TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 STATEMENT OF NET POSITION SEPTEMBER 30, 2013

	Governmental Activities	
ASSETS		
Cash and cash equivalents	\$	3,954,832
Receivables		
Accounts receivable, net		832,861
Taxes		28,137
Due from other governments		94,936
Prepaids		31,664
Deferred charges		169,567
Non-depreciable capital assets:		
Land		648,178
Construction in progress		169,536
Depreciable capital assets: (net)		
Buildings and other improvements		3,176,717
Machinery, vehicles, and other equipment		1,482,267
Water system		12,468,512
Organization costs		101,806
TOTAL ASSETS	\$	23,159,013
LIABILITIES		
Accounts payable	\$	572,414
Accrued liabilities		40,836
Accrued interest payable		17,160
Customer deposits		240,852
Noncurrent liabilities:		
Debt due within one year		1,058,848
Debt due in more than one year		6,101,472
TOTAL LIABILITIES		8,031,582
NET POSITION		
Invested in capital assets, net of related debt		10,886,696
Unrestricted	···	4,240,735
TOTAL NET POSITION	_\$	15,127,431

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

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

			G	overnn	nental Act	ivities	5		
		_	Program Charges for	Reven Ope			ital Grants	Re Cha	(Expenses) evenue and anges in Net Assets
Program Activities	Expenses		Services	Conti	ibutions	Cor	tributions		Activities
Governmental Activities General government Water operations Wastewater operations Wastewater collection system Non-Departmental Directors Fire Interest on long term debt Total governmental	\$ 1,530,396 2,773,409 985,860 385,037 351,784 22,876 811,552 256,272	\$	3,513,485 1,953,886 - - - -	\$	10,000	\$	165,339 109,345 - - - -	\$	(927,620) 905,415 1,077,371 (385,037) (351,784) (22,876) (801,552) (256,272)
activities	\$ 7,117,186	\$	6,070,147	\$	10.000	\$	274,684	\$	(762,355)
			Genera	Ad va Inves	alorem taxe tment inco ellaneous	me	ral revenues		1,619,051 16,649 114,036 1,749,736
					Chan	ge in	net position		987,381
				Net	Position -	begin	ning of year		14,140,050
					Net Pos	ition -	end of year	\$	15,127,431

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1 BALANCE SHEET GOVERNMENTAL FUNDS

September 30, 2013

ASSETS

	Ge	neral Fund		Debt Service Fund		Capital Projects Fund	Go	Total vernmental Funds
Assets								
Cash and cash equivalents Receivables:	\$	3,606,382	\$	17,879	\$	330,571	\$	3,954,832
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
Prepaids		31,664				-		31,664
TOTAL ASSETS	\$	4,619,697	\$	29,742	\$	330,571	\$	4,980,011
	LIAI	BILITIES ANI	D FUN	D BALANC	CES			
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
TOOMAA A AADIK KUUKUU AANA								
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.	 (7,065,539)
Net position of governmental activities	\$ 15,127,431

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

	Ge	neral Fund		Debt Service Fund	P	Capital rojects Fund	Go	Total vernmental Funds
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:		7,592,291		214,794		108		7.807,193
Expenditures								
Water		2,623,822		-		-		2,623,822
Adminstration		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		460.001		605,000				1 072 001
Principal		468,991		605,000		-		1,073,991
Interest and fiscal charges		31,066		229,033 2,300		-		260,098 2,300
Bond Administrative Fees		5,050,557				200,000		
Total Expenditures:		7,072,557		836,333		200,008		8,108,897
Excess (deficiency) of revenues		510 701		(601 500)		(100.000)		(201 704)
over (under) expenditures		519,734		(621,538)		(199,899)		(301,704)
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):		(577,232)		503,000		519,232	·	445,000
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	_\$	3,797,213	\$	17,879	\$	245,100	\$	4,060,192

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
Amounts reported for governmental activities in the statement of activities are different because:		
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.	<u></u>	3,826
Change in net position of governmental activities	\$.	987,381

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

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

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.

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.

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

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.

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.

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:

		Maximum	Maximum
Authorized	Maximum	Percentage	Investment
Investment Type	Maturity	of Portfolio	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

\$ 3,954,832

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	 3,534,480
Total cash and investments	\$ 3,954,832

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:

			Weighted Average
Investment Type		Amount	Maturity
TexPool	į	\$ 3,534,480	60 days
Total Investments		\$ 3,534,480	

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.

NOTE 2. CASH AND INVESTMENTS - CONTINUED

			Minimum Legal	Rating as of Year
Investment Type		Amount	Rating	End
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.

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
	•	844,912
Allowance for uncollectible accounts		(12,051)
Total (net)	\$	832,861
Due from Other Governments:		
Town of Trophy Club	_\$	94,936

NOTE 4. INTERFUND TRANSFERS

Transfers between funds during the year are as follows:

Transfer In	Transfer Out	 Amount'	Purpose
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	\$ 653,434	

NOTE 5. CAPITAL ASSETS

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

		Seginning Balances	Additions		Retirements/ Transfers			Ending Balance
Governmental Activities:								
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	2	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

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	\$ 663,778

NOTE 6. LONG-TERM DEBT

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

	Interest	Year		Average	*	
	Rate	of	Final	Annual	Original	Outstanding
Description .	Payable	Issue	Maturity	Payment	Amount	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
			4			\$ 5,945,000 -
Contractual Obligations:						
Fire Truck	4.33%	2007	2014	\$ 56,000	\$ 448,000	\$ 70,000
						\$ 70,000
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
4					ı	\$ 883,982

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			Ending	Due Within
	Balance	Additions	Reductions	Balance	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
	6,854,270	1,959,391	(2,632,104)	6,181,557	512,857
Notes payable	840,973	445,000	(401,991)	883,982	545,991
Compensated absences	36,226	58,555	_	94,781	_
Total Governmental Activities					
Long-term Liabilities	\$ 7,731,469	\$ 2,462,946	\$ (3,034,095)	\$ 7,160,320	\$ 1,058,848

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	\$ 5,945,000	\$ 1,530,439	_	\$	7,475,439

NOTE 6. LONG-TERM DEBT - CONTINUED

Contractual obligations

V ~ ~ ~ ~	Ending
1 5 21	CHOINS
1000	

September 30	,	P	rincipal	<u> </u>	nterest		Total
2014		\$	70,000	\$	3,031	\$	73,031
	Total	\$	70,000	\$	3,031	* \$	73,031
•							

Notes payable:

Year En	ding
---------	------

September 30,	F	Principal .	I	nterest		Total
2014	\$	545,991	\$	23,536	\$	569,527
. 2015		185,991		5,623	,	191,614
2016		152,000		1,406		153,406
Total	\$	883,982	\$	30,565	\$	914,547

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.

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.

NOTE 7. PROPERTY TAXES – CONTINUED

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

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

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).

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.

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

	Budgeted amounts *						
.i ,		Original		Final	Actual		riance with nal Budget
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		7,539,393		7,552,100	7,592,291		40,191
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		7,334,632		7,287,635	7,072,557		215,078
Excess of revenues over expenditures		204,761		264,465	519,734		255,269
Other financing sources (uses):							
Transfers in		-		38,101	38,101	3 -	-
Transfers out		(308,000)		(308,000)	(615,333)		(307,333)

Notes to Required Supplementary Information:

Total other financing sources (uses)

Net change in fund balance

Fund Balances - end of year

Fund Balances - beginning of year

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.

(308,000)

(103,239)

3,854,711

(269,899)

3,854,711

(5,434)

(577,232)

(57,498)

3,854,711

(307,333)

(52,064)

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 DEBT SERVICE FUND BUDGETARY COMPARISON SCHEDULE

YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts							
	(Original	Final		Actual		Variance with Final Budget	
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 varainces 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	Gallo	per 1,000 ons Over nimum	Usage Levels	
WATER	\$	12.71	0	No No	\$	2.50 3.05	0 to 6,000 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 No	\$	2.50	0 to 12,000 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)

enective 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).

	* Connections		ESFC	Active
Meter Size	Total	Active	Factor	ESFC's
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	3,096.0	3,017.0		4,892.0
Total Wastewater	3,101.0	3,022 0	1.0	3,022.0

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

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

For the most recent fiscal year, FY2013:

	Total			Total	Percentage	
		Levy		Collected	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?

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)?

ETJ's in which District is located:

Unknown

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

Unknown

Trophy Club Municipal Utility District No. 1 TSI - 2

General Fund Expenditures and Other Financing Uses Year Ended September 30, 2013

		Current Year.		F	Prior Year
		•	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		1,115,390		1,011,260
	Total Expenditures	_\$_	7,687,890	_\$_	8,045,637

^{*} 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

Funds	Identification Number	Interest Rate	Maturity Date	Balance End of Year	Accrued Interest End of Year
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	\$ 330,585	Paid daily
Total - All Funds				\$ 3,534,494	

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		.581.619	
Total to be accounted for		101,346		1.307,433		1,408,779		211.000		.619.779	
Less collections and adjustments:						// 000 0 /″		(100.055)		555 160	
Current year		(98.370)		(1.284.845)		(1.383.215)		(193,955)	()	.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)	()	.591,639)	
Taxes receivable, end of year		1.891	\$. 14.385	\$	16,276	\$	11.863	\$	28.139	
Taxes receivable by year											
1996 and prior	\$	19	\$	108	\$	127	\$	454	\$	581	
1990 and prior 1997	Φ	7	Þ	41	Ψ	48	Ψ	150	Ψ	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	
2002		208 70		126	•	196		132		328	
2003		17		145		162		210		372	
2004		59		199		258		283		541	
2006		88		409	•	497		632		1,129	
		52		508		560		621		1,129	
2007		123		963		1.086		781		1,867	
2008		315		1.267		1,582		781 797		2,379	
2009								1,652			
2010		189		2,345		2,534				4.186	
2011		231		2,551		2,782		1,305		4.087	
2012	Φ.	485	Φ.	3,713	•	4,198	\$	254	¢	4,452	
*	\$	1.891	\$	14,385	\$	16,276	3	11.863	\$	28,139	
		F/Y		F/Y		F/Y		F/Y		F/Y	
Property valuations (in 000's)		12/13		11/12		10/11		09/10		08/09	
Land	\$	324,474	\$	282,115	\$	247,335	\$	209,177	\$	186,574	
Improvements	\$	910,964	Ψ	707.431	Ψ	713.265	Ψ	786.539	Ψ	737.273	
Personal property	Ψ	83,539		55,618		73,914		80,332		71,091	
Exemptions		(56,728)		(42,735)		(41,345)		(40.057)		(34,027)	
Lixemptions	\$	1,262,249	\$	1.002,429	\$	993.169	\$	1.035.991	\$	960,911	
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		0.133390		0.175000		0.195000		0.205000		0.244615	
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

All Bonded Debt Series

D D ' D' 1	ъ	All Dollace				
Due During Fiscal	Principa		Interest Due			
Years Ending	1-S	ер	Ma	ır 1/ Sep 1		Total
2014	\$ 42	5,000	\$	197,196	\$	622,196
2015	44	0,000		178,508		618,508
2016	45	0,000		168,658		618,658
2017	47	0,000		155,783		625,783
2018	48	0,000		142,309		622,309
2019	50	5,000		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	57	570,000		63,458		633,458
2024	110,000		43,183			153,183
2025	11	5,000		37,683		152,683
2026	11	5,000		33,083		148,083
2027	12	25,000		28,368		153,368
2028	13	30,000		23,243		153,243
2029	13	35,000		17,783		152,783
2030	14	10,000		12,113		152,113
2031	14	15,000		6,163		151,163
	\$ 5,94	15,000		1,530,439	\$	7,475,439

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)

Due During Fiscal	Principal Due	Interest Due			
Years Ending	1-Sep	Mar 1/Sep 1	Total		
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		
	\$ 1,870,000	\$ 838,749	\$ 2,708,749		

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)

Due During Fiscal	Principal Due	Interest Due	
Years Ending	1-Sep	Mar 1/Sep 1	Total
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
	\$ 2,170,000	<u>\$ 349,352</u>	\$ 2,519,352

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

Due During Fiscal	Principal Due	Interest Due	
Years Ending	1-Sep	Mar 1/ Sep 1	Total
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
	\$ 1,905,000	\$ 342,338	\$ 2,247,338

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

	Series 2003 Combination	Series 2005 Combination	Series 2010 GO Bonds	Series 2012 GO Bonds	Series 2013 GO Bonds	
	Tax	Tax				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> -	\$ 1,870,000	\$ 2,170,000	\$ 1,905,000	\$ 5,945,000
Retirements of interest	\$ 31,290	.\$ 58,535	\$ 78,458	\$ 60,750	<u>s</u> -	\$ 229,033

Paying agent's name & city:

The Bank of New York Mellon, Newark, NJ

PO Box 2320

All Series

Dallas, TX. 75221-2320

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

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.

