – Texas Bond Reporter
4	Affidavit of Publication – Star-Telegram, Inc.
5	Affidavit of Publication – Denton Record-Chronicle
6	Certified Bond Order
7	Paying Agent/Registrar Agreement
8	Official Bid Form
9	Notice of Sale and Preliminary Official Statement
10	Final Official Statement
11	General Certificate
12	Signature and No-Litigation Certificate
13	Certificate as to Official Statement
14	Certificate as to Tax Exemption
15	Certificate of Managing Underwriter
16	Filed 8038-G Information Return
17	Attorney General's Opinion and Comptroller's Registration Certificate

18	Opinion of Bond Counsel
19	Closing Instruction Letter
20	Receipt and Disbursement of Funds
21	Rating Letters
22	DTC Blanket Issuer Letter of Representations
23	Original Petition
24	Final Judgment

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



AN ORDER APPROVING (1) AN ENGINEERING PROJECT, (2) THE ISSUANCE OF \$5,765,000 IN UNLIMITED TAX BONDS, AND (3) THE ISSUANCE OF \$9,230,000 IN REVENUE BONDS FOR TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 OF DENTON AND TARRANT COUNTIES

An application by Trophy Club County Municipal Utility District No. 1 of Denton and Tarrant Counties (hereafter "District") was presented to the Executive Director of the Texas Commission on Environmental Quality (TCEQ) for consideration of approval pursuant to TEX. WATER CODE §§ 5.122 and 49.181. The District requests approval of an engineering project, the issuance of up to \$15,000,000 in bonds to finance improvements to the District's existing wastewater treatment plant. The TCEQ has jurisdiction to consider this matter, and the following Findings of Fact and Conclusions of Law are appropriate after examining the application and supporting documentation.

FINDINGS OF FACT

1. The District filed an application with the TCEQ on September 24, 2013, for approval of a proposed engineering project and the issuance of up to \$15,000,000 in bonds. By Resolution No. 2013-0827A dated August 27, 2013, the District requested to issue up to \$5,769,217 in unlimited tax and/or unlimited tax and revenue bonds and up to \$9,230,783 in revenue bonds, for a total request of \$15,000,000. Application material supports the issuance of \$5,765,000 in unlimited tax bonds and \$9,230,000 in revenue bonds.
2. The Executive Director has investigated the District.
3. The application and accompanying documents have been examined, and a memorandum was prepared on the project dated January 31, 2014, a copy of which is attached and made a part hereof.
4. The District's project and issuance of \$14,995,000 (\$5,765,000 in unlimited tax bonds and \$9,230,000 in revenue bonds) in bonds at a maximum net effective interest rate of 6.23% to finance the project should be approved.
5. The District's board should be directed to ensure that system revenue is adequate to meet operating expenses and debt service requirements on revenue debt.
6. The District should be directed not to expend a total of \$12,991,567 (\$11,297,015 for construction plus \$1,694,552 in contingencies) for the wastewater treatment plant improvements pending District board's receipt of plans and specifications approved by all entities with jurisdiction, as necessary.

7. The District should be advised that the legal, fiscal agent, and engineering fees have not been evaluated to determine whether these fees are reasonable or competitive. These fees are included as presented in the engineering report.

8. The District should be directed that any surplus bond proceeds resulting from the sale of bonds at a lower interest rate than that proposed shall be shown as a contingency line item in the Official Statement and the use of such funds shall be subject to approval pursuant to TCEQ rules on surplus funds.

CONCLUSIONS OF LAW

1. The TCEQ has jurisdiction to consider the engineering report and bond application pursuant to TEX. WATER CODE § 49.181.

2. The Executive Director has investigated the District, and the TCEQ has found it legally organized and feasible.

3. The TCEQ's memorandum dated January 31, 2014, on this engineering project and bond issue should be adopted as the written TCEQ project report in compliance with TEX. WATER CODE § 49.181(d).

NOW THEREFORE, BE IT ORDERED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY that the TCEQ's memorandum dated January 31, 2014, on this engineering project and bond issue is adopted as the written TCEQ project report. Pursuant to TEX. WATER CODE § 49.181, the engineering project for Trophy Club Municipal Utility District No. 1 of Denton and Tarrant Counties is hereby approved together with the issuance of \$14,995,000 (\$5,765,000 in unlimited tax bonds and \$9,230,000 in revenue bonds) in bonds at a maximum net effective interest rate of 6.23%. The District's board is directed to ensure that system revenue is adequate to meet operating expenses and debt service requirements on revenue debt. The District is directed not to expend a total of \$12,991,567 (\$11,297,015 for construction plus \$1,694,552 in contingencies) of the bond issue proceeds approved herein for the wastewater treatment plant improvements pending District board's receipt of plans and specifications approved by all entities with jurisdiction, as necessary. The District is advised that the legal, fiscal agent, and engineering fees have not been evaluated to determine whether these fees are reasonable or competitive. These fees are included as presented in the engineering report. The District is directed that any surplus bond proceeds resulting from the sale of bonds at a lower interest rate than that proposed shall be shown as a contingency line item in the Official Statement and the use of such funds shall be subject to approval pursuant to TCEQ rules on surplus funds. The approval of the sale of these bonds herein shall be valid for one year from the date of this Order unless extended by written authorization of the TCEQ staff.

BE IT FURTHER ORDERED that pursuant to TEX. WATER CODE § 5.701, the District shall pay to the Commission 0.25% of the principal amount of bonds actually issued not later than the seventh (7th) business day after receipt of the bond proceeds. The fees shall be paid by check payable to the Texas Commission on Environmental Quality.

BE IT FURTHER ORDERED that to enable the TCEQ to carry out the responsibilities imposed by TEX. WATER CODE §§ 49.181-182, the District shall: (1) furnish the Utilities and District's Section copies of all bond issue project construction documentation outlined under 30 TEX. ADMIN. CODE § 293.62, including detailed progress reports and as-built plans required by TEX. WATER CODE § 49.277(b), which have not already been submitted; (2) notify the Utilities and District's Section and obtain approval of the TCEQ for any substantial alterations in the engineering project approved herein before making such alterations; and (3) ensure, as required by TEX. WATER CODE § 49.277(b), that all construction financed with the proceeds from the sale of bonds is completed by the construction contractor according to the plans and specifications contracted.

BE IT FURTHER ORDERED that failure of said District to comply with all applicable laws and with provisions of this Order shall subject the District and its directors to all penalties that are provided by law and shall further be considered by the TCEQ as grounds for refusal to approve other bonds of the District.

The Chief Clerk of the TCEQ is directed to forward the District a copy of this Order.

If any provision, sentence, clause, or phrase of this Order is for any reason held to be invalid, the invalidity of any portion shall not affect the validity of the remaining portions of the Order.

Issue Date: **February 6, 2014**


For the Commission

Texas Commission on Environmental Quality

TECHNICAL MEMORANDUM

To: *1/31/14*
Tammy Benter, Manager
Utilities and Districts Section

Date: January 31, 2014

Thru: *1/31/14*
Justin P. Taack, Water Supply Division

Subject: Trophy Club Municipal Utility District No. 1 of Denton and Tarrant Counties;
Application for Approval of \$15,000,000 in Unlimited Tax Bonds and Revenue
Bonds, Sixth Issue, 6.23% Net Effective Interest Rate, Series 2014; Pursuant to
Texas Water Code Section 49.181.
TCEQ Internal Control No. D-09242013-030 (TC)
CN: 600678536 RN: 101241248

A. GENERAL INFORMATION

The Texas Commission on Environmental Quality (TCEQ) received an application from Trophy Club Municipal Utility District No. 1 of Denton and Tarrant Counties (the "District") requesting approval for the issuance of \$15,000,000 in bonds to finance improvements to the District's existing wastewater treatment plant. By Resolution No. 2013-0827A dated August 27, 2013, the District requested to issue up to \$5,769,217 in unlimited tax and/or unlimited tax and revenue bonds and up to \$9,230,783 in revenue bonds, for a total request of \$15,000,000. Application material supports the issuance of \$5,765,000 in unlimited tax bonds and \$9,230,000 in revenue bonds.

According to documentation provided, the District currently serves 4,180 equivalent single-family connections (ESFCs) on approximately 2,688 acres.

B. ECONOMIC ANALYSIS

Tax Rate Analysis – Tax/Revenue Supported Debt

The feasibility of this bond issue is based on no-growth to the 4,180 connections as of December 31, 2013. The feasibility of the tax supported debt is based on no-growth to the District's January 1, 2013 certified taxable assessed valuation of \$1,047,277,474 (\$756,915,943 for the portion of the District within Denton County and \$290,361,531 for the portion of the District within Tarrant County). The feasibility of the revenue supported debt is based on revenues earned by the District through services provided to the District's customers. A market study has not been provided, and is not required since the feasibility is based on no-growth.

According to the Denton Central Appraisal District and a Tarrant Appraisal District certificate, the District's January 1, 2013 certified taxable assessed valuation for each respective county is \$756,915,943 and \$290,361,531, or a total of \$1,047,277,474. The annual debt service requirements for the requested bond (tax supported) amount of \$5,765,000 and existing debt averages \$838,789 for the 21-year life of the District's bond debt. According to the engineering report, the District levied a maintenance tax of \$0.01 in 2012 and according to information provided, is projecting to levy the same maintenance tax in the future.

The District's financial advisor submitted a cash flow schedule considering the requested \$5,765,000 bond issue (tax supported), no-growth to the District's January 1, 2013 certified taxable assessed valuation of \$1,047,277,474, a bond interest rate of 6%, 95% collection rate, and a projected tax rate of \$0.11 (maximum) per \$100 assessed value. A Water Supply Division financial analyst has reviewed the financial information submitted and concluded that the following level debt service tax rate would be sufficient.

	Projected Tax Rate
District	
Debt Service	\$ 0.11 ⁽¹⁾⁽²⁾
Maintenance	<u>\$ 0.01</u> ⁽³⁾
Sub-Total District Taxes	\$ 0.12
Town of Trophy Club	\$ 0.50 ⁽⁴⁾
Town of Westlake	<u>\$ 0.16</u> ⁽⁴⁾
Total District Taxes	\$ 0.62 ⁽⁵⁾

Notes:

- (1) Based on a net effective interest rate of 6.23%, a 95% collection rate, no-growth to the District's January 1, 2013 certified taxable assessed valuation of \$1,047,277,474, and at least a 25% ending debt service fund balance.
- (2) The term "commission-approved tax rate" in 30 Texas Administrative Code (TAC) Section 293.85 refers to an initial ad valorem debt service tax of at most \$0.11 per \$100 assessed valuation.
- (3) Based on the operating budget provided, the District anticipates an operation and maintenance (General Fund) tax rate of \$0.01.
- (4) Represents 2013 total tax rates based on information obtained from the Denton Central Appraisal District. Information provided does not specify how much, if any, of each total tax rate is attributable to water, wastewater, drainage, recreational, or road facilities as required by 30 TAC Section 293.59(f). As a result, staff has included the total tax in order to determine compliance with 30 TAC Sections 293.59(l) and (k)(3).
- (5) Represents the combined projected tax rate as defined by 30 TAC Section 293.59(f). The highest combined projected tax rate is the portion of the District that overlaps with the Town of Trophy Club (\$0.62), which is less than the \$1.20 limit allowed under 30 TAC Sections 293.59(l) and (k)(3).

The District's financial advisor submitted a cash flow schedule considering the requested \$9,230,000 bond issue (revenue supported) and a bond interest rate of 6%. The cash flow schedule provided indicates \$1,990,339 (\$7,461,907 in revenue less \$5,471,568 in expenses) being available for the District's current and proposed debt service requirements. According to the application material, the \$1,990,339 is based on: the District's 2012 fiscal year end audit; no additional growth projected for revenue based calculations (e.g. service revenue, etc.); and assumes no capital expenses that were accounted for in said fiscal year end. A Water Supply Division financial analyst has reviewed the financial information submitted and concluded that operating revenues appear to be sufficient for operating expenses and the District's current and proposed revenue debt. This determination is based on the following: the District's current operating budget provided (2013); no additional growth projected for revenue based calculations (e.g. service revenue, etc.); excluding capital expenses and debt service requirements that were/are accounted for in the current operating budget provided; and the District's general fund balance of approximately \$3,913,446 as of May 31, 2013 (as presented in the engineering report).