TCMUD005586

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 TS1-7 COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES-FIVE YEARS GENERAL FUND SEPTEMBER 39, 2013

			Amounts				Perce	Percent of total revenue	anne	
DEVENITE	2013	2012	2011	2010	2009		2012	2011	2010	2009
A Lindson second force	\$ 1426.185	\$ 1.374.808	-	\$ 1,491,564	\$ 1.283.705		16.1%	18.6%	26.2%	21.1%
Ad valorem property taxes	5 467 371	5.210.788		3,919,084	3,721,868		%6.09	75.5%	%8.89	61.3%
Walei and wastewater charges	508.300	647,080	165.600	80,500	515,200		7.6%	2.3%	1 4%	8 5%
Unlifty frees	009 6	10.250		5,775	4,975		0.1%	0.1%	0.1%	%1.0
Inspection and dip rees	4 641	5.706		6,171	20,755		%10	0.1%	0.1%	0.3%
Interest carried	, 1	1.100.000		1	330,000		12.8%	0.0%	0.0%	5.4%
Capital lease proceeds/Contraction Congarons Miscellangers and other	214.294	213.277	240.831	191,498	199.780	2.8%	2.5%	3.4%	3 4%	3.3%
Miscentineous and office. Total regionite	\$ 7.630,391	\$ 8.561.909	7.055,065	5.694,592	6,076,283		100.0%	100.0%	%0 001	100.0%
EXPENDITURES	1. 4. A.	TAS TOOL 1 D	4 1 0A2 073	986 200 \$	\$ 1.297.613		12.8%	14.8%	17 5%	21.4%
Administrative and Other	7,470,407	1,097,347	0.07170.0	-	1.811.385		29.2%	32.2%	33.1%	29.8%
Water operations	770,620,7	614 102	598.465	711.382	999.388	11.7%	7.2%	8 5%	12.5%	164%
Wastewater operations	322,058	260.895	277.775		294,869		3.0%	3.0%	5.4%	4 9%
Wastewater collection system	110,220	173 386	123,605		175,698		2.0%	1.8%	3.2%	2.9%
Information systems	790 779	822 307	770,123		783.736		%9.6	10.9%	15.4%	12.9%
Contribution to Tropiny Citto Price Dept	775,071	1 562 809	515.884		•		18.3%	7.3%	%00	%00
Capital outlay	1115390	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%	%0.9%	4.6%	3.2%	5.4%
Total active retail water and/or wastewater connections	3096	3,887	3.554	3.361	3.161					

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				- 1	Percentage		
REVENUE	2013	2012	2011	2010	2009	2013		2011		2009
Ad valorem property taxes	201,207	547,587	771,631	740,420	\$ 1,100,115	28.0%		27.9%		73.4%
Penalties and interest	1,688	3,226	6,018	1	11,885	0.2%		0.5%		0.8%
Intergovernmental	503,000	308,000	554,100	653,000	383,009	70.1%		41.6%		25.5%
Interest earned	11,900	5,956	985	4,848	4,105	1.7%		0.1%		0.3%
Miscellaneous and other	•	6,120	1	1,000	•	. 0.0%		0.0%		%0.0
Total revenue	717,795	870,889	1,332,734	1,399,268	1,499,114	100.0%	100.0%	100.0%	100.0%	100.0%
		ŧ								
EXPENDITURES	000 300	000 373	1115,000	1 055 000	1 025 000	04 20%	700 77	03 76/	707 21	707 03
Fincipal retirement Interest and fiscal charges	231.333	277.319	382.019	311,570	352,194	32.2%	31.8%	28.7%	22.3%	23.5%
Total expenditures	836,333	842,319	1,497,019	1,366,570	1,377,194	116.5%	63.2%	112.3%	97.7%	91.9%
Excess (deficiency) of revenues over (under) expenditures	\$ (118,538)	\$ 28,570	\$ (164,285)	\$ 32,698	\$ 121,920	-16.5%	36.8%	-12 3%	23%	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)

Name and Address	Term of Office Elected/Expires or Date Hired	Off	ees of ice Paid FY13	Reimb	expense oursements FY13	Title at Year End
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

Name and Address	Term of Office Elected/Expires or Date Hired	Fees of fice Paid FY13	Title at Year End
Key Personnel: Jennifer McKnight 122 Reatta Drive Justiin, Texas 76247	3/19/2012	\$ _	District Manager
Consultants: 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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Financial Advisory Services
Provided By:

SOUTHWES

INVESTMENT BANKERS

GENERAL CERTIFICATE

THE STATE OF TEXAS

\$ TROPHY CLUB MUNICIPAL UTILITY

COUNTIES OF DENTON AND TARRANT

\$ DISTRICT NO. 1

WE, the undersigned, Secretary of the Board of Directors and General Manager, respectively, of the Trophy Club Municipal Utility District No. 1 (the "District"), DO HEREBY CERTIFY, with respect to the proposed "TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 UNLIMITED TAX BONDS, SERIES 2014", dated December 15, 2014 (the "Bonds") as follows:

1. The total principal amount of indebtedness of the District to be outstanding, as of the date hereof, after giving effect to the issuance of the Bonds, payable from ad valorem taxes unlimited as to rate or amount, is as follows:

OUTSTANDING UNLIMITED TAX DEBT \$ 5,520,000 THE BONDS \$ 5,765,000

TOTAL UNLIMITED DEBT

\$11,285,000

- 2. A debt service requirement schedule for the District's tax-supported indebtedness, including the Bonds, is attached hereto as **Exhibit A** and incorporated herein as a part hereof for all purposes.
- 3. The assessed value of all taxable property (net of exemptions) in the District, as shown by the tax rolls for the year 2014, which is the latest official assessment of taxable property in the District is \$1,113,383,211.
- 4. The duly qualified and acting officers of the Board of Directors and certain administrative officials of the District are as follows:

JAMES (JIM) MOSS PRESIDENT
JIM HASE VICE PRESIDENT
KEVIN R. CARR SECRETARY/TREASURER
JENNIFER MCKNIGHT GENERAL MANAGER
RENAE GONZALES FINANCE MANAGER

5. 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 Water Commission, the predecessor in interest to the Texas Natural Resource Conservation Commission (collectively, the "Commission"), and the District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended (the "Act") and was the successor by merger and consolidation of Trophy Club Municipal Utility District No. 1 ("Prior MUD I") and Trophy Club Municipal Utility District No. 2 ("Prior MUD 2" and collectively with Prior MUD 1, the "Prior MUDs") by consolidation election of May 9, 2009 (the "Consolidation Election"). No changes in the boundaries of the District subsequent to the most recent date of

41209924.1/11411679

approval by the Office of the Attorney General of Texas of the District's last issuance of public securities.

- Nô municipal consents are required for the issuance of the Bonds because the Town of Trophy Club and the Town of Westlake were incorporated after the creation of the District.
- 7. The District has not limited the taxing powers granted to it by the Constitution and laws of the State of Texas, and no procedure for such action has been taken.
- 8. The District, on October 7, 1975, voted a \$0.25 per \$100 valuation maintenance tax and has levied at a maintenance tax of \$0.01486 per \$100 valuation for the 2014-15 fiscal year.
- .9. The District is in compliance with the rules and regulations of the TCEQ and all information has been filed with the TCEQ as required by law, and is current on all such filings.
- 10. No motion to overturn the order of the Texas Commission on Environmental Quality approving the Bonds has been filed and the District has not been notified that the time for filing such motion has been extended.

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WITNESS OUR HANDS AND THE SEAL OF THE DISTRICT, this the 4^{th} day of December, 2014.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1

Secretary, Board of Directors

General Manager



EXHIBIT A

DEBT SERVICE SCHEDÚLE

		Current Total			T	he Bonds			*		
Fiscal Year		Debt Service									Combined
<u>Sept 30</u>		Outstanding(a)	<u>Principal</u>		j	<u>Intérest</u>		, <u>Total</u>			Debt Service
2015		\$ 618,507.50	\$ -	\$		105,475.56	\$	105,475.56	;	\$	723,983.06
2016		618,657.50	235,000.00			148,325.00		383,325.00			1,001,982.50
2017		625,782.50	240,000.00			144,800.00		384,800.00			1,010,582.50
2018		622,307.50	245,000.00			141,200.00		386,200.00			1,008,507.50
2019		633,532.50	250,000.00			137,525.00		387,525.00			1,021,057.50
2020	3	້ 624,082.50	255,000.00			133,775.00		388,775.00			1,012,857.50
2021		628,332.50	265,000.00			129,312.50		394,312.50			1,022,645.00
2022		631,957.50	270,000.00			124,012.50		394,012.50			1,025,970.00
2023		633,457.50	280,000.00			118,612.50		398,612.50			1,032,070.00
2024		153,182.50	290,000.00			112,312.50		402,312.50			555,495.00
2025		152,682.50	295,000.00			105,062.50		400,062.50			552,745.00
2026		148,082.50	305,000.00			97,687.50		402,687.50		,	550,770.00
2027		153,367.50	315,000.00			90,062.50		405,062.50	,		558,430.00
2028		153,242.50	325,000.00			81,400.00		406,400.00			559,642.50
, 2029		152,782.50	335,000.00			72,462.50		407,462.50	**		560,245.00
2030		152,112.50	345,000.00			62,412.50		407,412.50			559,525.00
2031		151,162.50	360,000.00			51,200.00		411,200.00			562,362.50
2032		-	370,000.00			39,500.00		409,500.00			409,500.00
2033			385,000.00		_	27,475.00		412,475.00	•		412,475.00
2034			 400,000.00			14,000.00	_	414,000.00			414,000.00
		\$ 6.853,232,50	\$ 5.765.000.00	\$_		1.936.613.06	\$	7.701.613.06	,	<u> </u>	14.554.845.56

⁽a) Does not include Other Obligations indebtedness

SIGNATURE AND NO-LITIGATION CERTIFICATE

9999

THE STATE OF TEXAS

COUNTIES OF DENTON AND TARRANT

WE, the undersigned, officials of the Trophy Club Municipal Utility District No. 1 (the "District"), do hereby certify with respect to the "TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 UNLIMITED TAX BONDS, SERIES 2014", dated December 15, 2014, in the aggregate principal amount of \$5,765,000 (the "Bonds"), as follows:

- (1) The Bonds have been duly and officially executed by the undersigned President and Secretary of the Board of Directors of the District with our manual or facsimile signature in the same manner appearing hereon, and the undersigned President and Secretary of the Board of Directors of the District hereby adopt and ratify our respective signatures in the manner appearing on each of the Bonds whether in manual or facsimile form, as the case may be, as our true, genuine and official signatures.
- (2) On December 4, 2014 and on the date hereof, we were and are the duly qualified and acting officials of the District indicated below.
- (3) We have caused the official seal of the Issuer to be impressed, imprinted or lithographed on the Bonds; and said seal on the Bonds has been duly adopted as, and is hereby declared to be, the official seal of the Issuer.
- (4) Except as noted below, no litigation of any nature is now pending before any federal or state court, or administrative body, or to our knowledge threatened, to which the Issuer is a party that seeks to restrain or enjoin the issuance or delivery of the Bonds or questioning the issuance or sale of the Bonds, or the authority or action of the governing body of the Issuer relating to the issuance or sale of the Bonds, or the levy of taxes to pay the principal of and interest on the Bonds, or materially affecting the assessment or collection of taxes to pay the principal of and interest on the Bonds; and that neither the corporate existence or boundaries of the Issuer nor the right to hold office of any member of the governing body of the Issuer or any other elected or appointed official of the Issuer is being contested or otherwise questioned. On October 30, 2014, a final judgment was entered in the matter styled Ex Parte Trophy Club Municipal Utility District No. 1, Cause No. D-1-GN-14-001983, filed in the 201st Judicial District Court of Travis County, Texas, pursuant to Chapter 1205 of the Texas Government Code. The final judgment granted the District the relief requested and no appeals were timely filed.
- (5) No authority or proceeding for the issuance, sale or delivery of the Bonds, passed and adopted by the governing body of the Issuer, has been amended, repealed, revoked, rescinded or otherwise modified since the date of passage thereof, and all such proceedings and authority relating to the issuance and sale of the Bonds remain in full force and effect as of the date of this certificate.