Additional Financial Comments

The District is exempt from the 75% and 25% build-out requirements of 30 TAC Sections 293.59(l)(4) and 293.59(k)(7), respectively, based on its combined no-growth tax rate of \$0.62 being less than \$1.20 pursuant to Sections 293.59(l) and 293.59(k)(11)(C).

C. ENGINEERING ANALYSIS

Water Supply

The District's source of water is treated surface water from the City of Fort Worth pursuant to a "Contract For Water Service Between The City Of Fort Worth, Texas, And Trophy Club Municipal Utility District No. 1" dated September 16, 2010 (revised from previous bond issue). The following table summarizes the water supply facilities serving the District along with the ESFC capacity of each component based on criteria stated in 30 TAC Section 290.45:

<u>Facility</u>	<u>Minimum Requirements</u>	<u>Total Capacity (ESFCs)</u>
Ground Storage	200 gal/ESFC	6,000,000 gal. (34,500 ESFCs) ⁽¹⁾
Elevated Storage	100 gal/ESFC	900,000 gal. (9,000 ESFCs)
Booster Pump	2 gpm/ESFC or 1,000 gpm max.	13,500 gpm (6,750 ESFCs)

Note: (1) Total storage of 6,900,000 gallons provides for 34,500 equivalent single-family connections (ESFC) at 200 gpd per ESFC.

The District's water supply facilities appear adequate to serve the existing 4,180 connections upon which the feasibility of this bond issue is based.

Wastewater Treatment

Wastewater treatment for the District is provided by the District's 1.75 million gallons per day wastewater treatment plant. Under TPDES Permit No. WQ0011593001, the plant is authorized to discharge 1.75 million gallons per day. Based on the indicated flow factor of 300 gallons per day per ESFC, the District's 1.75 million gallons per day plant can serve 5,833 ESFCs. The District's wastewater treatment plant capacity appears adequate to serve the existing 4,180 connections upon which the feasibility of this bond issue is based.

According to the engineering report, the effective treatment capacity of the plant's processes and infrastructure has been reduced as a result of lowering of permit requirements. The proposed bond issue (tax and revenue supported) includes funds to finance improvements to the District's plant. According to the engineering report, the project (plant improvements) will be divided into two phases to allow continuation of plant operations during construction.

Storm Water Drainage

Storm water from the Drainage generally drains through underground lines and swales, which eventually outfall into Lake Grapevine.

Purchase of Existing Facilities and/or Assumption of Existing Contracts – None.

Facilities to be Constructed

<u>Project</u>	<u>Estimated Costs⁽¹⁾</u>
Wastewater Treatment Plant Improvements	\$11,297,015

Note: (1) Estimated costs as presented in the engineering report. The \$11,297,015 includes funds for both phases; \$5,777,199 for Phase 1A and \$5,519,816 for Phase 1B.

Approved plans and specifications, and various construction contract documents have not been provided.

D. SUMMARY OF COSTS

<u>Construction Costs</u>	<u>District's Share ⁽¹⁾</u>
A. Developer Contribution Items – None.	
B. District Items	
1. Wastewater Treatment Plant Improvements	\$ 11,297,015
2. Contingencies (15% of Item No. 1)	1,694,552
3. Engineering (12% of Item Nos. 1 and 2)	<u>1,561,000</u>
Total District Items	<u>\$ 14,552,567</u>
Total Construction Costs	\$ 14,552,567
<u>Non-Construction Costs</u>	
A. Legal Fees (0.5%)	\$ 154,975 ⁽²⁾
B. Fiscal Agent Fees	154,975 ⁽³⁾
C. Bond Issuance Expense	60,000

D. Bond Application Report Costs	20,000
E. Attorney General Fee (0.10%)	14,995 ⁽⁴⁾
F. TCEQ Bond Issuance Fee (0.25%)	37,488 ⁽⁴⁾
Total Non-Construction Costs	\$ 442,433
Total Bond Issue Requirement	\$ 14,995,000

Notes:

- (1) The facilities requested for funding are considered exempt from the 30% developer contribution requirement of 30 TAC Section 293.47.
- (2) Represents the respective fees for the tax supported (\$5,765,000) and revenue supported (\$9,230,000) bond issuances. Pursuant to the contract, fees are 1.5% of the first \$3,000,000 of bonds issued, plus 1.0% of the bonds issued from \$3,000,000 to \$5,000,000, plus 0.5% the bonds issued above \$5,000,000.
- (3) Represents the respective fees for the tax supported (\$5,765,000) and revenue supported (\$9,230,000) bond issuances. Pursuant to the contract, fees are 1.5% of the first \$3,000,000 of bonds issued, plus 1.0% of the bonds issued from \$3,000,000 to \$5,000,000, plus 0.5% the bonds issued above \$5,000,000.
- (4) Represents the respective fees for the tax supported (\$5,765,000) and revenue supported (\$9,230,000) bond issuances.

E. SPECIAL CONSIDERATIONS – None.

F. CONCLUSIONS

1. Based on the indicated \$27,094,217 in bonds approved by voters, and \$21,325,000 previously approved by the TCEQ and/or issued by the District, the District appears to have sufficient voter-authorized bonds (\$5,769,217) for the proposed tax supported portion (\$5,765,000) of the bond issuance.
2. Voter authorization is not required for the proposed revenue portion (\$9,230,000) of the bond issuance. Based on the review of the financial information submitted, operating revenues appear to be sufficient for operating expenses and the District's current and proposed revenue debt.
3. Based on the review of the engineering report and supporting documents, the bond issue is considered feasible and meets the economic feasibility criteria established by 30 TAC Section 293.59.
4. The recommendations are made under authority delegated by the Executive Director of the Texas Commission on Environmental Quality.

G. RECOMMENDATIONS

1. Approve the bond issue in the total amount of \$14,995,000 (\$5,765,000 in unlimited tax bonds and \$9,230,000 in revenue bonds) in accordance with the recommended summary of costs, at a maximum net effective interest rate of 6.23%.
2. Direct the District's board to ensure that system revenue is adequate to meet operating expenses and debt service requirements on revenue debt.
3. Direct the District not to expend a total of \$12,991,567 (\$11,297,015 for construction plus \$1,694,552 in contingencies) for the wastewater treatment plant improvements pending District board's receipt of plans and specifications approved by all entities with jurisdiction, as necessary.
4. Standard recommendations regarding consultant fees, surplus proceeds, time of approval, and bond proceeds fee apply.

THE STATE OF TEXAS §
COUNTIES OF DENTON AND TARRANT § TROPHY CLUB MUNICIPAL UTILITY
DISTRICT NO. 1

1. On the 11th day of November, 2014, a special meeting of the Board of Directors (the "Board") of the Trophy Club Municipal Utility District No. 1 (the "District") was held at a meeting place within the District; the duly constituted members of the Board being as follows:

PRESIDENT
VICE PRESIDENT
SECRETARY/TREASURER
DIRECTOR
DIRECTOR

RESOLUTION NO. 2014-1111

was introduced and submitted to the Board for passage and adoption. After presentation and due consideration of the resolution, and upon a motion being made and seconded, the resolution was finally passed and adopted by the Board to be effective immediately by the following vote:

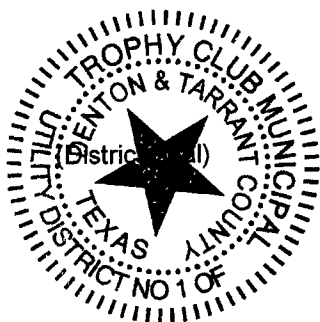
all as shown in the official minutes of the Board for the meeting held on the aforesaid date.

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IN WITNESS WHEREOF, I have hereunto signed my name officially and affixed the seal of said District, this the 11th day of November, 2014.



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



RESOLUTION NO. 2014-1111

A RESOLUTION authorizing appropriate personnel and consultants to proceed with arrangements and the preparation of documents for the issuance and sale of unlimited tax bonds; approving and authorizing publication of a notice of sale with respect to issuance and sale of such bonds; and resolving other matters incident and related thereto

WHEREAS, the Board of Directors (the "Board") of the Trophy Club Municipal Utility District No. 1 (the "District") has determined that unlimited tax bonds should be issued and sold in a principal amount not to exceed \$5,765,000; and

WHEREAS, the Board hereby finds and determines that it is now proper to (1) authorize appropriate personnel and consultants to proceed with arrangements and the preparation of documents for the issuance and sale of unlimited tax bonds and (2) authorize the publication of a notice of sale with respect to such bonds with a tentative sale date of December 4, 2014, pursuant to the provisions of Texas Water Code, Section 49.183; now, therefore,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1:

SECTION 1: The General Manager for the District, together with the District's financial advisor, Southwest Securities, Inc. and bond counsel, Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, are hereby authorized and directed to proceed on behalf of the District with the preparation of the documents and to make the appropriate arrangements for the offering and sale of unlimited tax bonds in a principal amount not to exceed \$5,765,000. The General Manager and other appropriate officials of the District are hereby authorized and directed to assist and furnish said consultants with information and data necessary for the preparation of an official statement and other documents for a sale of such bonds to occur and be approved by the Board of Directors at a meeting to be held on or about December 4, 2014.

SECTION 2: The Secretary of the Board of Directors is hereby authorized and directed to cause a notice of sale relating to the sale of unlimited tax bonds to be published (1) at least one time not less than 10 days before the date of sale in a newspaper of general circulation in the county or counties in which the District is located and (2) at least one time in one or more recognized financial publications of general circulation in the State of Texas as approved by the State Attorney General; such notice of sale to read substantially in the form and content of Exhibit A hereto attached and incorporated herein by reference as a part of this Resolution for all purposes.

SECTION 3: It is officially found, determined and declared that the meeting at which this Resolution is adopted was open to the public and public notice of the time, place and subject matter of the public business to be considered at such meeting, including this Resolution, was given, all as required by all as required by Texas Government Code, Chapter 551, as amended.

SECTION 4: This Resolution shall be in force and effect from and after its passage on the date shown below.

PASSED AND ADOPTED, this November 11, 2014.

TROPHY CLUB MUNICIPAL UTILITY
DISTRICT NO. 1



President, Board of Directors

ATTEST:



Secretary, Board of Directors



Exhibit A

NOTICE OF SALE

\$5,765,000

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1

(A political subdivision of the State of Texas located in Denton and Tarrant Counties, Texas)

UNLIMITED TAX BONDS, SERIES 2014

Selling: December 4, 2014

Bids due 11:00 a.m. Central Standard Time ("CST")

Place and Time of Award: The District will consider the award of the sale of the Bonds on December 4, 2014 at 6:00 P.M., C.S.T., at the District's Office, 100 Municipal Drive, Trophy Club, Texas 76262. Action will be taken immediately by the Board of Directors of the District to accept or reject the best bid. Each bidder must deliver a bank Cashier's Check in the amount of \$115,300.00, payable to the order of Trophy Club Municipal Utility District No. 1, as a good faith deposit to the District's Financial Advisor, Dan Almon, Southwest Securities, 1201 Elm St., Suite 3500, Dallas, Texas 75270, by 11:00 A.M., C.S.T. on the date of the sale.

Address of the Bids Delivered in Person: Sealed written bids, plainly marked "Bid for Bonds" should be addressed to the Board of Directors of Trophy Club Municipal Utility District No. 1, and delivered to Dan Almon, Southwest Securities, 1201 Elm St., Suite 3500, Dallas, Texas 75270, by 11:00 A.M., C.S.T. on December 4, 2014. All bids must be signed and submitted on the "Official Bid Form".

Electronic Bidding Procedures: Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of the Ipreo Holdings LLC, PARITY System by 11:00 A.M., C.S.T., on December 4, 2014 as described in the "Official Notice of Sale" described below.