The Issuer hereby authorizes the Office of the Attorney General to date this certificate the date of delivery of its approving opinion, and agrees to notify the Office of the Attorney General of any changes with respect to this certificate or any Bond documents to which it is a party that are made between the date of such opinion and the date of closing.

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SIGNATURE

OFFICIAL TITLE

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

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

THE STATE OF TEXAS COUNTY OF DENTON

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The undersigned, a Notary Public, hereby represents and certifies that each of the signatures of James (Jim) Moss and Kevin R. Carr, are known to me to be the President of the Board of Directors and the Secretary of the Board of Directors, respectively, of the Trophy Club Municipal Utility District No. 1, appearing above is genuine.

Given under my hand and seal of office, this <u>4</u>*May of December, 2014.

LAURIE ELIZABETH SLAGHT Notary Public, State of Texas Notary Public, State of Texas August 23, 2015 Notary Public, State of Texas

CERTIFICATE AS TO OFFICIAL STATEMENT

THE STATE OF TEXAS

\$ TROPHY CLUB MUNICIPAL UTILITY

COUNTIES OF DENTON AND TARRANT

\$ DISTRICT NO. 1

RE: \$5,765,000 "Trophy Club Municipal Utility District No. 1 Unlimited Tax Bonds, Series 2014", dated December 15, 2014

WE, THE UNDERSIGNED, President of the Board of Directors and General Manager of the Trophy Club Municipal Utility District No. 1 (the "District"), acting in our official capacities, DO HEREBY CERTIFY that to the best of our knowledge and belief:

- (a) The descriptions and statements of or pertaining to the District contained in its Official Statement, and any addenda, supplement or amendment thereto, prepared in connection with the issuance and sale of the above referenced Bonds, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects;
- (b) Insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;
- (c) Insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the District, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and that the District has no reason to believe that they are untrue in any material respect: and
- (d) There has been no material adverse change in the financial condition of the District since September 30, 2013, the date of the last audited financial statements of the District appearing in the Official Statement.

[remainder of page left blank intentionally]

DELIVERED, this December 23, 2014.

, TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1

President, Board of Directors

General Manage

CERTIFICATE AS TO TAX EXEMPTION

The undersigned, being the duly chosen and qualified General Manager of the Trophy Club Municipal Utility District No. 1 (the "Issuer"), hereby certifies with respect to TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 UNLIMITED TAX BONDS, SERIES 2014, in the original principal amount of \$5,765,000 (the "Bonds"), as follows:

A. General.

- (1) I, along with other officers of the Issuer, am charged with the responsibility for issuing the Bonds.
- (2) This certificate is made pursuant to Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and Treasury Regulations issued thereunder, including Temporary Regulations (the "Regulations").
- (3) This certificate is based on the facts and estimates described herein in existence on this date, which is the date of delivery of the Bonds to and payment for the Bonds by the initial purchasers thereof, and, on the basis of such facts and estimates, the Issuer expects that the future events described herein will occur.

B. Purpose and Size.

- (1) The Bonds are being issued pursuant to an order adopted by the Board of Directors of the Issuer on December 4, 2014 (hereinafter referred to as the "Order") 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 (collectively, the "Projects"), and to pay costs of issuance. Terms used and not defined herein have the same meaning given to them in the Order.
- (2) The Projects will be owned, operated, managed and maintained by the Issuer and no person or group of persons (other than on the basis as members of the general public) will have access to or use of or derive any special benefit from such facilities, pursuant to any lease, management or payment contract or any other arrangement.
- (3) The amounts received from the sale of the Bonds, when added to the amounts expected to be received from the investment thereof, do not exceed the amounts required to pay the capital costs of the Projects and of issuing the Bonds.
- (4) No receipt from the sale of the Bonds or amounts received from the investment thereof will be used to pay the principal of or interest on any presently outstanding issue of bonds or other similar obligations of the Issuer other than the Bonds.

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C. Source and Disbursement of Funds.

- (1) The Bonds are being issued and delivered to the underwriters thereof on the date hereof upon payment of the aggregate agreed purchase price of \$5,773,254.01 (representing the principal amount of the Bonds of \$5,765,000, plus premium of \$58,652.20, less an Underwriter's discount of \$53,694.30, plus accrued interest of \$3,296.11).
 - (2) The Issuer has caused the deposit or disbursement of such amount as follows:

<u>Disposition</u>	<u>Amount</u>
Deposited to the credit of the construction fund	\$5,555,780.40
Deposited to the Interest and Sinking Fund	\$3,296.11
Disbursed to pay costs of issuance	<u>214,177.50</u>
Total	\$ <u>5,773,254.01</u>

Tótal \$5,773,254.01

- (3) Proceeds of sale of the Bonds in the amount of \$3,296.11, representing accrued interest, are being deposited on the date hereof in the Interest and Sinking Fund for the Bonds and will be used to pay the first payment of interest to become due on the Bonds on September 1, 2015.
- (4) The Issuer estimates that income and profits in the aggregate amount of \$11,000.00 will be received from the investment of the amounts deposited to the construction fund pending the disbursement of such amounts for the governmental purposes for which the Bonds are being issued. All of such income and profit will be used to pay costs of the Projects or deposited to the Interest and Sinking Fund and used to pay principal of and interest on the Bonds within one year of receipt.

D. <u>Temporary Periods and Time for Expenditures</u>.

- (1) Within six months from the date hereof, the Issuer will have incurred binding obligations or commitments to third parties for the Projects in the amount of at least 5% of the net sales proceeds of the Bonds.
- (2) After entering into said contracts, completion of the Projects and the allocation of net sales proceeds of the Bonds to expenditures will proceed with due diligence.
- (3) The Issuer expects that all of the net sales proceeds of the Bonds will be spent within three years from the date hereof, and that all investment proceeds of the Bonds will be spent within one year from the date of receipt.
- (4) Approximately \$1,074,337.15 of the proceeds of the Bonds will be used to reimburse the Issuer for Project expenditures made by it from its own funds prior to the date hereof. With respect to such reimbursement, if any, the Issuer adopted an official intent for the original expenditures (except possibly for "preliminary expenditures" as defined in section 1.150-2(f)(2) of the Regulations) not later than 60 days after payment of the original expenditures, and a copy of the Issuer's official intent is attached to this Certificate as to Tax Exemption. Except for expenditures meeting the preliminary expenditures exception set forth in section 1.150-2(f)(2) of the Regulations, the Bonds are being issued and the reimbursement allocation is

hereby being made not later than 18 months after the later of (i) the date the original expenditures were paid, or (ii) the date the Projects are placed in service or abandoned, but in no event more than 3 years after the original expenditures were paid. The original expenditures were capital expenditures, and in connection with this allocation, the Issuer has not employed any abusive arbitrage device under section 1.148-10 of the Regulations to avoid the arbitrage restrictions or to avoid restrictions under section 142 through 147 of the Code.

E. Interest And Sinking Fund.

- (1) Pursuant to the Order, the Issuer has levied a tax on all taxable property in the Issuer to pay principal and interest on the Bonds as such become due, and such tax has been pledged to the payment of the Bonds. Amounts collected from such tax for the payment of the principal and interest on the Bonds are to be deposited to the credit of the Interest and Sinking Fund maintained on the books of the Issuer.
- (2) The Interest and Sinking Fund will be maintained by the Issuer primarily to achieve a proper matching of revenues and debt service within each bond year. The Issuer expects that the following will occur with respect to the money in the Interest and Sinking Fund:
 - a. Such fund will be depleted at least once each bond year except possibly for a carryover amount not to exceed the greater of the previous bond year's earnings on the Interest and Sinking Fund or one twelfth of the previous bond year's debt service requirements on the Bonds;
 - b. All amounts deposited to such fund to pay debt service on the Bonds will be spent within 13 months of deposit; and
 - c. All amounts received from the investment of such fund will be deposited therein and will be expended within twelve months of receipt.
- (3) Except as described above, no funds of the Issuer have been or will be pledged to payment of the principal of or interest on the Bonds or otherwise restricted so as to give reasonable assurance of the availability of such funds for such purpose.

F. Yield and Nonpurpose Investments.

- (1) The discount factor required to reduce the principal and interest to be paid on the Bonds to a present value on the date hereof, compounding semiannually, equal to the initial offering prices at which a substantial amount of each maturity of the Bonds was sold to the public, is 2.7545%. In determining the initial offering price at which a substantial amount of each maturity of the Bonds was sold to the public, the Issuer has relied on a certificate from the managing underwriter that purchased the Bonds.
- (2) No other obligations of the Issuer which are reasonably expected to be paid from substantially the same source of funds as the Bonds were sold within 15 days from the date the Bonds were sold.
- (3) Except as otherwise provided in Section 148(f) of the Code, the Issuer will account for proceeds of the Bonds separately from other funds of the Issuer and will compute and pay to the United States Treasury the Rebate Amount due with respect to the Bonds no less frequently than every five years, in the installments, to the place, in the manner and

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accompanied by such forms or other information as is or may be required by Section 148(f) of the Code and the regulations and rulings thereunder.

G. No Abusive Arbitrage Device.

- (1) In connection with the issuance of the Bonds, the Issuer has not employed any action which has the effect of overburdening the market for tax-exempt obligations by issuing more bonds, issuing bonds earlier, or allowing bonds to remain outstanding longer than is reasonably necessary to accomplish the governmental purposes of the Bonds.
- (2) In connection with the issuance of the Bonds, the Issuer has not employed any action which has the effect of enabling the Issuer to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage.

H. Written Procedures.

- (1) The representations and covenants contained in this Certificate as to Tax Exemption and the Order are hereby adopted by the Issuer to be written procedures to ensure compliance, including post-issuance compliance and record retention practices, with the rules applicable to tax-exempt obligations issued under Section 103 of the Code. The Issuer will maintain records that show compliance with the covenants and representations contained in this Certificate and the Order, and with the requirements contained in the Code and Regulations related to tax-exempt obligations, while the applicable tax-exempt obligations remain outstanding and for a period of three years after redemption of the tax-exempt obligations.
- (2) The Issuer designates its General Manager to have primary responsibility for monitoring post-issuance tax compliance with the covenants and representations contained in this Certificate and the Order and with the requirements contained in the Code and regulations relating to tax-exempt obligations, including requirements relating to the maintenance and retention of records. The General Manager may assign and delegate responsibilities as he or she deems necessary or appropriate. These officers will receive the following training with regard to their compliance monitoring responsibilities: consultations with professional advisors, review of written alerts and materials and attendance at professional meetings and seminars.
- (3) The Issuer will conduct compliance checks for its tax-exempt obligations at least annually. If the Issuer discovers a potential violation of a federal tax requirement, it will promptly take appropriate action, as needed, to maintain the tax-exemption of the applicable debt obligations, including consultation with professional advisors and taking remedial action as described in the Treasury Regulations, and/or other corrective action, such as through the Tax Exempt Bonds Voluntary Closing Agreement Program.