Information: The Bonds are more completely described in the "Official Notice of Sale", "Official Bid Form" and the "Preliminary Official Statement" for the Bonds which may be obtained from Dan Almon, Southwest Securities, 1201 Elm St., Suite 3500, Dallas, Texas 75270, Financial Advisor to the District.

The Bidder whose bid is the winning bid in accordance with the Official Notice of Sale will be notified immediately and must submit a SIGNED OFFICIAL BID FORM in connection with the sale by 11:00 A.M., C.S.T. on December 4, 2014 to Dan Almon, Southwest Securities, 1201 Elm St., Suite 3500, Dallas, Texas 75270 in accordance with the Official Notice of Sale.

The District reserves the right to reject any or all bids for the Bonds and to waive any and all irregularities except time of filing. This notice does not constitute an offer to sell the Bonds but is merely notice of sale of the Bonds as required by law. The offer to sell the Bonds will be made only by means of the "Official Notice of Sale", the "Preliminary Official Statement" and the "Official Bid Form" for the Bonds.

This Notice of Sale supersedes and replaces any previously published Notice of Sale for the Bonds.

Board of Directors
Trophy Club Municipal Utility District No. 1

X
THE STATE OF TEXAS X
X
X
COUNTY OF TRAVIS X
X

Before me, the undersigned authority, on this date personally appeared Barbara Dewey, who, having been by me duly sworn, upon her oath deposes and says;

That she is editor of TEXAS BOND REPORTER, an official publication of Municipal Advisory Council of Texas, and is authorized to make this affidavit.

The attached is a true and correct copy of NOTICE OF SALE - TROPHY CLUB MUD # 1, \$5,765,000 U/L TAX BDS SER 2014 was published in the TEXAS BOND REPORTER on the following date(s), to wit: November 21, 2014.

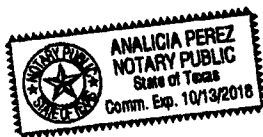


Sworn to and subscribed before me this the 21st day of November A.D. 2014



Notary Public in and for the
State of Texas

My commission expires: 10-13-2018



NOTICE OF SALE
\$5,765,000
TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
(A political subdivision of the State of Texas located in Denton and Tarrant Counties, Texas)
UNLIMITED TAX BONDS, SERIES 2014
Selling: December 4, 2014
Bids due 11:00 a.m. Central Standard Time ("CST")

Place and Time of Award: The District will consider the award of the sale of the Bonds on December 4, 2014 at 6:00 P.M., C.S.T., at the District's Office, 100 Municipal Drive, Trophy Club, Texas 76262. Action will be taken immediately by the Board of Directors of the District to accept or reject the best bid. Each bidder must deliver a bank Cashier's Check in the amount of \$115,300.00, payable to the order of Trophy Club Municipal Utility District No. 1, as a good faith deposit to the District's Financial Advisor, Dan Almon, Southwest Securities, 1201 Elm St., Suite 3500, Dallas, Texas 75270, by 11:00 A.M., C.S.T. on the date of the sale.

Address of the Bids Delivered in Person: Sealed written bids, plainly marked "Bid for Bonds" should be addressed to the Board of Directors of Trophy Club Municipal Utility District No. 1, and delivered to Dan Almon, Southwest Securities, 1201 Elm St., Suite 3500, Dallas, Texas 75270, by 11:00 A.M., C.S.T. on December 4, 2014. All bids must be signed and submitted on the "Official Bid Form".

Electronic Bidding Procedures: Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of the Ipreo Holdings LLC, PARITY System by 11:00 A.M., C.S.T., on December 4, 2014 as described in the "Official Notice of Sale" described below.

Information: The Bonds are more completely described in the "Official Notice of Sale", "Official Bid Form" and the "Preliminary Official Statement" for the Bonds which may be obtained from Dan Almon, Southwest Securities, 1201 Elm St., Suite 3500, Dallas, Texas 75270, Financial Advisor to the District.

All bidders must submit a SIGNED OFFICIAL BID FORM prior to the time of sale, which is 11:00 A.M., C.S.T. on December 4, 2014, to Dan Almon, Southwest Securities, 1201 Elm St., Suite 3500, Dallas, Texas 75270 in accordance with the Official Notice of Sale. The bidder whose bid is the winning bid in accordance with the Official Notice of Sale will be notified immediately.

The District reserves the right to reject any or all bids for the Bonds and to waive any and all irregularities except time of filing. This notice does not constitute an offer to sell the Bonds but is merely notice of sale of the Bonds as required by law. The offer to sell the Bonds will be made only by means of the "Official Notice of Sale", the "Preliminary Official Statement" and the "Official Bid Form" for the Bonds.

This Notice of Sale supersedes and replaces any previously published Notice of Sale for the Bonds.

Board of Directors
Trophy Club Municipal Utility District No. 1

LEGAL NOTICE

STATE OF TEXAS
COUNTY OF TARRANT

Before me, a Notary Public in and for said County and State, this day

personally appeared Christine Lopez, Advertising Representative
for the Star-Telegram, published by the Star-Telegram, Inc. at Fort Worth, in Tarrant County, Texas and
distributed in other surrounding Counties; and who, after being duly sworn, did dispose and say that the
following clipping of an advertisement was published in the above named paper on the following dates:

Wed November 19, 2014

Signed

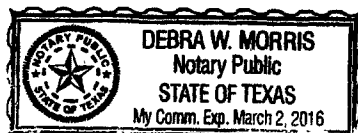
C Lopez

Subscribed and sworn to before me, this the 19 day of November 2014

Notary Public

Debra W. Morris

Tarrant County, Texas



NOTICE OF SALE
\$5,765,000
TROPHY CLUB MUNICIPAL
UTILITY DISTRICT NO. 1
 (A political subdivision of the
 State of Texas located in Denton
 and Tarrant Counties, Texas)
UNLIMITED TAX BONDS,
SERIES 2014
 Selling: December 4, 2014
 Bids due 11:00 a.m. Central Standard
 Time ("CST")

Place and Time of Award: The District will consider the award of the sale of the Bonds on December 4, 2014 at 6:00 P.M., C.S.T., at the District's Office, 100 Municipal Drive, Trophy Club, Texas 76262. Action will be taken immediately by the Board of Directors of the District to accept or reject the best bid. Each bidder must deliver a bank Cashier's Check in the amount of \$115,300.00, payable to the order of Trophy Club Municipal Utility District No. 1, as a good faith deposit to the District's Financial Advisor, Dan Almon, Southwest Securities, 1201 Elm St., Suite 3500, Dallas, Texas 75270, by 11:00 A.M., C.S.T. on the date of the sale.

Address of the Bids Delivered in Person: Sealed written bids, plainly marked "Bid for Bonds" should be addressed to the Board of Directors of Trophy Club Municipal Utility District No. 1, and delivered to Dan Almon, Southwest Securities, 1201 Elm St., Suite 3500, Dallas, Texas 75270, by 11:00 A.M., C.S.T. on December 4, 2014. All bids must be signed and submitted on the "Official Bid Form".

Electronic Bidding Procedures: Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of the Ipreo Holdings LLC PARITY System by 11:00 A.M., C.S.T. on December 4, 2014 as described in the "Official Notice of Sale" described below.

Information: The Bonds are more completely described in the "Official Notice of Sale", "Official Bid Form" and the "Preliminary Official Statement" for the Bonds which may be obtained from Dan Almon, Southwest Securities, 1201 Elm St., Suite 3500, Dallas, Texas 75270, Financial Advisor to the District.

All bidders must submit a SIGNED OFFICIAL BID FORM prior to the time of sale, which is 11:00 A.M., C.S.T. on December 4, 2014, to Dan Almon, Southwest Securities, 1201 Elm St., Suite 3500, Dallas, Texas 75270 in accordance with the Official Notice of Sale. The bidder whose bid is the winning bid in accordance with the Official Notice of Sale will be notified immediately. The District reserves the right to reject any or all bids for the Bonds and to waive any and all irregularities except time of filing. This notice does not constitute an offer to sell the Bonds but is merely notice of sale of the Bonds as required by law. The offer to sell the Bonds will be made only by means of the "Official Notice of Sale", the "Preliminary Official Statement" and the "Official Bid Form" for the Bonds.

This Notice of Sale supersedes and replaces any previously published Notice of Sale for the Bonds.

Board of Directors
Trophy Club Municipal Utility District
No. 1

AFFIDAVIT OF PUBLICATION

THE STATE OF TEXAS
COUNTY OF DENTON

§
§
§

BEFORE ME, the undersigned authority on this day personally appeared Bill Patterson of the Denton Record-Chronicle, a newspaper published in the County of Denton, Texas, who, being by me duly sworn, upon oath deposes and says:

That said newspaper is of general circulation in Denton County, Texas, and that the "NOTICE OF SALE" attached hereto was published in said newspaper in its issue of

Nov. 21, 2014;

and said newspaper devotes not less than twenty-five percent (25%) of its total column lineage to items of general interest, is published not less frequently than once each week, entered as second class postal matter in the county where it is published and has been published regularly and continuously for not less than twelve (12) months prior to the date of the publication of said "NOTICE OF SALE".

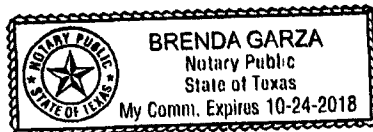
Bill Patterson

Title: Publisher

SWORN TO AND SUBSCRIBED BEFORE ME, this the 21 day of November, 2014.

Brenda Garza
Notary Public, State of Texas

(Notary Seal)



47255577.1/08009902

NOTICE OF SALE
\$5,765,000
TROPHY CLUB MUNICIPAL
UTILITY DISTRICT NO. 1
(A political subdivision of the State of Texas located in Denton and Tarrant Counties, Texas)
UNLIMITED TAX BONDS,
SERIES 2014
Selling: December 4, 2014
Bids due 11:00 a.m. Central Standard Time ("CST")

Place and Time of Award: The District will consider the award of the sale of the Bonds on December 4, 2014 at 8:00 P.M. C.S.T., at the District's Office, 1 Municipal Drive, Trophy Club, Texas 78262. Action will be taken immediately by the Board of Directors of the District to accept or reject the best bid. Each bidder must deliver a bank Cashier's Check in the amount of \$115,300.00, payable to the order of Trophy Club Municipal Utility District No. 1, as a good faith deposit to the District's Financial Advisor, Dan Almon, Southwest Securities, 1201 Elm St., Suite 3500, Dallas, Texas 75270, by 11:00 A.M., C.S.T., on the date of the sale.

Address of the Bids Deliver: In Person: Sealed written bids, plainly marked "Bid for Bonds", should be addressed to the Board of Directors of Trophy Club Municipal Utility District No. 1, a delivered to Dan Almon, Southwest Securities, 1201 Elm St., Suite 3500, Dallas, Texas 75270, by 11:00 A.M., C.S.T., on December 4, 2014. All bids must be signed and submitted on the "Official Bid Form".

Electronic Bidding Procedure: Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of the Inpro Holdings LLC, PARITY System 11:00 A.M., C.S.T., on December 4, 2014 as described in the "Official Notice of Sale" described below.

Information: The Bonds are more completely described in the "Official Notice of Sale", "Official Bid Form" and the "Preliminary Official Statement" for the Bonds which may be obtained from Dan Almon, Southwest Securities, 1201 Elm St., Suite 3500, Dallas, Texas 75270, Financial Advisor the District.

All bidders must submit a SIGNED OFFICIAL BID FORM prior to the time of sale, which is 11:00 A.M., C.S.T., on December 4, 2014, to Dan Almon, Southwest Securities, 1201 Elm St., Suite 3500, Dallas, Texas 75270 in accordance with the Official Notice of Sale. The bidder who bid is the winning bid in accordance with the Official Notice of Sale will be notified immediately.

The District reserves the right to reject any or all bids for the Bonds and to waive any and all irregularities except time of filing. This notice does not constitute an offer to sell the Bonds but is merely notice of sale of the Bonds as required by law. The offer to sell the Bonds will be made only by means of the "Official Notice of Sale", the "Preliminary Official Statement" and the "Official Bid Form" for the Bonds.