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EXECUTED AND DELIVERED, December 23, 2014.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1

General Manager

41210035.1/11411679

CERTIFICATE OF MANAGING UNDERWRITER

The undersigned hereby certifies with respect to the sale of TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 UNLIMITED TAX BONDS, SERIES 2014 (the "Bonds"), issued in aggregate principal amount of \$5,765,000 as follows:

- 1. The undersigned is the underwriter or the manager of the syndicate of underwriters which has purchased the Bonds from the Trophy Club Municipal Utility District No. 1 (the "Issuer") at competitive sale.
- 2. The undersigned and/or one or more members of the underwriting syndicate, if any, has made a bona fide offering of all of the Bonds of each maturity to the public at the initial offering prices set forth in the Issuer's Official Statement with respect to the Bonds, dated December 4, 2014 (the "Official Statement").
- 3. The initial offering price (expressed as a dollar amount, yield percentage, or percentage of principal amount and exclusive of accrued interest) at which a substantial amount (at least 10%) of the Bonds of each maturity was sold to the public (as defined in paragraph 5) is as set forth on page ii of the Official Statement, except for the Bonds maturing in the years 2017, 2018, 2024, 2031, 2032 and 20 34 (collectively, the "Unsold Maturities").
- 4. In the case of each of the Unsold Maturities, the undersigned reasonably expected, as of the sale date of the Bonds, to sell a substantial amount (at least 10%) of each of the Unsold Maturities to the public at the initial offering prices set forth in the Official Statement.
- 5. The term "public," as used herein, means persons other than bondhouses, brokers, dealers, and similar persons or organizations acting in the capacity of underwriters or wholesalers.
- 6. The initial offering prices described above reflect current market prices at the time of such sales.
- 7. The undersigned understands that the statements made herein will be relied upon by the Issuer in its effort to comply with the conditions imposed by the Internal Revenue Code of 1986 on the exclusion of interest on the Bonds from the gross income of their owners.

EXECUTED and DELIVERED this gth day of Deamber

FTN FINANCIAL CAPITAL MARKETS

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By:

Title:

Form **8038-G**

Information Return for Tax-Exempt Governmental Obligations > Under Internal Revenue Code section 149(e)

(Rev. September 2011)

Department of the Treasury Internal Revenue Service ► Under Internal Revenue Code section 149(e)

► See separate instructions.

Caution: If the issue price is under \$100,000, use Form 8038-GC.

OMB No. 1545-0720

Par	Reporting Auth	ority			If Amen	ded Rel	um, c	heck here	
1	issuer's name				2 issu	ar's emplo	yer ident	ification number	(EIN)
Troph	ny Club Municipal Utility D	istrict No. 1				7!	5-15027	127	
32	Name of person (other than issu	uer) with whom the IRS may communica	ate about this return (se	e Instructions)	3b Tele	phone num	ber of ot	her person shown	on 3a
4	Number and street (or P.O. box	if mail is not delivered to street address	3)	Room/suit	e 5 Rep	ort number	(For IRS	S Use Only)	
100 M	Municipal Drive							3	
6	City, town, or post office, state,	and ZIP code			7 Date	of issue			
Troph	ny Club, Texas 76262					1;	2/23/20	14	
8	Name of issue				9 CUS	SIP number	•		
Unlim	nited Tax Bonds, Series 20	114				89	7059 G	GO	
	Name and title of officer or othe instructions)	or employee of the issuer whom the IRS	may call for more infor	mation (see		phone nun loyee shov		officer or other la	
Jenni	ifer McKnight, General Mai	nager			1	(68	2) 831-	4610	
Part	Type of Issue (enter the issue price). See	the instructions ar	nd attach so	hedule.				
11	Education]	11		
12	Health and hospital					[12		
13	Transportation					[13		
14	Public safety					[14		
15	Environment (including	sewage bonds)				[15		
16	Housing					[16		
17	Utilities					[17	5,823,652	20
18	Other. Describe >					[18		
19	If obligations are TANs	or RANs, check only box 19a				▶ □		And the state of t	
	If obligations are BANs	s, check only box 19b				▶ 🗆			
20	If obligations are in the	form of a lease or installment	sale, check box .						
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Part	Description of	Obligations. Complete for					ied.		
	(a) Final maturity date	(b) Issue price	(c) Stated reder price at matu		(d) Weight average ma			(e) Yield	
21	09/01/2034	\$ 5,823,652.20		65,000.00	11.588	years		2.754	5 %
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22		rued interest					22	3,296	11
23	• •	sue (enter amount from line 21,			<i>;</i> · · · ·		23	5,823,652	20
24		I issuance costs (Including unde	•		267,8	71 80			
25		dit enhancement							
26		reasonably required reserve or	•	<u></u>	ļ				
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29		ough 28)			:. • : •		29	267,871	80
30		s of the issue (subtract line 29				<u> </u>	30	5,555,780	40
Part		Refunded Bonds. Comple							
31	_	eighted average maturity of the				. 🚩			ears
32		eighted average maturity of the							<u>/ears</u>
33		which the refunded bonds will		VYYYY) .		. ▶			
34		funded bonds were issued ▶						0000	
For P	Paperwork Reduction A	ct Notice, see separate instr	uctions.		Cat. No. 637	738	Form (8038-G (Rev. 9	9-2011

Form 80	038-G (Re	v. 9-2011)			P	age 2
Part	VI	/liscellaneous		~		<u> </u>
35 36a	Enter	the amount of the state volume cap allocated to the issue under section 141(b)(5) . the amount of gross proceeds invested or to be invested in a guaranteed investment see instructions)		35 36a		
37 38a b c	Enter: Pooled to other if this Enter:	the final maturity date of the GIC the name of the GIC provider the name of the GIC provider the financings: Enter the amount of the proceeds of this issue that are to be used to make governmental units		37	owing informa	itlon:
39 40 41a b c d 42 43	If the in the interest of the interest	the name of the issuer of the master pool obligation sessuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception sessuer has elected to pay a penalty in lieu of arbitrage rebate, check box sessuer has identified a hedge, check here and enter the following information: of hedge provider for hedge for hedge sessuer has superintegrated the hedge, check box sessuer has established written procedures to ensure that all nonqualified bonds fing to the requirements under the Code and Regulations (see instructions), check be sessuer has established written procedures to monitor the requirements of section 148	of this i	ssue are	🕨	
45a	If some	e portion of the proceeds was used to reimburse expenditures, check here $lacktriangle$ ar		e amount		7
Signa and Conse			atements, and the issuer's remarker McKnight, print name a	turn informa	ation, as necessar	e ry to
Paid Prepa Use (Printifype pleparer's name Preparer's signature: Date 12/23/20 Firm's name ▶ Fullbright & Jaworski LLP	Cheseli Firm's EIN	eck [] If employed	PTIN , PO107708 74-1201087	2
		Firm's address ▶ 2200 Ross Avenue Suite 2800 Dallas, Texas 75201-2784	Phone no.		214) 855-8007 038-G (Rev. 9-	-2011)
		<u> </u>			(1)ch' 0,	~011)



Fulbright & Jaworski LLP 2200 Ross Avenue, Suite 2800 Dallas, Texas 75201-2784 United States

December 29, 2014

Direct line +1 214 855 8024 diane.callahan@nortonrosefulbright.com

Tel +1 214 855 8000 Fax +1 214 855 8200 nortonrosefulbright.com

CERTIFIED MAIL No. 7196 9008 9111 9207 4932 RETURN RECEIPT REQUESTED

Internal Revenue Service Ogden, Utah 84201 Certified Article Number

7196 9008 9111 9207 4932 SENDERS RECORD

Re:

\$5,765,000 "Trophy Club Municipal Utility District No. 1 Unlimited Tax Bonds, Series

2014", dated December 15, 2014

Ladies and Gentlemen:

Enclosed is an original of an Information Return for Tax-Exempt Governmental Obligations (Form 8038-G) prepared in connection with the above-referenced financing.

Very truly yours,

Diane Callahan Senior Paralegal

DC/ler Enclosure

41360224.1/11411679

Fulbright & Jaworski LLP is a limited liability partnership registered under the laws of Texas.

Fulbright & Jaworski LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright Canada LLP, Norton Rose Fulbright South Africa (incorporated as Deneys Reitz, Inc.), each of which is a separate legal entity, are members of Norton Rose Fulbright Verein, a Swiss Verein Details of each entity, with certain regulatory information, are at nortonrosefulbright.com. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients.

7196 9008 9111 9207 4932 TO: iRS internal Revenue Service Ogden, UT 84201 US LR04677/11411679/Tropphy C SENDER: 3.30 RETURN Postage RECEIPT Certified Fee SERVICE 2.70 Return Receipt Fee 0.00 Restricted Delivery Total Postage & Fees USPS* **Receipt for Certified Mail™** No Insurance Coverage Provided

Do Not Use for International Mail



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December 18, 2014

THIS IS TO CERTIFY that Trophy Club Municipal Utility District No. 1 (the "Issuer"), has submitted the <u>Trophy Club Municipal Utility District No. 1 Unlimited Tax Bond, Series 2014</u> (the "Bond"), in the principal amount of \$5,765,000, for approval. The Bond is dated December 15, 2014, numbered T-1, and was authorized by Order No. 2014-1204A of the Issuer passed on December 4, 2014.

The Office of the Attorney General has examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We express no opinion relating to the official statement or any other offering material relating to the Bond.

Based on our examination, we are of the opinion, as of the date hereof and under existing law, as follows:

- (1) The Bond has been issued in accordance with law and is a valid and binding obligation of the Issuer.
- (2) The Bond is payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, upon all taxable property within the Issuer.

Therefore, the Bond is approved.

Attorney General of the State of Texas

Nc. 58105 Book No. 2014-D JCH *See attached Signature Authorization

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OF THE STATE OF TEXAS

I, GREG ABBOTT, Attorney General for the State of Texas, do hereby authorize the employees of the Public Finance Division of the Office of the Attorney General to affix a digital image of my signature, in my capacity as Attorney General, to the opinions issued by this office approving the issuance of public securities by the various public agencies, non-profit corporations, districts, entities, bodies politic or corporate, or political subdivisions of this State as required by law, the opinions approving those contracts designated by the Legislature as requiring the approval of the Attorney General, and the obligations, proceedings and credit agreements required by law to be approved by the Attorney General. The authorized digital image of my signature is attached as Exhibit A and is hereby adopted as my own for the purposes set forth herein. This supercedes any prior signature authorizations for the same purpose.

The authority granted herein is to be exercised on those occasions when I am unavailable to personally sign said opinions, and upon the condition that the opinions to which the digital image signature is affixed have been approved by an authorized Assistant Attorney General following the completion of the Public Finance Division's review of the transcripts of proceedings to which the opinions relate.

Given under my hand and seal of office at Austin, Texas, this the ______ day of January, 2009.

GREG APB

Attorney General of the State of Texas

OFFICE OF COMPTROLLER

OF THE STATE OF TEXAS

I, SUSAN COMBS, Comptroller of Public Accounts of the State of Texas, do hereby certify that the attachment is a true and correct copy of the opinion of the Attorney General approving the:

Trophy Club Municipal Utility District No. 1 Unlimited Tax Bond, Series 2014

numbered <u>T-1</u>, of the denomination of \$ 5,765,000, dated <u>December 15, 2014</u>, as authorized by issuer, interest <u>various</u> percent, under and by authority of which said bonds/certificates were registered electronically in the office of the Comptroller, on the <u>18th day of December 2014</u>, under Registration Number 84446.

Given under my hand and seal of office, at Austin, Texas, the <u>18th day of</u> December 2014.

SUSAN COMBS
Comptroller of Public Accounts
of the State of Texas

OFFICE OF COMPTROLLER

OF THE STATE OF TEXAS

I, Melissa Mora, Bond Clerk X Assistant Bond Clerk in the office of the Comptroller of the State of Texas, do hereby certify that, acting under the direction and authority of the Comptroller on the 18th day of December 2014, I signed the name of the Comptroller to the certificate of registration endorsed upon the:

Trophy Club Municipal Utility District No. 1 Unlimited Tax Bond, Series 2014,

numbered <u>T-1</u>, dated <u>December 15, 2014</u>, and that in signing the certificate of registration I used the following signature:

Heran Corres

IN WITNESS WHEREOF I have executed this certificate this the 18th day of December 2014.

I, Susan Combs, Comptroller of Public Accounts of the State of Texas, certify that the person who has signed the above certificate was duly designated and appointed by me under authority vested in me by Chapter 403, Subchapter H, Government Code, with authority to sign my name to all certificates of registration, and/or cancellation of bonds required by law to be registered and/or cancelled by me, and was acting as such on the date first mentioned in this certificate, and that the bonds/certificates described in this certificate have been duly registered in the office of the Comptroller, under Registration Number 84446.

GIVEN under my hand and seal of office at Austin, Texas, this the <u>18th day of December</u> <u>2014</u>.

SUSAN COMBS Comptroller of Public Accounts of the State of Texas



Fulbright & Jaworski LLP 2200 Ross Avenue, Suite 2800 Dallas, Texas 75201-2784 United States

Tel +1 214 855 8000 Fax +1 214 855 8200 nortonrosefulbright.com

December 23, 2014

IN REGARD to the authorization and issuance of the "Trophy Club Municipal Utility District No. 1 Unlimited Tax Bonds, Series 2014", dated December 15, 2014, in the aggregate principal amount of \$5,765,000 (the "Bonds"), we have examined into their issuance by the Trophy Club Municipal Utility District No. 1 (the "District") solely to express legal opinions as to the validity of the Bonds and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the District, the disclosure of any financial or statistical information or data pertaining to the District and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Bonds mature on September 1 in each of the years specified in the order adopted by the Board of Directors of the District authorizing the issuance of the Bonds (the "Order"), unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Order.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Bonds, including the Order, and an examination of the initial Bond executed and delivered by the District (which we found to be in due form and properly executed), (ii) certifications of officers of the District relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the District and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Bonds, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATION, we are of the opinion that, under applicable laws of the State of Texas in force and effect on the date hereof:

1. The Bonds have been duly authorized by the District and, when issued in compliance with the provisions of the Order, are valid, legally binding, and enforceable obligations of the District, payable from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity.

Fulbright & Jaworski LLP is a limited liability partnership registered under the laws of Texas

47239725.1

Fulbright & Jaworski LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright Canada LLP, Norton Rose Fulbright South Africa (incorporated as Deneys Reitz, Inc.), each of which is a separate legal entity, are members of Norton Rose Fulbright Verein, a Swiss Verein. Details of each entity, with certain regulatory information, are at nortonrosefulbright com Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients.

December 23, 2014 Page 2

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the District with the provisions of the Order relating to sections 141 through 150 of the Code, interest on the Bonds for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of individuals or, except as hereinafter described, corporations. Interest on the Bonds owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporations, other than an S corporation, a qualified mutual fund, a real estate mortgage investment conduit, a real estate investment trust, or a financial asset securitization investment trust ("FASIT"). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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CLOSING MEMORANDUM

\$5,765,000

Trophy Club Municipal Utility District "MUD")No.1 Unlimited Tax Bonds, Series 2014 (the "Bonds")

Date: December 19, 2014

To: Attached Distribution List

From: Dan A. Almon

Andrew Friedman Mary Jane Dietz Southwest Securities (214) 859-9452 (210) 226-8677

- 1. The closing time and date for the above-referenced issue is **Tuesday**, **December 23**, **2014**, at 10:00 A.M., Central Daylight Time. A final debt service schedule is attached as Exhibit "A". This transaction will close through DTC's "Fast" Book Entry Only System.
- 2. FTN Financial Capital Markets ("FTN Financial"), as the authorized representative of a group of purchasers (the "Purchasers"), shall wire \$5,773,254.01 to BOKF, NA dba Bank of Texas (the "Paying Agent/Registrar") ABA #103900036, Account #600024642, Wealth Management Account; Re: Trophy Club Municipal Utility District No.1, Unlimited Tax Bonds, Series 2014, Attn: Jose Gaytan (512-813-2002) calculated as follows::

 Par Amount of the Bonds
 \$5,765,000.00

 Plus: Accrued Interest (12/15/14 - 12/23/14)
 3,296.11

 Plus: Bidder's Premium
 4,957.90

 Total Amount to be Wired by FTN Financial
 \$5,773,254.01

- The Paying Agent/Registrar shall retain \$400.00 in payment of the first year's Paying Agent/Registrar fee.
- 5. The Paying Agent/Registrar shall wire \$147,800 from the proceeds of the Bonds, to JPMorgan Chase Bank, Houston, Texas, ABA #021000021, for credit to Southwest Securities Inc., Account #08805076955, for further credit to Trophy Club Municipal Utility District No.1 Unlimited Tax Bonds, Series 2014 (#94-9030-119855), Attn: Ms. Amanda Almanza, (214) 859-6353. Such amount is for the fees and expenses associated with the legal authorization and issuance of the Bonds. (See Cost of Issuance Breakdown, herein.)

Closing Memorandum
Trophy Club Municipal Utility District No.1
December 19, 2014
Page 2

6. The Paying Agent/Registrar shall wire \$5,625,054.01, from the proceeds of the Bonds, to TexPool per wiring instruction shown below:

State Street Bank and Trust Company, Boston, MA, ABA # 011 000 028
BNF (4200) - TexPool Account # 67573774
RFB (4320) - Location ID # 77384
Participant Name - Trophy Club MUD 1

For final credit by TexPool as follows:

a) 2014 WW Treatment Plant Construction Fund (OBI # 449-0613300011) in the amount of \$5,616,800.00

Construction Fund Deposit includes funds for the following to be retained/paid by the District:

S&P Rating Partial Fee Reimbursement	\$ 7,490.00
TCEQ Bond Application Processing Fee (for \$5,765,000 only)	14,376.56
TCEQ Application Filing Fee	1,000.00
Engineering TCEQ Bond Application Report Fee	20,000.00

b) Interest & Sinking Fund (OBI # 449-0613300003) in the amount of \$8,254.01

(I&S Fund Deposit includes accived interest of \$3,296.11 and Bid Premium of \$4,957.90)

7. Upon receipt of funds from the **Purchasers**, the good faith check in the amount of \$115,300.00 shall be returned uncashed (by a trackable method) to:

Tiffany Davis FTN Financial Capital Markets 845 Crossover Ln., Bldg D, Suite 150 Memphis, TN 38117

8. The Reconciliation of Receipts and Disbursements is as follows:

Receipts:

Par Amount of the Bonds	\$5,765,000.00
Plus: Accrued Interest (12/15/14 - 12/23/14)	3,296.11
Plus Bidder's Premium	4,957.90
Total Receipts	\$5,773,254.01

Disbursements:

Trophy Club MUD Wastewater Treatment Plant Construction Fund	\$5,616,800.00
Trophy Club MUD Interest and Sinking (Debt Service) Fund	8,254.01
First Year's Paying Agent/Registrar Fee	400.00
Costs of Issuance to be paid by Southwest Securities	147,800.00
	\$5,773,254.01

NOTE: Upon receipt of funds at delivery, the District will send a check in the amount of \$14,376.56 to the Texas Commission on Environmental Quality ("TCEQ") for payment of the TCEQ Bond Application Processing Fee. Check should be sent to the address below:

Texas Commission on Environmental Quality Attention: Andrew Paynter 12100 Park 35 Circle Bldg. F - Mail Code 152 Austin, Texas 78753

\$5,765,000 Trophy Club Municipal Utility District No.1 Unlimited Tax Bonds, Series 2014

Distribution List

<u>Issuer</u>

Ms. Jennifer McKnight Ms. Renae Gonzales Ms. Terri Sisk 100 Municipal Drive Trophy Club, Texas 76262

Phone:

682-831-4610 (Jennifer) 682-831-4611 (Renae) 682-831-4618 (Terri)

Facsimile:

817-491-9312 imcknight@tcmud.org

rgonzales@tcmud.org tsisk@tcmud.org

<u>Underwriter</u>

Ms. Tiffany Davis Ms. Mary Ann Bohne Mr. Hank Tansey **FTN Financial Capital Markets** 845 Crossover Ln., Bldg D, Suite 150 Memphis, Tennessee 38117

Phone:

901-435-8428 (Tiffany) 901-435-8090 (Mary Ann) 901-435-8006 (Hank)

Facsimile

901-435-8076 Tiffany.Davis@ftnfinancial.com Maryann.Bohne@ftnfinancial.com Hank.Tansey@ftnfinancial.com

Paying Agent/Registrar

Mr. Jose Gaytan Ms. Anne-Marie Hansen Bank of Texas (BOKF,NA) Corporate Trust Services 100 Congress Ave., Suite 250

Phone:

512-813-2002 (Jose)

512-813-2001 (Anné-Marie)

512-813-2020 Facsimile JGaytan@bankoftexas.com AHansen@bankoftexas.com

Financial Advisor

Mr. Dan Almon Mr. Andrew Friedman Ms. Mary Jane Dietz Southwest Securities 1201 Elm Street, Suite 3500 Dallas, Texas 75270

Phone:

214-859-9452 (Dan) 210-226-8677 (Andrew) 214-859-6803 (MJ)

214-859-9475

Facsimile:

DAlmon@swst.com Andrew.Friedman@swst.com

MJDietz@swst.com

Bond Counsel

Mr. Bob Dransfield Ms. Kristen Savant Ms. Diane Callahan Norton Rose Fulbright 2200 Ross Ave., Suite 2800

Dallas, Texas 75201

Phone

214-855-8068 (Bob) 214-855-8072 (Kristen) 214-855-8024 (Diane)

Facsimile 214-855-8200

Robert.Dransfield@nortonrosefulbright.com Kristen.Savant@nortonrosefulbright.com Diane.Callahan@nortonrosefulbright.com



December 19, 2014

Ms. Jennifer McKnight General Manager Trophy Club Municipal Utility District No.1 100 Municipal Drive Trophy Club, Texas 76262

STATEMENT

For services rendered and expenses incurred in connection with the legal authorization and issuance of \$5,765,000 Trophy Club Municipal Utility District No.1 Unlimited Tax Bonds, Series 2014 (See Cost of Issuance Breakdown on next page.)

\$147,800.00

DAA/mjd

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

COST OF ISSUANCE BREAKDOWN

Expense Item:		Tax Bonds 5,765,000	•				
Financial Advisory Fee / Expenses- Southwest Securities, Inc. Bond Counsel Fee /Expenses- Norton Rose Fulbright Attorney General Fee (Reimbursed to Norton Rose Fulbright)	\$	68,825.00 60,000.00 5,765.00					
Ratings: S&P (Reimburse District for \$7,490 already paid to S&P) \$3,210 remaining Paying Agent Registrar - Bank of Texas.		10,700.00					
First Year's Paying Agent/ Registrar Fee Official Statement (OS) Costs:		400.00					
Preparation / Printing / Internet Posting / Electronic Distribution TCEQ Fee for Processing Application (0.25% of par amount)		5,000.00					
(Based on par amount of \$5,765,000 only)		14,376.56					
TCEQ Application Filing Fee		1,000.00					
Bond Application Report (Fee for preparing TCEQ Application - Engineer)		20,000.00					
Miscellaneous Expenses		5,000.00					
Total Cost of Issuance	\$	191,066.56					
COST OF ISSUANCE BREAKDOWN BY SOURCE OF PAYMENT							
Cost of Issuance Expenses Paid from Wire to Southwest Securities							
Financial Advisory Fee / Expenses- Southwest Securities, Inc.	\$	68,825.00					
Bond Counsel Fee /Expenses- Norton Rose Fulbright		60,000.00					
Attorney General Fee (Reimbursed to Norton Rose Fulbright)		5,765.00					
S&P Rating Fee (Balance of original \$10,700 Fee)		3,210.00					
Official Statement Preparation/Printing/Internet Posting/Electronic Distribution		5,000.00					
Miscellaneous Expenses		5,000.00					
•	\$	147,800.00	\$	147,800.00			
Cost of Issuance Expenses Paid/Retained by the District from Construction Full	<u>nd</u>	٠					
S&P Rating Fee (70% of Original) Reimbursement TCEQ Fee for Processing Application (0.25% of par amount)	\$	7,490.00					
(Based on par amount of \$5,765,000 only)		14,376.56					
TCEQ Application Filing Fee		1,000.00					
Bond Application Report (Fee for preparing TCEQ Application - Engineer)		20,000.00					
		42,866.56		42,866.56			
Cost of Issuance Expenses Retained by Paying Agent Registrar	\$	400.00	<u>\$</u> _	400.00			
Total Cost of Issuance			\$	191,066.56			