This Notice of Sale supersedes and replaces any previously published Notice of Sale for the Bonds.

Board of Directors
Trophy Club Municipal Utility District No.

DRC 11/21/14

TCMUD005314

CERTIFICATE OF SECRETARY

THE STATE OF TEXAS

COUNTIES OF DENTON AND TARRANT

§
§
§

TROPHY CLUB MUNICIPAL UTILITY
DISTRICT NO. 1

I, the undersigned, Secretary of the Board of Directors of the Trophy Club Municipal Utility District No. 1; DO HEREBY CERTIFY as follows:

1. On the 4th day of December, 2014, a special meeting of the Board of Directors (the "Board") of the Trophy Club Municipal Utility District No. 1 (the "District") was held at a meeting place within the District; the duly constituted members of the Board being as follows:

JAMES (JIM) MOSS
JIM HASE
KEVIN R. CARR
JAMES C. THOMAS
NEIL TWOMEY

PRESIDENT
VICE PRESIDENT
SECRETARY/TREASURER
DIRECTOR
DIRECTOR

and all of said persons were present at said meeting, except the following: None. Among other business considered at said meeting, the attached order entitled:

"AN ORDER authorizing the issuance of "Trophy Club Municipal Utility District No. 1 Unlimited Tax Bonds, Series 2014"; specifying the terms and features of said bonds; levying a continuing direct annual ad valorem tax for the payment of said bonds; resolving other matters incident and related to the issuance, sale, payment and delivery of said Bonds, including the approval and execution of a Paying Agent/Registrar Agreement and the approval and distribution of an Official Statement; and providing an effective date."

was introduced and submitted to the Board for passage and adoption. After presentation and due consideration of the order, and, upon a motion made and seconded, the order was duly passed and adopted by the Board by the following vote:

5 voted "For" 0 voted "Against" 0 Abstained

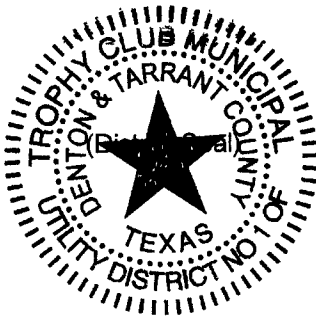
all as shown in the official minutes of the Board for the meeting held on the aforesaid date.

2. The attached order is a true and correct copy of the original on file in the official records of the District; the duly qualified and acting members of the Board on the date of the aforesaid meeting are those persons shown above and, according to the records of my office, advance notice of the time, place and purpose of said meeting was given to each member of the Board; and that said meeting, and deliberation of the aforesaid public business, was open to the public and written notice of said meeting, including the subject of the above entitled order, was posted and given in advance thereof in compliance with the provisions of Texas Government Code, Chapter 551, as amended.

IN WITNESS WHEREOF, I have hereunto signed my name officially and affixed the seal of said District, this the 4th day of December, 2014.



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



ORDER NO. 2014-1204A

AN ORDER authorizing the issuance of "Trophy Club Municipal Utility District No. 1 Unlimited Tax Bonds, Series 2014"; specifying the terms and features of said bonds; levying a continuing direct annual ad valorem tax for the payment of said bonds; resolving other matters incident and related to the issuance, sale, payment and delivery of said Bonds, including the approval and execution of a Paying Agent/Registrar Agreement and the approval and distribution of an Official Statement; and providing an effective date.

WHEREAS, Trophy Club Municipal Utility District No. 1 (the "District") is a conservation and reclamation district, a body corporate and politic and governmental agency of the State of Texas, created as a municipal utility district pursuant to Article 16, Section 59, of the Texas Constitution by Order of the Texas Commission on Environmental Quality ("TCEQ"), the successor in interest to the Texas Water Commission (collectively, the "Commission"), and the District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended (the "Act"); and

WHEREAS, the District is the successor by merger and consolidation of Trophy Club Municipal Utility District No. 1 ("Prior TCMUD 1") and Trophy Club Municipal Utility District No. 2 ("Prior TCMUD 2" and with Prior TCMUD 1, the "Prior TCMUDs") pursuant to a consolidation election held in the District on May 9, 2009 (the "Consolidation Election") by which the District consolidated the Prior TCMUDs into the District and assumed all outstanding and voted but unissued bonds and taxes of the Prior TCMUDs; and

WHEREAS, Prior TCMUD 2 was the successor by merger and consolidation of Denton County Municipal Utility District No. 2 ("Prior DCMUD 2") and Denton County Municipal Utility District No. 3 ("Prior DCMUD 3") pursuant to a consolidation election held on May 5, 1990; and

WHEREAS, the District is authorized by the Act to purchase, construct, acquire, own, operate, maintain, repair, improve, or extend inside or outside its boundaries any and all works, improvements, facilities, plants, equipment and appliances necessary to accomplish the purposes of its creation, all in accordance with the Act; and

WHEREAS, at an election held within and for Prior TCMUD 1 on October 7, 1975 (the "Prior TCMUD 1 Election"), Prior TCMUD 1 was authorized to issue the bonds of the District in the maximum aggregate principal amount of \$12,344,217 for the purchase, acquisition and construction of a waterworks and sanitary sewer system and additions, extensions and improvements thereto for said District including necessary administrative facilities, and for the further purpose of the purchase, acquisition and construction of works, improvements, facilities, plants, equipment and appliances necessary for the drainage of lands within said District, and to provide for the payment of the principal of and interest on such bonds by the levy and collection of ad valorem taxes upon all taxable property within the District; and

WHEREAS, at elections held within and for Prior DCMUD 3 on April 4, 1981 (the "Prior DCMUD 3 1981 Election") and on October 29, 1988 (the "Prior DCMUD 3 1988 Election"), Prior DCMUD 3 was authorized to issue the bonds of the District in the maximum principal amount of \$5,800,000 and \$2,500,000, respectively, for purchasing, constructing, acquiring, owning, operating, repairing, improving or extending a waterworks system, sanitary sewer system and drainage and storm sewer system, including, but not limited to, all additions to such systems

and all works, improvements, facilities, plants, equipment, appliances, interests in property, and contract rights needed therefor and administrative facilities needed in connection therewith, and to provide for the payment of principal of and interest on such bonds by the levy and collection of a sufficient tax upon all taxable property within said District; and

WHEREAS, the elections described above were called and held under and in strict conformity with the Constitution and laws of the State of Texas and of the United States of America, and the respective Boards of Directors of the Prior TCMUD 1 and the Prior DCMUD 3 have heretofore officially declared the results of said elections and declared that the Prior TCMUD 1 and the Prior DCMUD 3 were legally authorized to issue the bonds as described above; and

WHEREAS, pursuant to the authority of the Prior TCMUD 1 Election, the District has heretofore issued \$11,115,000 of its unlimited tax bonds for authorized purposes, and pursuant to the authority of the Prior DCMUD 3 1981 Election, the District has heretofore issued \$3,760,000 of its unlimited tax bonds for authorized purposes; and

WHEREAS, the District has not heretofore issued any bonds pursuant to the authority of the Prior DCMUD 3 1988 Election; and

WHEREAS, there remains voted and unissued of the District's unlimited tax bonds, a total of \$5,769,217 from the Consolidation Election of May 5, 1990, consisting of \$1,229,217 from the voted authorization of Prior TCMUD 1 Election, \$2,040,000 from the voted authorization of Prior DCMUD 3 1981 Election, and \$2,500,000 from the voted authorization of the Prior DCMUD 3 1988 Election; and

WHEREAS, the issuance of \$5,765,000 in principal amount of Bonds pursuant to this Order will be from the original voted bond authorization of Prior TCMUD 1 Election, Prior DCMUD 3 1981 Election and Prior DCMUD 3 1988 Election, leaving voted and unissued, after the delivery of these bonds, \$4,217 from the Prior TCMUD 1 Election, \$0 from the Prior DCMUD 3 1981 Election, and \$-0- from the Prior DCMUD 3 1988 Election; and

WHEREAS, the Commission has approved the issuance by the District of up to \$5,765,000 in unlimited tax bonds pursuant to an order dated February 6, 2014 (the "Commission Order") upon the terms and conditions stated in the Commission Order; and

WHEREAS, the Board of the District deems it necessary and advisable at this time to issue \$5,765,000 of bonds pursuant to the Act and the Prior TCMUD 1 Election, Prior DCMUD 3 1981 Election and Prior DCMUD 3 1988 Election as described above.

NOW, THEREFORE, BE IT ORDERED BY THE BOARD OF DIRECTORS OF THE TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1:

SECTION 1: Definitions and Interpretations.

(a) When used in this Order, except in Section 12, and in any resolution or order amendatory or supplemental hereto, the terms listed below shall have the meanings specified below, unless it is otherwise expressly provided or unless the context otherwise requires:

"Additional Bonds" shall mean the additional bonds payable from ad valorem taxes which the Board expressly reserves the right to issue in Section 32 of this Order.

"Authorized Investments" shall mean authorized investments as set forth in the Public Funds Investment Act, Chapter 2256, Texas Government Code and the District's Investment Policy.

"Board" or "Board of Directors" shall mean the governing body of the District.

"Bondholders" or "Registered Owner" shall mean the registered owners of any Bonds. Any reference to a particular percentage or portion of the Bondholders shall mean the registered owners at the particular time of the specified percentage or portion in aggregate principal amount of all Bonds then outstanding exclusive of Bonds held by the District.

"Bonds" shall mean the Bonds initially issued and delivered pursuant to this Order and all substitute Bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term "Bond" shall mean any of the Bonds.

"Order" shall mean this Order of the Board of Directors authorizing the issuance of the Bonds.

"Commission" shall mean the Texas Commission on Environmental Quality or its successor.

"Commission Order" shall mean the order of the Commission signed February 6, 2014 approving the issuance of the Bonds upon the terms and conditions as outlined in such order.

"Designated Payment/Transfer Office" means (i) with respect to the initial Paying Agent/Registrar named herein, its designated office in St. Paul, Minnesota, and (ii) with respect to any successor Paying Agent/Registrar, the office of such successor designated and located as may be agreed upon by the District and such successor.

"District" shall mean Trophy Club Municipal Utility District No. 1 and any other public agency succeeding to the powers, rights, privileges, and functions of the District, and shall mean, when appropriate, the Board of Directors of the District.

"DTC" shall mean The Depository Trust Company of New York.

"Fiscal Year" shall mean the twelve-month accounting period for the District, as may be changed from time to time by the Board of Directors.

"Interest and Sinking Fund" shall mean the Interest and Sinking Fund created and established in Section 11 of this Order.

"Interest Payment Date" shall mean a date on which interest on the Bonds is due and payable. Interest on the Bonds is due and payable on September 1, 2015, and semi-annually on each March 1 and September 1 thereafter until the earlier of maturity or redemption.

"Paying Agent/Registrar" shall mean BOKF, NA dba Bank of Texas, Austin, Texas, and such other bank or trust company as may hereafter be appointed in substitution therefor or in addition thereto to perform the duties of Paying Agent/Registrar in accordance with this Order.

"Project" shall mean the acquisition, construction and equipment of improvements to the District's wastewater treatment facilities.

"Record Date" shall mean, with respect to each interest payment date, the 15th day of the month immediately preceding each Interest Payment Date, whether or not such date is a business day.

"System" shall mean the works, improvements, facilities, plants, equipment, and appliances comprising the waterworks, sanitary sewer, and drainage system of the District now owned or to be hereafter purchased, constructed, or otherwise acquired whether by deed, contract, or otherwise, together with any additions or extensions thereto or improvements and replacements thereof.

The titles and headings of the articles and sections of this Order have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof. This Order and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Bonds and the validity of the lien on and pledge of the taxes pledged to the payment of the Bonds.