12/18/2014

BOND DEBT SERVICE

\$5,765,000 TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 (Denton and Tarrant Counties) Unlimited Tax Bonds, Series 2014 Final Numbers: As of December 4, 2014

Dated Date Delivery Date

12/15/2014 12/23/2014

Annua Debt Service	Debt Service	Interest	Coupon	Principal	Period Ending
	105,475.56	105,475.56			09/01/2015
105,475.5					09/30/2015
	74,162.50	74,162.50			03/01/2016
	309,162.50	74,162.50	1,500%	235,000	09/01/2016
383,325.0				•	09/30/2016
•	72,400.00	72,400.00			03/01/2017
	312,400.00	72,400.00	1.500%	240,000	09/01/2017
384,800.0	,	,		,	09/30/2017
,	70,600.00	70,600.00			03/01/2018
	315,600.00	70,600.00	1.500%	245,000	09/01/2018
386,200.0	2.2,000.00	70,000,00	1100070	2 13 1000	09/30/2018
300,200.0	68,762.50	68,762.50			03/01/2019
	318,762.50	68,762.50	1.500%	250,000	09/01/2019
387,525.0	310,702.30	00,702.50	1.50070	130,000	09/30/2019
367,323.00	66,887.50	66,887.50			
			3 7500/	265 000	03/01/2020
300 775 0	321,887.50	66,887.50	1.750%	255,000	09/01/2020
388,775.0					09/30/2020
	64,656.25	64,656.25			03/01/2021
	329,656.25	64,656 25	2.000%	265,000	09/01/2021
394,312.5					09/30/2021
	62,006.25	62,006.25			03/01/2022
	332,006.25	62,006.25	2.000%	270,000	09/01/2022
394,012.5					09/30/2022
	59,306.25	59,306.25			03/01/2023
	339,306.25	59,306.25	2.250%	280,000	09/01/2023
398,612.5				•	09/30/2023
	56,156.25	56,156.25			03/01/2024
	346,156.25	56,156.25	2.500%	290,000	09/01/2024
402,312.5	•	•			09/30/2024
	52,531,25	52,531.25			03/01/2025
	347,531,25	52,531.25	2.500%	295,000	09/01/2025
400,062.5	5,55	,	2.00070	275,000	09/30/2025
100,002.0	48,843.75	48,843.75			03/01/2026
	353,843.75	48,843.75	2.500%	305,000	09/01/2026
402,687.5	555,015.75	40,045.75	2.50070	303,000	09/30/2026
402,007.5	45,031.25	45,031.25			03/01/2027
	360,031.25	45,031.25	2.750%	315,000	
405,062.5	300,031.23	45,051.23	2.730%	313,000	09/01/2027
403,002.3	40 700 00	40 700 00			09/30/2027
	40,700.00	40,700 00	0.25004	205 000	03/01/2028
406 400 0	365,700.00	40,700.00	2.750%	325,000	09/01/2028
406,400.0					09/30/2028
	36,231.25	36,231.25			03/01/2029
	371,231.25	36,231.25	3.000%	335,000	09/01/2029
407,462.5					09/30/2029
	31,206.25	31,206.25			03/01/2030
	376,206.25	31,206.25	3.250%	345,000	09/01/2030
407,412.5					09/30/2030
	25,600.00	25,600.00			03/01/2031
	385,600.00	25,600.00	3.250%	360,000	09/01/2031
411,200.0		,		*,	09/30/2031
,25010	19,750.00	19,750,00			03/01/2032
	389,750.00	19,750.00	3.250%	370,000	09/01/2032
		17,100.00	J.4.J. /U	3,0,000	
400 500 O	302,720,40				
409,500.0		12 727 50			
409,500.0	13,737.50 398,737.50	13,737.50 13,737.50	3.500%	385,000	09/30/2032 03/01/2033 09/01/2033

Dec 4, 2014 11:08 am Prepared by Southwest Securities, Inc. (AK)

(Finance 7,010 Trophy Club MUD #1:TCMUD_1-2014ULT) Page 1



BOND DEBT SERVICE

\$5,765,000 TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 (Denton and Tarrant Counties) Unlimited Tax Bonds, Series 2014 Final Numbers: As of December 4, 2014

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
9/30/2033	**********				412,475.00
3/01/2034			7,000.00	7,000.00	
9/01/2034	400,000	3.500%	7,000.00	407,000.00	
9/30/2034					414,000.00
	5,765,000		1,936,613.06	7,701,613.06	7,701,613.06

RECEIPT AND DISBURSEMENT OF FUNDS BOKF, NA dba BANK OF TEXAS, AUSTIN, TEXAS

Re: \$5,765,000 "Trophy Club Municipal Utility District No. 1 Unlimited Tax Bonds, Series 2014", dated December 15, 2014 (the "Bonds")

BOKF, NA dba Bank of Texas, Austin, Texas (the "Bank") hereby acknowledges receipt this day of the total sum of \$5,773,254.01 for the account of the Trophy Club Municipal Utility District No. 1 (the "District") from FTN Financial Capital Markets, as underwriters of the Bonds, in payment of the purchase price for the Bonds as follows:

 Principal Amount
 \$5,765,000.00

 Accrued Interest
 3,296.11

 Premium
 58,652.20

 Less: Underwriter's Discount
 (\$53,694.30)

TOTAL AMOUNT RECEIVED

\$5,773,254.01

and such moneys received has been disbursed in accordance with instructions received as follows:

(1) Retained in payment of the first year's fee for paying agent/ registrar services for the Bonds, the sum of

\$400.00

(2) Transmitted to State Street Bank and Trust Company, Boston, MA representing the (i) deposit to the credit of the District's Texpool construction fund for the Bonds, (ii) ratings fee partial reimbursement, (iii) TCEQ fees, and (iv) deposits to the Interest and Sinking Fund, the sum of

\$5,625,054.01

(3) Transmitted to Southwest Securities, Inc. for the payment of costs of issuance, the sum of

\$147,800.00

DATED, this December 23, 2014.

BOKF, NA dba BANK OF TEXAS,

Austin, Texas

Title: Vice President



500 North Akard Street Lincoln Plaza, Suite 3200 Dallas, TX 75201 tel (214) 871-1400 reference no.: 1369855

November 21, 2014

Trophy Club Municipal Utility District #1
100 Municipal Drive
Trophy Club, TX 76262
Attention: Ms. Jennifer McKnight, District Manager

Re: US\$5,765,000 Trophy Club Municipal Utility District No. 1, Texas, Unlimited Tax Bonds, Series 2014, dated: December 15, 2014, due: September 1, 2034

Dear Ms. McKnight:

Pursuant to your request for a Standard & Poor's Ratings Services ("Ratings Services") rating on the above-referenced obligations, Ratings Services has assigned a rating of "AA-". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

This letter constitutes Ratings Services' permission for you to disseminate the above-assigned ratings to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements) will become effective only after we have released the rating on standardandpoors.com. Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable.

To maintain the rating, Standard & Poor's must receive all relevant financial and other information, including notice of material changes to financial and other information provided to us and in relevant documents, as soon as such information is available. Relevant financial and other information includes, but is not limited to, information about direct bank loans and debt and debt-like instruments issued to, or entered into with, financial institutions, insurance companies and/or other entities, whether or not disclosure of such information would be required under S.E.C. Rule 15c2-12. You understand that Ratings Services relies on you and your agents and advisors for the accuracy, timeliness and completeness of the information submitted in connection with the rating and the continued flow of material information as part of the surveillance process. Please send all information via electronic delivery to: pubfin_statelocalgovt@standardandpoors.com. If SEC rule 17g-5 is applicable, you may post such information on the appropriate website. For any information not available in electronic format or posted on the applicable website,

Please send hard copies to:

Standard & Poor's Ratings Services Public Finance Department 55 Water Street

PF Ratings U.S. (7/18/14)

New York, NY 10041-0003

The rating is subject to the Terms and Conditions, if any, attached to the Engagement Letter applicable to the rating. In the absence of such Engagement Letter and Terms and Conditions, the rating is subject to the attached Terms and Conditions. The applicable Terms and Conditions are incorporated herein by reference.

Ratings Services is pleased to have the opportunity to provide its rating opinion. For more information please visit our website at www.standardandpoors.com. If you have any questions, please contact us. Thank you for choosing Ratings Services.

Sincerely yours,

Standard & Poor's Ratings Services

Spinelard & Poor's

dg enclosures

cc: Mr. Dan A. Almon Ms. Mary Jane Dietz



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PF Ratings U.S. (02/16/13)

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RatingsDirect*

Summary:

Trophy Club Municipal Utility District No.1, Texas; General Obligation

Primary Credit Analyst:

Sarah L Smaardyk, Dallas (1) 214-871-1428; sarah.smaardyk@standardandpoors.com

Secondary Contact:

Omar M Tabani, Dallas (1) 214-871-1472; omar.tabani@standardandpoors.com

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Rationale

Outlook

Related Criteria And Research

Summary:

Trophy Club Municipal Utility District No.1, Texas; General Obligation

Credit Profile				
US\$5.765 mil Unltd Tax Bnds ser 2014 dtd 12/15/2014 due 09/01/2034				
Long Term Rating	AA-/Stable	New		
Trophy Club Mun Util Dist #1 GO				
Long Term Rating	AA-/Stable	Affirmed		
Trophy Club Mun Util Dist #1 GO				
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed		
Many issues are enhanced by bond insurance.				

Rationale

Standard & Poor's Ratings Services assigned its 'AA-' rating to Trophy Club Municipal Utility District No.1, Texas' series 2014 unlimited-tax general obligation (GO) bonds. At the same time, Standard & Poor's affirmed its 'AA-' rating on the district's existing GO debt. The outlook is stable.

The rating reflects our opinion of the district's:

- · Access to Dallas-Fort Worth's deep and diverse economy, resulting in very strong wealth and income levels;
- · Mature infrastructure development; and
- Sizable property tax base with a low property tax rate, providing it with revenue-raising flexibility.

We believe the preceding credit strengths are somewhat mitigated by what we consider the district's moderately high overall debt.

An unlimited ad valorem tax levied on all taxable property in the MUD secures the series 2014 bonds. Officials intend to use series 2014 bond proceeds to make improvements to the district's wastewater treatment facilities.

Trophy Club MUD No. 1 provides water, sewer, and fire protection services to a 2,284-acre service area in the towns of Trophy Club and Westlake, approximately 27 miles northwest of downtown Dallas and 25 miles northeast of downtown Fort Worth. Trophy Club residents' access to employment opportunities throughout the Dallas-Fort Worth Metroplex has resulted in, what we consider, very strong median household effective buying income at 128% of the national level.

The MUD is a residential and mixed-use development that contains more than 3,974 occupied homes; home prices range from \$200,000 to \$1 million. Currently, there are 156 developed lots available for construction; 178 completed multifamily units; 24 completed, but unoccupied, homes; and 24 homes under construction. Commercial development includes the Solana Business Complex, a strip shopping center, and several other small commercial and retail

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establishments. Imminent developments include two hotels, a medical office building, a Montessori school, and Entrada — a mixed-use development similar to the Solana Business Complex. The MUD is developmentally mature with approximately 94% of developable land containing utility infrastructure. Meanwhile, 146 acres remain available for further development with 96 acres dedicated for additional residential property and the remainder dedicated for commercial property. Management estimates the MUD will likely reach buildout by 2017.