SECTION 2: Authorization - Series Designation - Principal Amount-Purpose. Unlimited tax bonds of the District shall be and are hereby authorized to be issued in the aggregate principal amount of \$5,765,000, to be designated and bear the title "TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 UNLIMITED TAX BONDS, SERIES 2014" (hereinafter referred to as the "Bonds") for (i) the following purposes, to wit: \$1,225,000 for the purchase, acquisition and construction of a waterworks and sanitary sewer system and additions, extensions and improvements thereto for said District including necessary administrative facilities, and for the further purpose of the purchase, acquisition and construction of works, improvements, facilities, plants, equipment and appliances necessary for the drainage of lands within said District and \$4,540,000 for purchasing, constructing, acquiring, owning, operating, repairing, improving or extending a waterworks system, sanitary sewer system and drainage and storm sewer system, including, but not limited to, all additions to such systems and all works, improvements, facilities, plants, equipment, appliances, interests in property, and contract rights needed therefor and administrative facilities needed in connection therewith, and (ii) paying the costs related to the issuance of the Bonds, pursuant to authority conferred by and in conformity with the Constitution and laws of the State of Texas, including Article XVI, Section 59 of the Texas Constitution and Texas Water Code, Chapters 49 and 54, as amended.

SECTION 3: Fully Registered Obligations - Bond Date - Authorized Denominations- Stated Maturities - Interest Rates. The Bonds shall be issued as fully registered obligations, shall be dated December 15, 2014 (the "Bond Date"), shall be in denominations of \$5,000 or any integral multiple (within a Stated Maturity) thereof, and shall become due and payable on September 1 in each of the years and in principal amounts (the "Stated Maturities") and bear interest at the rate(s) per annum in accordance with the following schedule:

<u>YEAR OF STATED MATURITY</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE(S)</u>
2016	\$235,000	1.50%
2017	240,000	1.50%
2018	245,000	1.50%
2019	250,000	1.50%
2020	255,000	1.75%
2021	265,000	2.00%
2022	270,000	2.00%
2023	280,000	2.25%
2024	290,000	2.50%
2025	295,000	2.50%
2026	305,000	2.50%
2027	315,000	2.75%
2028	325,000	2.75%
2029	335,000	3.00%
2030	345,000	3.25%
2031	360,000	3.25%
2032	370,000	3.25%
2033	385,000	3.50%
2034	400,000	3.50%

The Bonds shall bear interest on the unpaid principal amounts from the Bond Date at the rate(s) per annum shown above in this Section (calculated on the basis of a 360-day year of twelve 30-day months), and such interest shall be payable on March 1 and September 1 in each year, commencing September 1, 2015, until maturity or prior redemption.

SECTION 4: Terms of Payment - Paying Agent/Registrar. The principal of, premium, if any, and the interest on the Bonds, due and payable by reason of maturity, redemption or otherwise, shall be payable only to the registered owners or holders of the Bonds (hereinafter called the "Holders") appearing on the registration and transfer books maintained by the Paying Agent/Registrar and the payment thereof shall be in any coin or currency of the United States of America, which at the time of payment is legal tender for the payment of public and private debts, and shall be without exchange or collection charges to the Holders.

The selection and appointment of BOKF, NA dba Bank of Texas, Austin, Texas, to serve as Paying Agent/Registrar for the Bonds is hereby approved and confirmed. Books and records relating to the registration, payment, exchange and transfer of the Bonds (the "Security Register") shall at all times be kept and maintained on behalf of the District by the Paying Agent/Registrar, all as provided herein, in accordance with the terms and provisions of a "Paying Agent/Registrar Agreement", substantially in the form attached hereto as Exhibit A and such reasonable rules and regulations as the Paying Agent/Registrar and the District may prescribe. The President and Secretary of the Board of Directors are hereby authorized to execute and deliver such Agreement in connection with the delivery of the Bonds. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are paid and discharged, and any successor Paying Agent/Registrar shall be a bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to

be sent to each Holder by United States Mail, first class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of and premium, if any, on the Bonds shall be payable at the Stated Maturities or redemption thereof only upon presentation and surrender of the Bonds to the Paying Agent/Registrar at the Designated Payment/Transfer Office. Interest on the Bonds shall be paid to the Holder whose name appears in the Security Register at the close of business on the Record Date and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the Holder recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Holder. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of a nonpayment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States Mail, first class postage prepaid, to the address of each Holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

SECTION 5: Redemption.

(a) Optional Redemption. The Bonds maturing on and after September 1, 2025 shall be subject to redemption prior to maturity, at the option of the District, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity selected by lot by the Paying Agent/Registrar), September 1, 2024, or on any date thereafter at the redemption price of par plus accrued interest to the date of redemption.

(b) Exercise of Redemption Option. At least forty-five (45) days prior to a redemption date for the Bonds (unless a shorter notification period shall be satisfactory to the Paying Agent/Registrar), the District shall notify the Paying Agent/Registrar of the decision to redeem Bonds, the principal amount of each Stated Maturity to be redeemed, and the date of redemption therefor. The decision of the District to exercise the right to redeem Bonds shall be entered in the minutes of the governing body of the District.

(c) Selection of Bonds for Redemption. If less than all Outstanding Bonds of the same Stated Maturity are to be redeemed on a redemption date, the Paying Agent/Registrar shall treat such Bonds as representing the number of Bonds Outstanding which is obtained by dividing the principal amount of such Bonds by \$5,000 and shall select the Bonds, or principal amount thereof, to be redeemed within such Stated Maturity by lot.

(d) Notice of Redemption. Not less than thirty (30) days prior to a redemption date for the Bonds, a notice of redemption shall be sent by United States Mail, first class postage

prepaid, in the name of the District and at the District's expense, to each Holder of a Bond to be redeemed in whole or in part at the address of the Holder appearing on the Security Register at the close of business on the business day next preceding the date of mailing such notice, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Holder.

All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify by number the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Bonds, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, shall be made at the Designated Payment/Transfer Office of the Paying Agent/Registrar only upon presentation and surrender thereof by the Holder. If a Bond is subject by its terms to prior redemption and has been called for redemption and notice of redemption thereof has been duly given as hereinabove provided, such Bond (or the principal amount thereof to be redeemed) shall become due and payable and interest thereon shall cease to accrue from and after the redemption date therefor; provided moneys sufficient for the payment of such Bond (or of the principal amount thereof to be redeemed) at the then applicable redemption price are held for the purpose of such payment by the Paying Agent/Registrar.

(e) Conditional Notice of Redemption. With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by this Order have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not satisfied or sufficient moneys are not received, such notice shall be of no force and effect, the District shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

SECTION 6: Registration - Transfer - Exchange of Bonds - Predecessor Bonds. The Paying Agent/Registrar shall obtain, record, and maintain in the Security Register the name and address of each and every owner of the Bonds issued under and pursuant to the provisions of this Order, or if appropriate the nominee thereof. Any Bond may be transferred or exchanged for Bonds of like maturity and amount and in authorized denominations by the Holder, in person or by his duly authorized agent, upon surrender of such Bond to the Designated Payment/Transfer Office of the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Holder or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

Upon surrender of any Bond (except for the single Initial Bond hereinafter referenced) for transfer at the Designated Payment/Transfer Office of the Paying Agent/Registrar, one or more new Bonds shall be registered and issued to the assignee or transferee of the previous Holder; such Bonds to be in authorized denominations, of like Stated Maturity and of a like aggregate principal amount as the Bond or Bonds surrendered for transfer.

At the option of the Holder, Bonds (except for the single Initial Bond hereinafter referenced) may be exchanged for other Bonds of authorized denominations and having the same Stated Maturity, bearing the same rate of interest and of like aggregate principal amount as the Bonds surrendered for exchange, upon surrender of the Bonds to be exchanged at the Designated Payment/Transfer Office of the Paying Agent/Registrar. Whenever any Bonds are surrendered for exchange, the Paying Agent/Registrar shall register and deliver new Bonds to the Holder requesting the exchange.

All Bonds issued in any transfer or exchange of Bonds shall be delivered to the Holders at the Designated Payment/Transfer Office of the Paying Agent/Registrar or sent by United States Mail, first class, postage prepaid to the Holders, and, upon the registration and delivery thereof, the same shall be the valid obligations of the District, evidencing the same obligation to pay, and entitled to the same benefits under this Order, as the Bonds surrendered in such transfer or exchange.

All transfers or exchanges of Bonds pursuant to this Section shall be made without expense or service charge to the Holders, except as otherwise herein provided, and except that the Paying Agent/Registrar shall require payment by the Holder requesting such transfer or exchange of any tax or other governmental charges required to be paid with respect to such transfer or exchange.

Bonds cancelled by reason of an exchange or transfer pursuant to the provisions hereof are hereby defined to be "Predecessor Bonds," evidencing all or a portion, as the case may be, of the same obligation to pay evidenced by the new Bond or Bonds registered and delivered in the exchange or transfer therefor. Additionally, the term "Predecessor Bonds" shall include any mutilated, lost, destroyed, or stolen Bond for which a replacement Bond has been issued, registered and delivered in lieu thereof pursuant to the provisions of Section 13 hereof and such new replacement Bond shall be deemed to evidence the same obligation as the mutilated, lost, destroyed, or stolen Bond.

Neither the District nor the Paying Agent/Registrar shall be required to issue or transfer to an assignee of a Holder any Bond called for redemption, in whole or in part, within 45 days of the date fixed for the redemption of such Bond; provided, however, such limitation on transferability shall not be applicable to an exchange by the Holder of the unredeemed balance of a Bond called for redemption in part.

SECTION 7: Book-Entry-Only Transfers and Transactions. Notwithstanding the provisions contained in Sections 4, 5 and 6 hereof relating to the payment, redemption and transfer/exchange of the Bonds, the District hereby approves and authorizes the use of "Book Entry Only" securities clearance, settlement and transfer system provided by The Depository Trust Company (DTC), a limited purpose trust company organized under the laws of the State of New York, in accordance with the operational arrangements referenced in the Blanket Issuer Letter of Representations, by and between the District and DTC (the "Depository Agreement").

Pursuant to the Depository Agreement and the rules of DTC, the Bonds shall be deposited with DTC who shall hold said Bonds for its participants (the "DTC Participants"). While the Bonds are held by DTC under the Depository Agreement, the Holder of the Bonds on the Security Register for all purposes, including payment and notices, shall be Cede & Co., as nominee of DTC, notwithstanding the ownership of each actual purchaser or owner of each Bond (the "Beneficial Owners") being recorded in the records of DTC and DTC Participants.

In the event DTC determines to discontinue serving as securities depository for the Bonds or otherwise ceases to provide book entry clearance and settlement of securities transactions in general or the District determines that DTC is incapable of properly discharging its duties as securities depository for the Bonds, the District covenants and agrees with the Holders of the Bonds to cause Bonds to be printed in definitive form and provide for the Bond certificates to be issued and delivered to DTC Participants and Beneficial Owners, as the case may be. Thereafter, the Bonds in definitive form shall be assigned, transferred and exchanged on the Security Register maintained by the Paying Agent/Registrar and payment of such Bonds shall be made in accordance with the provisions of Sections 4, 5 and 6 hereof.

SECTION 8: Execution - Registration. The Bonds shall be executed on behalf of the District by the President or Vice President of the Board of Directors under its seal reproduced or impressed thereon and attested by the Secretary of the Board of Directors. The signature of said officers on the Bonds may be manual or facsimile. Bonds bearing the manual or facsimile signatures of individuals who are or were the proper officers of the Board on the date of adoption of this Order shall be deemed to be duly executed on behalf of the District, notwithstanding that such individuals or either of them shall cease to hold such offices at the time of delivery of the Bonds to the initial purchaser(s) and with respect to Bonds delivered in subsequent exchanges and transfers, all as authorized and provided in Texas Government Code, Chapter 1201, as amended.

No Bond shall be entitled to any right or benefit under this Order, or be valid or obligatory for any purpose, unless there appears on such Bond either a certificate of registration substantially in the form provided in Section 10(c), manually executed by the Comptroller of Public Accounts of the State of Texas, or his duly authorized agent, or a certificate of registration substantially in the form provided in Section 10(d), manually executed by an authorized officer, employee or representative of the Paying Agent/Registrar, and either such certificate duly signed upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly certified, registered and delivered.