The large property tax base peaked at an assessed value (AV) of \$1.02 billion in fiscal 2010 before decreasing by 6% to \$954.6 million in fiscal 2012 due to declining housing values during the national economic slowdown. AV has since increased by nearly 17% to \$1.11 billion in fiscal 2015, which tops pre-recessionary AV levels. The tax base is diverse, with the 10 leading taxpayers accounting for 23.5% of AV. The MUD is adjacent to Trophy Club Public Improvement District No. 1, which has also experienced significant new home construction. While land in the public improvement district is not subject to the MUD's property tax levy, the MUD provides water, sewer, emergency, and fire protection services to public improvement district residents; this generates additional operating revenue for the MUD.

The MUD has historically realized surpluses in its general fund. The district saw operating surpluses for four consecutive fiscal years starting in 2009; management attributes this to increased water and sewer sales spurred by residential growth and recent drought conditions. Although the MUD incurred a small operating deficit in fiscal 2013, there was no significant change in the general fund balance; the ending unassigned general fund balance of \$3 million equaled, in our view, an adequate 42.4% of expenditures. Water and sewer charges (72%) and property taxes (19%) generated the bulk of fiscal 2013 general fund revenue. The debt service fund provides debt service liquidity; at fiscal year-end 2013, this fund contained \$17,879 or a low 1.7% of the maximum annual debt service payment scheduled to occur in fiscal 2022. Property taxes generated 99% of debt service fund revenue.

What we regard as the MUD's low property tax rate of 13.3 cents per \$100 of AV provides a degree of revenue-raising flexibility. As the result of a comprehensive rate study by an outside firm, management undertook a modest increase in its water and wastewater rate, effective July 1, 2014.

Direct debt equals a low 1.0% of fiscal 2014 market value (MV). Including all overlapping entities, overall debt is 7.7% of MV, which we consider moderately high. We believe debt amortization is rapid with 62% of principal retired over 10 years and 100% over 20 years. The district is planning to issue a maximum of \$9.2 million in water and sewer revenue bonds in fiscal 2015 to fund a wastewater plant expansion.

Outlook

The stable outlook reflects Standard & Poor's opinion that the MUD will likely continue to experience healthy residential construction, allowing for continued property tax base growth. The stable outlook also reflects our expectation that the MUD's mature development will likely limit any significant debt-supported capital needs beyond the wastewater plant expansion, allowing for a gradual debt reduction as debt amortizes and property tax base growth continues. While we do not expect it to occur within the outlook's two-year period, we could raise the rating once the MUD moves closer to buildout, coupled with a material debt-to-MV ratio reduction. While not likely, we could lower the rating if AV growth were to stall or there was a material increase in the district's debt-to-MV ratio.

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Related Criteria And Research

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Related Criteria

USPF Criteria: Methodology And Assumptions: Rating Unlimited Property Tax Basic Infrastructure Districts, March 17, 2009

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The Depository Trust Company A subsidiary of the Depository Trust & Clearing Corporation

BLANKET ISSUER LETTER OF REPRESENTATIONS (To be completed by lessuer and Co-issuer(s), if applicable)

Trophy Club Munici	pal Utility District No.1			
(Name of Issuer	and Co-Issuer(s), if applicable)			
	March 16, 2010			
	(Date)			
Attention: Underwriting Department The Depository Trust Company 55 Water Street, 1SL New York, NY 10041-0099				
Ladies and Gentlemen:				
	ing with respect to all issues (the "Securities") that deposit by The Depository Trust Company ("DTC").			
Issuer is: (Note: Issuer shall represent one	and cross out the other.)			
-{incorporated in} [formed under the laws of	f] the State of Texas .			
accordance with DTC's Rules with respect will comply with the requirements stated amended from time to time.	urities as eligible for deposit at DTC, and to act in to the Securities, Issuer represents to DTC that issuer in DTC's Operational Arrangements, as they may be Very truly yours,			
Note: Schodule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.	Trophy Club Mimicipal Utility District No. 1 (Issor) By: (Authorized Office's Signature)			
Received and Accepted THE DEPOSITORY TRUST COMPANY By:	Robert Scott (Print Name)			
	100 Municipal Drive (Street Address)			
OTTCC. The Depository Trust B Clearing Corporation	Trophy Club Texas USA 76262 (City) (State) (Country) (Zip Code) (682) 831-4610 (Phone Number) rscott@ci.trophyclub.tx.us			

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SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC--bracketed material may be applicable only to certain issues)

- 1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
- DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.
- 3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
- 4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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- 5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
- [6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]
- 7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
- 8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
- [9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]
- 10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
- 11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC
- 12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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6/23/2014 11:45:07 AM Amalia Rodriguez-Mendoza District Clerk Travis County D-1-GN-14-001983

D-1-GN-14-001983 NO.

			•
,		§	IN THE DISTRICT COURT OF
EX PARTE	•	§ §	TRAVIS COUNTY, TEXAS
TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1,		§ §	201ST JUDICIAL DISTRICT

ORIGINAL PETITION FOR EXPEDITED DECLARATORY JUDGMENT AND MOTION FOR CONSOLIDATION

By this action, and pursuant to Chapter 1205.001 et. seq. of the Texas Government Code ("Chapter 1205"), the Trophy Club Municipal Utility District No. 1 of Tarrant and Denton Counties, Texas (the "District") seeks an expedited declaratory judgment to conclusively establish (i) the District's authority to issue unlimited tax bonds and revenue bonds in one or more series in an aggregate principal amount not to exceed \$14,995,000 (allocated as described herein as between tax bonds and revenue bonds) pursuant to one or more bond orders (as more particularly described in Exhibits A and B hereto, the "Proposed Bonds"), (ii) the legality and validity of using funds from the Proposed Bonds to finance improvements to its existing wastewater treatment plant (the "Wastewater Plant"), (iii) the District's authority to award contracts for the construction of such improvements, and (iv) the validity of an order issued by the Texas Commission on Environmental Quality ("TCEQ") approving the issuance of the Proposed Bonds and the Wastewater Plant improvement project. Specifically, the District intends to use the Proposed Bonds to finance the design, planning, acquisition, construction, and equipping of necessary improvements to the Wastewater Plant and other improvements to the sewer system (the "Necessary Improvements").

ORIGINAL PETITION FOR EXPEDITED DECLARATORY JUDGMENT – Page 1 AND MOTION FOR CONSOLIDATION

The Necessary Improvements include items identified in the Engineering Report (defined below). The Engineering Report is available to the public as follows—Part 1 at http://www.tcmud.org/wp-content/uploads/2013/04/Preliminary-Engineering-Report-The-Wallace-Group-Part-1.pdf (last visited June 19,

The District desires to proceed with confidence and certainty, assured by order of this Court that its actions, including the issuance of the Proposed Bonds and the execution of agreements associated with the construction and financing of the Necessary Improvements, are incontestable and are valid and enforceable under the laws of the State of Texas, specifically including Sections 49.152 and 54.501 of the Texas Water Code.

INTRODUCTION/NATURE OF THE ACTION

1. Chapter 1205 (i) entitles issuers of public securities to obtain a declaratory judgment confirming the validity of proposed public securities, public securities authorizations, expenditures of money related to public securities, and contracts related to projects funded through the issuance of public securities,² (ii) provides a statutory framework for accelerated resolution, in a single forum, of all issues that have been or could be raised that affect the validity of the public securities, authorizations, or contracts described in this Original Petition, and (iii) requires the Court, upon receipt of this Original Petition, to "immediately issue an order" setting the matter for trial "at 10:00 a.m. on the first Monday after the 20th day after the date of the order."A

2014); and Part 2 at http://www.tcmud.org/wp-content/uploads/2013/04/Preliminary-Engineering-Report-The-Wallace-Group-Part-2.pdf (last visited June 19, 2014).

Tex. Gov't Code Ann. § 1205.021.

- The court in which an action under this chapter is brought shall, on receipt of the petition, immediately issue an order, in the form of a notice, directed to all persons who:
 - reside in the territory of the issuer: (1)
 - own property located within the boundaries of the issuer; (2)
 - are taxpayers of the issuer; or (3)
 - have or claim a right, title, or interest in any property or money to be affected by a public security authorization or the issuance of the public securities.
- The order must, in general terms and without naming them, advise the persons described by (b) Subsection (a) and the attorney general of their right to:
 - appear for a trial at 10 a.m. on the first Monday after the 20th day after the order; and (1)
 - show cause why the petition should not be granted and the public securities or the public (2)security authorization validated and confirmed.

ORIGINAL PETITION FOR EXPEDITED DECLARATORY JUDGMENT - Page 2 AND MOTION FOR CONSOLIDATION

³ Id. §§ 1205.025, 1205.061.

⁴ Specifically, Tex. Gov't Code Ann § 1205.041 provides:

- 2. The completion of the Necessary Improvements is essential for the District to be able to maintain regulatory compliance and service its increasing population. Accordingly, on September 24, 2013, pursuant to the authority of the Resolution (defined below) and Sections 5.122 and 49.181 of the Texas Water Code, the District filed an application with the TCEQ for expedited approval of a proposed engineering project and the issuance of up to \$15,000,000 in bonds. Specifically, the application requested authorization to issue up to \$5,769,217 in unlimited tax and/or combination unlimited tax and revenue bonds, and up to \$9,230,783 in revenue bonds, for the purpose of financing the Necessary Improvements. On February 6, 2014, the TCEQ entered an order approving the issuance of the Proposed Bonds for the Necessary Improvements.
- 3. For reasons discussed more fully below, on March 7, 2014, Maguire Partners Solana, L.P. ("Maguire Partners") and the Town of Westlake ("Westlake") each moved to overturn the TCEQ's order, both of which motions were overruled by operation of law on May 2, 2014. Additionally, citing Section 5.351⁶ of the Texas Water Code as the basis for the court's jurisdiction, Maguire Partners filed two lawsuits seeking to overturn the TCEQ's order: (i) on March 7, 2014, a lawsuit in the 126th Judicial District Court of Travis County, Texas (Cause No. D-1-GN-14-000716), and (ii) on May 30, 2014, a lawsuit in the 53rd Judicial District Court of Travis County, Texas (Cause No. D-1-GN-14-001623)—both of which are currently pending.⁷

⁽c) The order must give a general description of the petition but it is not required to contain the entire petition or any exhibit attached to the petition. (Emphasis added).

⁵ A true and correct copy of the TCEQ Order is attached hereto as Exhibit C.
⁶ Tex. Water Code Ann. § 5.351 ("(a) A person affected by a ruling, order, decision, or other act of the commission may file a petition to review, set aside, modify, or suspend the act of the commission. (b) A person affected by a ruling, order, or decision of the commission must file his petition within 30 days after the effective date of the ruling, order, or decision. A person affected by an act other than a ruling, order, or decision must file his petition within 30 days after the date the commission performed the act.").

This lawsuit takes precedence over the two (2) lawsuits filed by Maguire Partners. See Tex. Gov't Code Ann §§ 1205.025, 1205.061.

4. Because of those actions opposing the TCEQ's order, the Texas Attorney General may not approve the issuance of the Proposed Bonds unless the District first obtains an order from this Court validating the Proposed Bonds under Chapter 1205. Accordingly, by this action, the District seeks such an order as described more specifically herein.

II. DISCOVERY LEVEL

5. Due to the expedited nature of this action, the District does not intend to conduct discovery under the levels outlined in Rule 190 of the Texas Rules of Civil Procedure. Rather, as provided by Chapter 1205.064, the records of the District that relate to the public securities will be made open to inspection at reasonable times⁸ to any person or entity that becomes a party to this action.⁹ The Court may also take judicial notice of those public records not attached to this Original Petition, and the District hereby requests that the Court take such judicial notice.¹⁰

III. PARTIES, JURISDICTION, AND VENUE

6. The District is a political subdivision of the State of Texas created by a March 4, 1975 Order (the "1975 Order") of the Texas Water Commission (the predecessor to the TCEQ), as a municipal utility district pursuant to Chapter 54 of the Texas Water Code. The District is also a conservation and reclamation district in accordance with Article XVI, Section 59 of the

⁸ Id. § 1205.064(a) ("Each record of an issuer relating to the public securities, a public security authorization, or an expenditure of money relating to the public securities is open to inspection at reasonable times to any party to an action under this chapter.").

⁹ A person may become a party to this action through the procedures outlined in Tex. Gov't Code Ann. § 1205.062.