SECTION 9: Initial Bond(s). The Bonds herein authorized shall be initially issued either (i) as a single fully registered bond in the total principal amount stated in Section 2 hereof with principal installments to become due and payable as provided in Section 3 hereof and numbered T-1, or (ii) as multiple fully registered bonds, being one bond for each year of maturity in the applicable principal amount and denomination and to be numbered consecutively from T-1 and upward (hereinafter called the "Initial Bond(s)") and, in either case, the Initial Bond(s) shall be registered in the name of the initial purchaser(s) or the designee thereof. The Initial Bond(s) shall be the Bonds submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas and delivered to the initial purchaser(s). Any time after the delivery of the Initial Bond(s), the Paying Agent/Registrar, pursuant to written instructions from the initial purchaser(s), or the designee thereof, shall cancel the Initial Bond(s) delivered hereunder and exchange therefor definitive Bonds of authorized denominations, Stated Maturities, principal amounts and bearing applicable interest rates for transfer and delivery to the Holders named at the addresses identified therefor; all pursuant to and in accordance with such written instructions from the initial purchaser(s), or the designee thereof, and such other information and documentation as the Paying Agent/Registrar may reasonably require.

SECTION 10: Forms.

(a) Forms Generally. The Bonds, the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Registration Certificate of Paying Agent/Registrar, and the form of Assignment to be printed on each of the Bonds, shall be substantially in the forms set forth in this Section with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Order and may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including insurance legends on insured Bonds and any reproduction of an opinion of counsel) thereon as may, consistently herewith, be established by the District or determined by the officers executing such Bonds as evidenced by their execution. Any portion of the text of any Bonds may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Bond.

The definitive Bonds and the Initial Bond(s) shall be printed, lithographed, or engraved, typewritten, photocopied or otherwise reproduced in any other similar manner, all as determined by the officers executing such Bonds as evidenced by their execution.

(b) Form of Definitive Bonds.

REGISTERED
NO. _____

REGISTERED
PRINCIPAL AMOUNT
\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
UNLIMITED TAX BOND, SERIES 2014

Bond Date:
December 15, 2014

Interest Rate:
_____ %

Stated Maturity:
September 1, 20____

CUSIP NO:

Registered Owner:

Principal Amount:

DOLLARS

The Trophy Club Municipal Utility District No. 1 (hereinafter referred to as the "District"), a body corporate and political subdivision in the Counties of Denton and Tarrant, State of Texas, for value received, acknowledges itself indebted to and hereby promises to pay to the Registered Owner named above, or the registered assigns thereof, on the Stated Maturity date specified above (or so much thereof as shall not have been paid upon prior redemption) the Principal Amount hereinabove stated, and to pay interest on the unpaid principal amount hereof from the interest payment date next preceding the "Registration Date" of this Bond appearing below (unless this Bond bears a "Registration Date" as of an interest payment date, in which case it shall bear interest from such date, or unless the "Registration Date" of this Bond is prior to the initial interest payment date in which case it shall bear interest from the Bond Date) at the per annum rate of interest specified above computed on the basis of a 360-day year of

twelve 30-day months; such interest being payable on March 1 and September 1 in each year, commencing September 1, 2015. Principal of this Bond is payable at its Stated Maturity or redemption to the registered owner hereof, upon presentation and surrender, at the Designated Payment/Transfer Office of the Paying Agent/Registrar executing the registration certificate appearing hereon, or its successor; provided, however, while this Bond is registered to Cede & Co., the payment of principal upon a partial redemption of the principal amount hereof may be accomplished without presentation and surrender of this Bond. Interest is payable to the registered owner of this Bond (or one or more Predecessor Bonds, as defined in the Order hereinafter referenced) whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date", which is the 15th day next preceding each interest payment date, and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner.

If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. All payments of principal of, premium, if any, and interest on this Bond shall be without exchange or collection charges to the owner or holder hereof and in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

This Bond is one of the series specified in its title issued in the aggregate principal amount of \$5,765,000 (herein referred to as the "Bonds") for (i) the following purposes, to wit: \$1,225,000 for the purchase, acquisition and construction of a waterworks and sanitary sewer system and additions, extensions and improvements thereto for said District including necessary administrative facilities, and for the further purpose of the purchase, acquisition and construction of works, improvements, facilities, plants, equipment and appliances necessary for the drainage of lands within said District and \$4,540,000 for purchasing, constructing, acquiring, owning, operating, repairing, improving or extending a waterworks system, sanitary sewer system and drainage and storm sewer system, including, but not limited to, all additions to such systems and all works, improvements, facilities, plants, equipment, appliances, interests in property, and contract rights needed therefor and administrative facilities needed in connection therewith, and (ii) paying the costs related to the issuance of the Bonds, under and in strict conformity with the Constitution and laws of the State of Texas, including Texas Water Code, Chapters 49 and 54, as amended, elections held for such purposes, and pursuant to an Order adopted by the Board of Directors of the District (herein referred to as the "Order").

The Bonds maturing on and after September 1, 2025 may be redeemed prior to their Stated Maturities, at the option of the District, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity selected by lot by the Paying Agent/Registrar), on September 1, 2024 or on any date thereafter at the redemption price of par, together with accrued interest to the date of redemption.

At least thirty (30) days prior to a redemption date, the District shall cause a written notice of such redemption to be sent by United States Mail, first class postage prepaid, to the registered owners of the Bonds to be redeemed in whole or in part, and subject to the terms and

provisions relating thereto contained in the Order. If a Bond (or any portion of its principal sum) shall have been duly called for redemption and notice of such redemption duly given, then upon such redemption date such Bond (or the portion of its principal sum to be redeemed) shall become due and payable, and interest thereon shall cease to accrue from and after the redemption date therefor, provided moneys for the payment of the redemption price and the interest on the principal amount to be redeemed to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Order have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not satisfied or sufficient moneys are not received, such notice shall be of no force and effect, the District shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

In the event a portion of the principal amount of a Bond is to be redeemed and the registered owner hereof is someone other than Cede & Co., payment of the redemption price of such principal amount shall be made to the registered owner only upon presentation and surrender of this Bond to the Designated Payment/Transfer Office of the Paying Agent/Registrar, and a new Bond or Bonds of like maturity and interest rate in any authorized denominations provided by the Order for the then unredeemed balance of the principal sum thereof will be issued to the registered owner, without charge. If a Bond is selected for redemption, in whole or in part, the District and the Paying Agent/Registrar shall not be required to transfer such Bond to an assignee of the registered owner within 45 days of the redemption date therefor; provided, however, such limitation on transferability shall not be applicable to an exchange by the registered owner of the unredeemed balance of a Bond redeemed in part.

The Bonds are payable (until all the territory within the District is annexed, all properties and assets of the District are taken over, and all debts, liabilities and obligations of the District, including this Bond, are assumed by one or more cities and the District is abolished pursuant to the laws of the State of Texas) from the proceeds of an ad valorem tax levied, without limit as to rate or amount, upon all taxable property in the District. The District covenants to levy a continuing direct annual ad valorem tax, without legal limit as to rate or amount, on all taxable property within the District, for each year while any part of the Bonds are considered outstanding under the provisions of the Order, in sufficient amount, together with revenues and receipts available from other sources which are available for such purposes, to pay interest on the Bonds as it becomes due, to provide a sinking fund for the payment of the principal of the Bonds when due or the redemption price at any earlier required redemption date with respect to the Bonds, and to pay the expenses of assessing and collecting such tax, all as more specifically provided in the Order. Reference is hereby made to the Order, a copy of which is on file in the Designated Payment/Transfer Office of the Paying Agent/Registrar, and to all of the provisions of which the owner or holder of this Bond by the acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the tax levied for the payment of the Bonds; the terms and conditions relating to the transfer or exchange of this Bond; the conditions upon which the Order may be amended or supplemented with or without the consent of the Holders; the rights, duties, and obligations of the District and the Paying

Agent/Registrar; the terms and provisions upon which this Bond may be discharged at or prior to its maturity, and deemed to be no longer Outstanding thereunder; and for other terms and provisions contained therein. Capitalized terms used herein have the meanings assigned in the Order.

No other entity, including the State of Texas, any political subdivision thereof other than the District, or any other public or private body, is obligated, directly, indirectly, contingently, or in any other manner, to pay the principal of or the interest on this Bond from any source whatsoever. No part of the physical properties of the District, including the properties provided by the proceeds of the Bonds of the series of which this Bond is a part, is encumbered by any lien for the benefit of the Registered Owner of this Bond.

This Bond, subject to certain limitations contained in the Order, may be transferred on the Security Register only upon its presentation and surrender at the Designated Payment/Transfer Office of the Paying Agent/Registrar, with the Assignment hereon duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed by, the registered owner hereof, or his duly authorized agent. When a transfer on the Security Register occurs, one or more new fully registered Bonds of the same Stated Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued by the Paying Agent/Registrar to the designated transferee or transferees.

The District and the Paying Agent/Registrar, and any agent of either, shall treat the registered owner whose name appears on the Security Register (i) on the Record Date as the owner entitled to payment of interest hereon, (ii) on the date of surrender of this Bond as the owner entitled to payment of principal at the Stated Maturity, or its redemption, in whole or in part, and (iii) on any other date as the owner for all other purposes, and neither the District nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary. In the event of nonpayment of interest on a scheduled payment date and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States Mail, first class postage prepaid, to the address of each Holder of a Bond appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

It is hereby certified, recited, represented and declared that the District is a body corporate and political subdivision duly organized and legally existing under and by virtue of the Constitution and laws of the State of Texas; that the issuance of the Bonds is duly authorized by law; that all acts, conditions and things required to exist and be done precedent to and in the issuance of the Bonds to render the same lawful and valid obligations of the District have been properly done, have happened and have been performed in regular and due time, form and manner as required by the Constitution and laws of the State of Texas, and the Order; that the Bonds do not exceed any Constitutional or statutory limitation; and that due provision has been made for the payment of the principal of and interest on the Bonds by the levy of a tax as aforesated. In case any provision in this Bond shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. The terms and provisions of this Bond and the Order shall be construed in accordance with and shall be governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the Board of Directors of the District has caused this Bond to be duly executed under the official seal of the District.

TROPHY CLUB MUNICIPAL UTILITY
DISTRICT NO. 1

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(SEAL)

(c) Form of Registration Certificate of Comptroller of Public Accounts to appear on Initial Bond(s) only.

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER
OF PUBLIC ACCOUNTS
THE STATE OF TEXAS

(
(REGISTER NO. _____
(

I HEREBY CERTIFY that this Bond has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and duly registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS my signature and seal of office this _____.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

- (d) Form of Certificate of Paying Agent/Registrar to appear on Definitive Bonds only.

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

This Bond has been duly issued and registered under the provisions of the within-mentioned Order; the bond or bonds of the above entitled and designated series originally delivered having been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts, as shown by the records of the Paying Agent/Registrar.

The designated offices of the Paying Agent/Registrar in St. Paul, Minnesota, is the Designated Payment/Transfer Office for this Bond.

BOKF, NA dba Bank of Texas, Austin, Texas,
as Paying Agent/Registrar

Registration date: _____

By _____
Authorized Signature

- (e) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto
(Print or typewrite name, address, and zip code of transferee): _____

(Social Security or other identifying number: _____)
_____ the within Bond and all rights thereunder, and hereby
irrevocably constitutes and appoints _____

attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

DATED: _____

Signature guaranteed:

NOTICE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within Bond in every particular.

(f) The Initial Bond(s) shall be in the form set forth in paragraph (b) of this Section, except that the form of the single fully registered Initial Bond shall be modified as follows:

REGISTERED
NO. T-1

REGISTERED
PRINCIPAL AMOUNT
\$5,765,000

UNITED STATES OF AMERICA
STATE OF TEXAS
TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
UNLIMITED TAX BOND, SERIES 2014

Bond Date:
December 15, 2014

Registered Owner: FTN Financial Capital Markets

Principal Amount: FIVE MILLION SEVEN HUNDRED SIXTY-FIVE THOUSAND DOLLARS

The Trophy Club Municipal Utility District No. 1 (hereinafter referred to as the "District"), a body corporate and political subdivision in the Denton and Tarrant Counties, State of Texas, for value received, acknowledges itself indebted to and hereby promises to pay to the Registered Owner named above, or the registered assigns thereof, the Principal Amount hereinabove stated on September 1 in each of the years and in principal installments in accordance with the following schedule:

<u>YEAR OF</u> <u>MATURITY</u>	<u>PRINCIPAL</u> <u>INSTALLMENTS</u>	<u>INTEREST</u> <u>RATE</u>
-----------------------------------	---	--------------------------------

(Information to be inserted from schedule in Section 2 hereof).