¹⁰ A number of such public documents are available on the District's website at http://www.tcmud.org/ (last visited June 19, 2014).

Texas Constitution. 11 The District operates pursuant to authority set forth in Chapters 49 and 54 of the Texas Water Code and certain other laws applicable to municipal utility districts. 12

- 7. Chapter 1205 sets forth a procedure pursuant to which a court may enter a declaratory judgment with respect to the legality and validity of expenditures or proposed expenditures of money relating to public securities to be issued. The District is an "issuer" of "public securities" within the meaning of Section 1205.001(1) of Chapter 1205 because it is a political subdivision of the State of Texas, and the Proposed Bonds it intends to issue and deliver are "public securities" as defined by §1205.001(2) of Chapter 1205. The District is therefore authorized to bring this action pursuant to Chapter 1205.
- 8. Pursuant to Sections 49.181 and 54.501 of the Texas Water Code-and Section 1202.003 of the Texas Government Code, the District is authorized, with approval from the TCEQ and the Texas Attorney General, to issue public securities within the meaning of Section 1205.001(2) of Chapter 1205.
- 9. The District is located entirely within Tarrant County, Texas and Denton County, Texas, and has its principal office in Denton County, Texas. However, pursuant to Texas Government Code § 1205.022, venue is proper in Travis County, Texas.
- This action is, by statute, an in rem proceeding and also a class action. 13 All 10. persons who reside within the territory of the issuer; who own property located within the boundaries of the issuer; who are taxpayers of the issuer; or who have or claim a right, title, or interest in any property or money to be affected by the authorization or the issuance of the public

¹¹ A true and correct copy of the District's formation document is attached hereto as Exhibit D.

¹² When originally created in the 1975 Order, the District's official name was the Denton County Municipal Utility District No. 1 of Denton County, Texas. Subsequently, the official name of the District was changed to Trophy Club Municipal Utility District No. 1.

Id. § 1205.023.

securities at issue (collectively, the "Interested Parties") are therefore parties to this action and any judgment rendered in this action is binding upon all such Interested Parties. Any Interested Party may become a named party to this action by filing an answer to this Original Petition on or before the time set for trial, or thereafter by intervention with leave of court.¹⁴

11. Jurisdiction over the Interested Parties may be had through publication of notice as provided by Sections 1205.041 and 1205.043-.044 of Chapter 1205. Specifically, Section 1205.041 of Chapter 1205 requires that, upon receipt of this Original Petition, the clerk of the court where this Original Petition is filed issue an order, in the form of a notice, advising the Interested Parties of their right to appear for trial at 10:00 a.m. on the first Monday after the 20th day after the date of the order and show cause why this Original Petition should not be granted and why the undertaking of the Necessary Improvements and the issuance of the Proposed Bonds, together with the associated agreements, contracts, and transactions herein described, should not be adjudged to be valid, enforceable, and incontestable. Section 1205.043 of Chapter 1205 further directs that the clerk shall give notice by publishing a substantial copy of the Order in a newspaper of general circulation in Travis County, Texas, in a newspaper of general circulation in the County where the issuer has its principal office, and, if the issuer has defined boundaries, in a newspaper of general circulation in each county in which the issuer has territory. The notice shall be published once a week for two (2) consecutive calendar weeks, with the first publication not less than fourteen (14) days prior to the date set for trial. In such manner, all parties to this lawsuit, with the exception of the Attorney General, shall thereby be made parties to these proceedings, and the Court shall have jurisdiction over them to the same

14 Id. §1205.062.

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extent as if individually named as defendants in this Original Petition and personally served with process in this cause.¹⁵

12. In accordance with § 1205.042 of Chapter 1205, the only party that must be personally served is the Attorney General of Texas, who may be served with a copy of this Original Petition (together with attached Exhibits), and a copy of the Court's Order Setting Hearing at the following address: Attorney General of Texas, Price Daniel Sr. Building, P.O. Box 12548, Capitol Station, Austin, Texas 78711-2548.

IV. AUTHORITY OF DISTRICT TO BRING ACTION

13. Chapter 1205 affords political subdivisions, such as the District, with an efficient method of adjudicating the validity of public securities and their associated contracts and obligations, either before or after the public securities are authorized, issued, or delivered. An action under Chapter 1205 simultaneously provides a single forum for timely addressing and adjudicating any concerns that could conceivably be raised by the Attorney General or any Interested Party. Specifically, §1205.021 provides, in pertinent part, that an issuer of public securities may:

[B]ring an action under this chapter to obtain a declaratory judgment as to:

- (1) the authority of the issuer to issue the public securities;
- (2) the legality and validity of each public security authorization relating to the public securities, including if appropriate:
 - (A) the election at which the public securities were authorized;
 - (B) the organization or boundaries of the issuer;

¹⁶ Id. § 1204.025 ("An issuer may bring an action under this chapter: (1) concurrently with or after the use of another procedure to obtain a declaratory judgment, approval, or validation; (2) before or after the public securities are authorized, issued, or delivered; (3) before or after the attorney general approves the public securities; and (4) regardless of whether another proceeding is pending in any court relating to a matter to be adjudicated in the suit.").

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¹⁵ Id. § 1205.044.

- (C) the imposition of an assessment, a tax, or a tax lien;
- (D) the execution or proposed execution of a contract;
- (E) the imposition of a rate, fee, charge, or toll or the enforcement of a remedy relating to the imposition of that rate, fee, charge, or toll; and
- (F) the pledge or encumbrance of a tax, revenue, receipts, or property to secure the public securities;
- (3) the legality and validity of each expenditure or proposed expenditure of money relating to the public securities; and
- (4) the legality and validity of the public securities.
- 14. The Supreme Court of Texas recognizes that the Legislature intended for courts to quickly resolve any proceedings brought under Chapter 1205. See Buckholts Indep. Sch. Dist. v. Glaser, 632 S.W.2d 146, 150-51 (Tex. 1982); Rio Grande Valley Sugar Growers, Inc. v. Attorney General, 670 S.W.2d 399, 401 (Tex. App.-Austin 1984, it ref'd n.r.e.) ("The total thrust of [article 717m-1, predecessor statute to Chapter 1205] is to dispose of public securities validation litigation with dispatch.").

V. FACTUAL BACKGROUND

A. Formation of the District

- 15. Created as a municipal utility district pursuant to Chapter 54 of the Texas Water Code, the District is a political subdivision of the State of Texas; and is a conservation and reclamation district in accordance with Article XVI, Section 59 of the Texas Constitution. The District operates pursuant to authority set forth in Chapters 49 and 54 of the Texas Water Code.
- 16. On March 4, 1975, pursuant to the 1975 Order discussed in paragraph 6 above, the District was created as the Denton County Municipal Utility District No. 1 of Denton

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County, Texas.¹⁷ However, on or about January 18, 1983, the name of the District was officially changed to the Trophy Club Municipal Utility District No. 1 ("TC MUD 1").

17. In the early 1980s, two additional municipal utility districts—Denton County Municipal Utility District No. 2 ("DC MUD 2") and Denton County Municipal Utility District No. 3 ("DC MUD 3")—were formed as development began in areas adjacent to the District's boundaries, as they then existed.

18. As discussed more fully below, in 1982, the area of Westlake now known as Solana was annexed into the District's corporate boundaries by petition of its prior owner in order to receive water, sewer, and fire protection services that Westlake did not offer at that time.

19. In 1990, DC MUD 2 and DC MUD 3 entered into a consolidation agreement and an election was held whereby voters in those two (2) districts approved, among other things, the consolidation of the districts into the Trophy Club Municipal Utility District No. 2 ("TC MUD 2").

20. On January 26, 2009, TC MUD 1 and TC MUD 2 entered into an agreement relating to the consolidation of the districts, and the Board of Directors of each district passed an Order Calling a Consolidation Election, which scheduled an election for May 9, 2009. On March 4, 2009, the Board of Directors of each district further passed an Amended and Restated Order Calling Consolidation Election, effective retroactively to January 26, 2009, which left the scheduled May 9, 2009 election date unchanged. As evidenced by the canvassing papers, the election was held as scheduled and, by a vote of 446 for and 303 against in TC MUD 1 and 605 for and 196 against in TC MUD 2, the voters approved the consolidation of TC MUD 1 and TC

¹⁷ By virtue of a confirmation election on October 7, 1975, the electorate of the District confirmed the District.

¹² True and correct copies of the Order 2009-0304 <u>Amended and Restated Order Calling Consolidation Election</u> passed by the Board of Directors of TC MUD 1 and TC MUD 2 are attached hereto as Exhibits E and F, respectively.

MUD 2 into the District.¹⁹ The voters further specifically authorized (i) each district to assume the other district's outstanding bonds, notes, and obligations and voted but unissued bonds payable in whole or in part from taxation, (ii) the District to provide for the payment of principal of and interest on the outstanding bonds, notes and obligations of the former TC MUD 1 and TC MUD 2, through the levy and collection of a sufficient ad valorem tax upon all taxable property within the District, and (iii) the District to issue for and in the name of the District the voted but unissued bonds of former TC MUD 1 in the amount of \$3,229,217 and of the former TC MUD 2 in the amount of \$4,540,000, being assumed by the District, as may be appropriate under the specific authority and terms and conditions of the propositions submitted at the elections authorizing the same, and to provide for the payment of the principal of and interest on such bonds by the levy and collection of a sufficient tax upon all taxable property within the District.

B. The District's Services

21. The District encompasses approximately 2,688 acres of real property located in Denton and Tarrant Counties, Texas. It provides retail water and wastewater services to all lands within its corporate boundaries, including lands located within the Town of Trophy Club ("Trophy Club") and Westlake. The District currently provides retail water services to approximately 3,026 retail connections within the District.

22. The District also provides wholesale water and sewer services to Trophy Club for approximately 1,123 customers located in that portion of the Trophy Club that is located outside the corporate boundaries of the District, but within the area located in a public improvement district established by Trophy Club (the "Trophy Club PID") to pay for or reimburse the

¹⁹ A true and correct copy of the Trophy Club Municipal Utility District No. 1 Order 2009 – 0512 Order Canvassing Consolidation Election Returns is attached hereto as Exhibit G, and a true and correct copy of the Trophy Club Municipal Utility District No. 2 Order 2009 – 0512 Order Canvassing Consolidation Election Returns is attached hereto as Exhibit H.

developer for costs related to infrastructure improvements located within the Trophy Club PID.

By contract, the District provides all water and wastewater system management, operation, and administrative services on behalf of Trophy Club to the area within the Trophy Club PID.

C. Necessity of Repairs to the District's Wastewater Plant

23. As set forth below, the Necessary Improvements to the Wastewater Plant are essential for the District to maintain regulatory compliance, to meet its customers' service demands as the District's population increases, to continue to support the health, safety, and welfare of the District's population, and to ensure necessary operational redundancy needed to provide continuous water and wastewater services.

(i) The Necessary Improvements Are Required for the District to Maintain Regulatory Compliance.

24. The Wastewater Plant was originally designed and constructed in the 1970s and subsequently expanded in the mid-1980s and in 2002, respectively. Since its most recent expansion in 2002, the TCEQ imposed more stringent permit limitations governing the discharge of treated wastewater effluent under the District's Texas Pollutant Discharge Elimination System Permit (the "Permit"). As a result, the effective treatment capacity of the District's previous plant upgrades has been significantly reduced, and the Wastewater Plant is approaching 100% of its organic loading capacity as the population within the District continues to increase. Accordingly, unless the Necessary Improvements are completed, the District will be unable to continue to comply with the more stringent Permit limitations.

²⁰ For example, at the time of the Wastewater Plant's initial construction and expansions, the Permit limitations governing the discharge of treated wastewater effluent under the District's Permit were, in relevant part, 10 mg/L for carbonaceous oxygen demand ("CBOD"); 15 mg/L total suspended solids ("TSS"); and 3 mg/L for ammonia nitrogen ("NH3-N"). However, the District's existing Permit limits are 5 mg/L CBOD; 12 mg/L TSS; and between 1-3 mg/L NH3-N.