(or so much principal thereof as shall not have been prepaid prior to maturity) and to pay interest on the unpaid principal installments hereof from the Bond Date at the per annum rates of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on March 1 and September 1 in each year, commencing September 1, 2015. Principal installments of this Bond are payable in the year of maturity or on a redemption date to the registered owner hereof by BOKF, NA dba Bank of Texas, Austin, Texas (the "Paying Agent/Registrar"), upon presentation and surrender, at its designated offices in St. Paul, Minnesota (the "Designated Payment/Transfer Office"). Interest is payable to the registered owner of this Bond whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date", which is the 15th day next preceding each interest payment date, and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner.

SECTION 11: Levy of Taxes. To provide for the payment of Bonds, there is hereby levied, and there shall be annually assessed and collected in due time, form, and manner, a tax on all taxable property in the District, without limit as to rate or amount, sufficient to pay the principal of and interest on the Bonds as the same becomes due and payable; and such tax hereby levied on each one hundred dollars' valuation of taxable property in the District for the payment of the Bonds shall be at a rate from year to year as will be ample and sufficient to provide funds each year to pay the principal of and interest on said Bonds while Outstanding; full allowance being made for delinquencies and costs of collection. The taxes levied, assessed, and collected for and on account of the Bonds shall be accounted for separate and apart from all other funds of the District and the taxes assessed and collected for the Bonds shall be deposited in the "Special Series 2014 Unlimited Tax Bond Fund" (hereinafter called the "Interest and Sinking Fund") to be maintained at an official depository of the District's funds; and such taxes hereby levied, and to be assessed and collected annually, for the Bonds are hereby pledged to the payment of the Bonds. In determining the rate of tax to be levied, assessed and collected, the District may take into account the amount in the Interest and Sinking Fund from the deposit of Bond proceeds on deposit in said fund for the payment of interest and whether the District reasonably expects to have revenue or receipts available from other sources which are legally available to pay debt service on the Bonds.

The President, Vice President and Secretary of the Board of Directors, the General Manager and the Finance Manager of the District, individually or jointly, are hereby authorized and directed to cause to be transferred to the Paying Agent/Registrar for the Bonds, from funds on deposit in the Interest and Sinking Fund, amounts sufficient to fully pay and discharge promptly each installment of interest and principal of the Bonds as the same shall become payable or matures; such transfers to be made in such manner as will cause collected funds to be deposited with the Paying Agent/Registrar on or before each principal and interest payment date for the Bonds.

SECTION 12: Consolidation and Dissolution of District. To the extent provided by law, the pledge of taxes set forth in Section 11 hereof will terminate if one or more cities takes over all properties and assets, assumes all debts, liabilities, and obligations, and performs all functions and services of the District, and the District is abolished pursuant to law.

The laws of the State of Texas permit the District to be consolidated with one or more conservation and reclamation districts. In the event the District is consolidated with another district or districts, the District reserves the right to:

(a) Consolidate the System with a similar system of one or more districts with which the District is consolidating and operate and maintain the systems as one consolidated system (herein for purposes of this section the "Consolidated System").

(b) Apply the net revenues from the operation of the Consolidated System to the payment of principal, interest, redemption price and bank charges on the revenue bonds or the combination tax and revenue bonds (herein for purposes of this section the "Revenue Bonds") of the District and of the district or districts with which the District is consolidating (herein collectively the "Consolidating Districts") without preference to any series of bonds (except subordinate lien revenue bonds which shall continue to be subordinate to the first lien Revenue Bonds of the Consolidating Districts).

(c) Pledge the net revenues of the Consolidated System to the payment of principal, interest, redemption price and bank charges on Revenue Bonds which may be issued by the

Consolidating Districts on a parity with the outstanding first lien Revenue Bonds of the Consolidating Districts.

SECTION 13: Mutilated, Destroyed, Lost and Stolen Bonds. In case any Bond shall be mutilated, or destroyed, lost or stolen, the Paying Agent/Registrar may execute and deliver a replacement Bond of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Bond; and with respect to a lost, destroyed or stolen Bond a replacement Bond may be issued only upon the approval of the District and after (i) the filing by the Holder with the Paying Agent/Registrar of evidence satisfactory to the Paying Agent/Registrar of the destruction, loss or theft of such Bond, and of the authenticity of the ownership thereof and (ii) the furnishing to the Paying Agent/Registrar of indemnification in an amount satisfactory to hold the District and the Paying Agent/Registrar harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond shall be borne by the Holder of the Bond mutilated, or destroyed, lost or stolen.

Every replacement Bond issued pursuant to this Section shall be a valid and binding obligation, and shall be entitled to all the benefits of this Order equally and ratably with all other Outstanding Bonds; notwithstanding the enforceability of payment by anyone of the destroyed, lost, or stolen Bonds.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

SECTION 14: Satisfaction of Obligation of District. If the District shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Bonds, at the times and in the manner stipulated in this Order, then the pledge of taxes levied under this Order and all covenants, agreements, and other obligations of the District to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

Bonds or any principal amount(s) thereof shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to pay in full such Bonds or the principal amount(s) thereof at maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, or (ii) Government Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities have been certified by an independent accounting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, if any, to pay when due the principal of and interest on such Bonds, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof. The District covenants that no deposit of moneys or Government Securities will be made under this Section and no use made of any such deposit which would cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or regulations adopted pursuant thereto.

Any moneys so deposited with the Paying Agent/Registrar, or an authorized escrow agent, and all income from Government Securities held in trust by the Paying Agent/Registrar,

or an authorized escrow agent, pursuant to this Section which is not required for the payment of the Bonds, or any principal amount(s) thereof, or interest thereon with respect to which such moneys have been so deposited shall be remitted to the District or deposited as directed by the District. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the Bonds and remaining unclaimed for a period of three (3) years after the Stated Maturity, or applicable redemption date, of the Bonds such moneys were deposited and are held in trust to pay shall upon the request of the District be remitted to the District against a written receipt therefor. Notwithstanding the above and foregoing, any remittance of funds from the Paying Agent/Registrar to the District shall be subject to any applicable unclaimed property laws of the State of Texas.

The term "Government Securities", as used herein, shall mean (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and on the date of their acquisition or purchase by the District are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iv) any other then authorized securities or obligations under applicable law that may be used to defease obligations such as the Bonds.

SECTION 15: Order a Contract - Amendments - Outstanding Bonds. This Order shall constitute a contract with the Holders from time to time, be binding on the District, and shall not be amended or repealed by the District so long as any Bond remains Outstanding except as permitted in this Section and in Section 31 hereof. The District may, without the consent of or notice to any Holders, from time to time and at any time, amend this Order in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the District may, with the written consent of Holders holding a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of this Order; provided that, without the consent of all Holders of Outstanding Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held by Holders for consent to any such amendment, addition, or rescission.

The term "Outstanding" when used in this Order with respect to Bonds means, as of the date of determination, all Bonds theretofore issued and delivered under this Order, except:

- (1) those Bonds cancelled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;
- (2) those Bonds deemed to be duly paid by the District in accordance with the provisions of Section 14 hereof; and

(3) those mutilated, destroyed, lost, or stolen Bonds which have been replaced with Bonds registered and delivered in lieu thereof as provided in Section 13 hereof.

SECTION 16: Covenants to Maintain Tax-Exempt Status.

(a) Definitions. When used in this Section, the following terms shall have the following meanings:

"Closing Date" means the date on which the Bonds are first authenticated and delivered to the initial purchasers against payment therefor.

"Code" means the Internal Revenue Code of 1986, as amended by all legislation, if any, effective on or before the Closing Date.

"Computation Date" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Gross Proceeds" means any proceeds as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the Bonds.

"Investment" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Nonpurpose Investment" means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the Bonds are invested and which is not acquired to carry out the governmental purposes of the Bonds.

"Rebate Amount" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Regulations" means any proposed, temporary, or final Income Tax Regulations issued pursuant to Sections 103 and 141 through 150 of the Code, and 103 of the Internal Revenue Code of 1954, which are applicable to the Bonds. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary or final Income Tax Regulation designed to supplement, amend or replace the specific Regulation referenced.

"Yield" of (1) any Investment has the meaning set forth in Section 1.148-5 of the Regulations and (2) the Bonds has the meaning set forth in Section 1.148-4 of the Regulations.

(b) Not to Cause Interest to Become Taxable. The District shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner which, if made or omitted, respectively, would cause interest on any Bond to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the District receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not

adversely affect the exemption from federal income tax of the interest on any Bond, the District shall comply with each of the specific covenants in this Section.

(c) No Private Use or Private Payments. Except as permitted by section 141 of the Code and the Regulations and rulings thereunder, the District shall at all times prior to the last Stated Maturity of Bonds:

(1) exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Bonds, and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(2) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Bonds or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than taxes of general application within the District or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) No Private Loan. Except to the extent permitted by section 141 of the Code and the Regulations and rulings thereunder, the District shall not use Gross Proceeds of the Bonds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be "loaned" to a person or entity if: (1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

(e) Not to Invest at Higher Yield. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the District shall not at any time prior to the final Stated Maturity of the Bonds directly or indirectly invest Gross Proceeds in any Investment (or use Gross Proceeds to replace money so invested), if as a result of such investment the Yield from the Closing Date of all Investments acquired with Gross Proceeds (or with money replaced thereby), whether then held or previously disposed of, exceeds the Yield of the Bonds.

(f) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Regulations and rulings thereunder, the District shall not take or omit to take any action which would cause the Bonds to be federally guaranteed within the meaning of section 149(b) of the Code and the Regulations and rulings thereunder.

(g) Information Report. The District shall timely file the information required by section 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(h) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Regulations and rulings thereunder:

(1) The District shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last Outstanding Bond is discharged. However, to the extent permitted by law, the District may commingle Gross Proceeds of the Bonds with other money of the District, provided that the District separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(2) Not less frequently than each Computation Date, the District shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Regulations and rulings thereunder. The District shall maintain such calculations with its official transcript of proceedings relating to the issuance of the Bonds until six years after the final Computation Date.

(3) As additional consideration for the purchase of the Bonds by the Purchasers and the loan of the money represented thereby and in order to induce such purchase by measures designed to insure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the District shall pay to the United States from the construction fund, other appropriate fund, or if permitted by applicable Texas statute, regulation or opinion of the Attorney General of the State of Texas, the Interest and Sinking Fund, the amount that when added to the future value of previous rebate payments made for the Bonds equals (i) in the case of a Final Computation Date as defined in Section 1.148-3(e)(2) of the Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, the rebate payments shall be made at the times, in the installments, to the place and in the manner as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by Section 148(f) of the Code and the Regulations and rulings thereunder.

(4) The District shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3), and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under Section 1.148-3(h) of the Regulations.

(i) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the District shall not, at any time prior to the earlier of the Stated Maturity or final payment of the Bonds, enter into any transaction that reduces the amount required to be paid to the United States pursuant to Subsection (h) of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of the Bonds not been relevant to either party.

(j) Elections. The District hereby directs and authorizes the President of the Board of Directors, General Manager and Finance Manager, individually or jointly, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Bonds, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form or document.

(k) Qualified Tax Exempt Obligations. In accordance with the provisions of paragraph (3) of subsection (b) of Section 265 of the Code, the District hereby designates the Notes to be "qualified tax exempt obligations" in that the Bonds are not "private activity bonds" as defined in the Code and represents the amount of "tax exempt obligations" (exclusive of "private activity bonds") to be issued by the District (including all subordinate entities of the District) for the calendar year in which the Bonds are issued will not exceed \$10,000,000.

SECTION 17: Sale of the Bonds. The Bonds are hereby sold, pursuant to the taking of public bids therefor, on this date, and shall be delivered to FTN Financial Capital Markets (the "Purchaser") at a price of par plus a \$4,957.90 cash premium plus accrued interest. The Board hereby finds and determines that the net effective interest rate on the Bonds, as calculated pursuant to Texas Government Code, Chapter 1204, as amended is 2.886965%. It is hereby officially found, determined and declared that the terms of this sale are the most advantageous reasonably obtainable and the Purchaser's sealed bid produced the lowest net effective interest rate to the District as required by Section 49.183, Texas Water Code. The Initial Bond(s) shall be registered in the name of the Purchaser.

SECTION 18: Official Statement. The use of the Preliminary Official Statement by the Purchaser in connection with the public offering and sale of the Bonds is hereby ratified, confirmed and approved in all respects. The final Official Statement, being a modification and amendment of the Preliminary Official Statement to reflect the terms of sale (together with such changes approved by the President and Secretary of the Board of Directors, the General Manager and the Finance Manager, any one or more of said officials), shall be and is hereby in all respects approved and the Purchaser is hereby authorized to use and distribute said final Official Statement, dated November 25, 2014, in the reoffering, sale and delivery of the Bonds to the public. The President and Secretary of the Board of Directors are further authorized and directed to deliver for and on behalf of the District copies of said Preliminary Official Statement and Official Statement in final form as may be required by the Purchaser, and such final Official Statement in the form and content approved by the President or Secretary of the Board, General Manager or Finance Manager (one or more of said officials) shall be deemed to be approved by the Board of Directors and constitute the Official Statement authorized for distribution and use by the Purchaser.

SECTION 19: Control and Custody of Bonds. The President of the Board of Directors of the District shall be and is hereby authorized to take and have charge of all necessary orders and records pending investigation by the Attorney General of the State of Texas, including the printing and supply of definitive Bonds, and shall take and have charge and control of the Initial

Bond(s) pending the approval thereof by the Attorney General, the registration thereof by the Comptroller of Public Accounts and the delivery thereof to the Purchasers.

Furthermore, the President and Secretary of the Board of Directors, the General Manager and Finance Manager of the District, any one or more of said officials, are hereby authorized and directed to furnish and execute such documents and certifications relating to the District and the issuance of the Bonds, including certifications as to facts, estimates, circumstances and reasonable expectations pertaining to the use, expenditure and investment of the proceeds of the Bonds, as may be necessary for the approval of the Attorney General, the registration by the Comptroller of Public Accounts and the delivery of the Bonds to the Purchasers and, together with the District's financial advisor, bond counsel and the Paying Agent/Registrar, make the necessary arrangements for the delivery of the Initial Bond(s) to the Purchasers and the initial exchange thereof for definitive Bonds.

SECTION 20: Proceeds of Sale. The proceeds of sale of the Bonds, less amounts to pay costs of issuance, shall be deposited to the credit of a construction account maintained on the books and records of the District and, if not immediately invested, in a fund kept at a depository bank of the District. Pending expenditure for the Project, such proceeds of sale may be invested in Authorized Investments, including guaranteed investment contracts permitted in Texas Section 2256.015, et seq, and any investment earnings realized may be expended for the Project or deposited in the Interest and Sinking Fund as shall be determined by the Board of Directors. Accrued interest received from the sale of the Bonds and any excess bond proceeds, including investment earnings, remaining after completion of all authorized projects or purposes shall be deposited to the credit of the Interest and Sinking Fund.

Pursuant to the Commission Order, the District will not expend \$4,936,795.46 (\$4,292,865.70 for construction plus \$643,929.76 in contingencies) for the Project until receipt by the Board of plans and specifications approved by all entities with jurisdiction and construction documents.

SECTION 21: Notices to Holders - Waiver. Wherever this Order provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and sent by United States Mail, first class postage prepaid, to the address of each Holder appearing in the Security Register at the close of business on the business day next preceding the mailing of such notice.

In any case where notice to Holders is given by mail, neither the failure to mail such notice to any particular Holders, nor any defect in any notice so mailed, shall affect the sufficiency of such notice with respect to all other Bonds. Where this Order provides for notice in any manner, such notice may be waived in writing by the Holder entitled to receive such notice, either before or after the event with respect to which such notice is given, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Paying Agent/Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 22: Cancellation. All Bonds surrendered for payment, redemption, transfer, exchange, or replacement, if surrendered to the Paying Agent/Registrar, shall be promptly cancelled by it and, if surrendered to the District, shall be delivered to the Paying Agent/Registrar and, if not already cancelled, shall be promptly cancelled by the Paying Agent/Registrar. The District may at any time deliver to the Paying Agent/Registrar for cancellation any Bonds previously certified or registered and delivered which the District may

have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly cancelled by the Paying Agent/Registrar. All cancelled Bonds held by the Paying Agent/Registrar shall be returned to the District.

SECTION 23: Legal Opinion. The obligation of the Purchasers to accept delivery of the Bonds is subject to being furnished a final opinion of Fulbright & Jaworski LLP, Attorneys, Dallas, Texas, approving such Bonds as to their validity, said opinion to be dated and delivered as of the date of delivery and payment for the Bonds. A true and correct reproduction of said opinion or an executed counterpart thereof is hereby authorized to be either printed on definitive printed obligations or deposited with DTC along with the global certificates for the implementation and use of the Book Entry Only System used in the settlement and transfer of the Bonds.

SECTION 24: CUSIP Numbers. CUSIP numbers may be printed or typed on the definitive Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the definitive Bonds shall be of no significance or effect as regards the legality thereof and neither the District nor attorneys approving the Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed or typed on the definitive Bonds.

SECTION 25: Benefits of Order. Nothing in this Order, expressed or implied, is intended or shall be construed to confer upon any person other than the District, the Paying Agent/Registrar and the Holders, any right, remedy, or claim, legal or equitable, under or by reason of this Order or any provision hereof, this Order and all its provisions being intended to be and being for the sole and exclusive benefit of the District, the Paying Agent/Registrar and the Holders.

SECTION 26: Inconsistent Provisions. All orders or resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Order are hereby repealed to the extent of such conflict, and the provisions of this Order shall be and remain controlling as to the matters contained herein.

SECTION 27: Governing Law. This Order shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 28: Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 29: Construction of Terms. If appropriate in the context of this Order, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders.

SECTION 30: Severability. If any provision of this Order or the application thereof to any circumstance shall be held to be invalid, the remainder of this Order and the application thereof to other circumstances shall nevertheless be valid, and the Board of Directors hereby declares that this Order would have been enacted without such invalid provision.

SECTION 31: Continuing Disclosure Undertaking.

(a) Definitions. As used in this Section, the following terms have the meanings ascribed to such terms below:

"MSRB" means the Municipal Securities Rulemaking Board.

"Rule" means SEC Rule 15c2-12, as amended from time to time or officially interpreted by the SEC.

"SEC" means the United States Securities and Exchange Commission.

(b) Annual Reports. The District shall provide annually to the MSRB (1) within six months after the end of each fiscal year ending in or after 2014, financial information and operating data with respect to the District of the general type included in the final Official Statement authorized by Section 18 of this Order, being the information described in **Exhibit B** hereto, and (2) if not provided as part such financial information and operating data, audited financial statements of the District, when and if available. Any financial statements so to be provided shall be prepared in accordance with the accounting principles described in **Exhibit B** hereto, or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited, if the District commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not available by the required time, the District will provide unaudited financial information and operating data of the general type included in the Official Statement as Appendix D by the required time and audited financial statements when and if such audited financial statements become available.

If the District changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the District otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section 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 Web site or filed with the SEC.

(c) Notice of Certain Events. The District shall provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner and not more than 10 business days after occurrence of the event:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) Modifications to rights of holders of the Bonds, if material;

(viii) Bond calls, if material, and tender offers;

(ix) Defeasances;

(x) Release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below;

(xiii) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

For these purposes, any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

The District shall notify the MSRB, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with this Section by the time required by this Section.

(d) Filings with the MSRB. All financial information, operating data, financial statements, notices, and other documents provided to the MSRB in accordance with this Section shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

(e) Limitations, Disclaimers and Amendments. The District shall be obligated to observe and perform the covenants specified in this Section with respect to the District and the Bonds while, but only while, the District remains an "obligated person" with respect to the Bonds

within the meaning of the Rule, except that the District in any event will give the notice required by subsection (c) hereof of any Bond calls and/or defeasances that cause the District to no longer be such an "obligated person".

The provisions of this Section are for the sole benefit of the Holders and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The District undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the financial results, condition, or prospects of the District or the State of Texas or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The District does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE DISTRICT BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE DISTRICT, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR *MANDAMUS* OR SPECIFIC PERFORMANCE.

No default by the District in observing or performing its obligations under this Section shall constitute a breach of or default under this Order for purposes of any other provision of this Order.

Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the District under federal and state securities laws.

Notwithstanding anything herein to the contrary, the provisions of this Section may be amended by the District from time to time to adapt to changed circumstances resulting from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds 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 (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Order that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a Person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders and beneficial owners of the Bonds. The provisions of this Section may also be amended from time to time or repealed by the District if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, but only if and to the extent that reservation of the District's right to do so would not prevent underwriters of the initial public offering of the Bonds from lawfully purchasing or selling Bonds in such offering. If the District so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with subsection (b) an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

SECTION 32: Additional Bonds and Refunded Bonds.

(a) The District expressly reserves the right to issue, in one or more installments, for the purpose of purchasing, constructing, acquiring, owning, operating, maintaining, repairing, improving, or extending the System, or for any other lawful purpose:

(1) the unissued unlimited tax bonds which remain authorized but unissued; and

(2) such other unlimited tax bonds as may hereafter be authorized at subsequent elections.

(b) The District further reserves the right to issue combination unlimited tax and revenue bonds, if authorized by election, and such other bonds or other obligations as may be lawfully issued by the District including any obligations issued for special projects or defined areas:

(c) The District further reserves the right to issue refunding bonds in any manner permitted by law to refund the Bonds, any Additional Bonds or any other bonds issued by the District, at or prior to their respective dates of maturity or redemption.

SECTION 33: Further Procedures. Any one or more of the President, Vice President and Secretary of the Board of Directors, the General Manager and Finance Manager of the District are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and on behalf of the District all agreements, instruments, certificates or other documents, whether mentioned herein or not, as may be necessary or desirable in order to carry out the terms and provisions of this Order and the issuance of the Bonds. In addition, prior to the initial delivery of the Bonds, the President and Vice President of the Board of Directors, the General Manager, Finance Manager or Bond Counsel to the District are each hereby authorized and directed to approve any changes or corrections to this Order or to any of the documents authorized and approved by this Order: (i) in order to cure any ambiguity, formal defect, or omission in the Order or such other document; or (ii) as requested by the Attorney General of the State of Texas or his representative to obtain the approval of the Bonds by the Attorney General. In the event that any officer of the District whose signature shall appear on any document shall cease to be such officer before the delivery of such document, such signature nevertheless shall be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

SECTION 34: Incorporation of Findings and Determinations. The findings and determinations of the Board of Directors of the District contained in the preamble hereof are hereby incorporated by reference and made a part of this Order for all purposes as if the same were restated in full in this Section.

SECTION 35: No Recourse Against District Officials. No recourse shall be had for the payment of principal of, premium, if any, or interest on any Bond or for any claim based thereon or on this Order against any official of the District or any person executing any Bond.

SECTION 36: Public Meeting. It is officially found, determined, and declared that the meeting at which this Order is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting; including this

Order, was given, all as required by Texas Government Code, Chapter 551, as amended, and Texas Water Code, Sections 49.063 and 49.064, as amended.

SECTION 37: Effective Date. This Order shall be in force and effect from and after its passage on the date shown below.

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PASSED AND ADOPTED, this December 4, 2014.

TROPHY CLUB MUNICIPAL UTILITY
DISTRICT NO. 1



Jim Moss
President, Board of Directors

ATTEST:



Kevin R. Carr
Secretary, Board of Directors

