Compliance with Prior Agreements

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

FINANCIAL ADVISOR

Southwest Securities, Inc. is employed as Financial Advisor to the District to assist in the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds that is contained in this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the District to determine the accuracy or completeness of this Official Statement. Because of their limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds.

OFFICIAL STATEMENT

Updating the Official Statement During Underwriting Period

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

Forward-Looking Statements Disclaimer

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

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

OTHER MATTERS

Legal Investment and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking fund of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the state, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. (See "RATINGS" herein.)

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

Registration and Qualification of Bonds for Sale

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

Certification as to Official Statement

At the time of payment for and delivery of the Bonds, the Purchaser will be furnished a certificate executed by the proper officials of the District acting in their official capacity, to the effect that: (a) the descriptions and statements of or pertaining to the District contained in its Official Statement relating to the Bonds, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of the sale of said Bonds, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statement therein, in the light of the circumstances under which they were made, not misleading; (c) to the best of their knowledge, insofar as the descriptions and statements, including financial data, or pertaining to entities, other than the District and its activities, contained in such Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the District since September 30, 2013, the date of the last audited financial statements of the Issuer, portions of which appear in the Official Statement.

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

Concluding Statement

The financial data and other information contained in this Official Statement have been obtained from the District's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents, orders and Orders contained in this Official Statement are made subject to all of the provisions of such statues, documents, orders and Orders. These summaries do not purport to be complete statements of such provisions and reference is made to such statutes, documents, orders and Orders for further information. Reference is made to original documents in all respects.

This Official Statement will be approved by the Board of the Issuer for distribution in accordance with the provisions of the Rule.

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

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

APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

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

FINANCIAL INFORMATION OF THE ISSUER

REVENUE BOND DEBT DATA — **TABLE 1**

Revenue Bond Debt Principal Outstanding: (As of January 1, 2015)		
Revenue Notes, Series 2013	$ 302,000	
Total Revenue Debt Principal Outstanding	$ 302,000	
Current Issue Revenue Bonds Debt Principal:		
Waterworks and Sewer System Revenue Bonds, Series 2015 (The Bonds)	$ 9,230,000	*
Total Revenue Debt Principal Outstanding Following the Issuance of the Bonds	$ 9,532,000	*

* *Preliminary, subject to change.*

CONDENSED WATER AND SEWER SYSTEM OPERATING STATEMENT — **TABLE 2**

	Fiscal Year Ending September 30				
	Unaudited 2014	2013	2012	2011	2010
Operating Revenues[a]					
Water and Wastewater Charges	$ 5,730,872 [b]	$ 5,467,371	$ 5,210,077	$ 5,323,244	$ 3,919,084
Investment Income	6,071	4,641	5,706	5,534	6,171
Other Revenues and Fees	203,206	175,793	214,237	160,060	186,073
Total Operating Revenues	$ 5,940,149	$ 5,647,805	$ 5,430,020	$ 5,488,838	$ 4,111,328
Operating Expenses[c]					
Operating and Maintenance Expenses	$ 4,840,819	$ 5,000,351	$ 4,526,474	$ 4,228,316	$ 3,959,498
Total Operating Expenses	$ 4,840,819	$ 5,000,351	$ 4,526,474	$ 4,228,316	$ 3,959,498
Net Revenues Available for Debt Service	$ 1,099,330	$ 647,454	$ 903,546	$ 1,260,522	$ 151,830
Supplemental Utility Fees[d]	$ 331,200	$ 508,300	$ 647,080	$ 165,600	$ 80,500
Active Customer Count :					
Water	4,339 [e]	4,122	3,882	3,549	3,320
Sewer	4,344 [e]	4,127	3,887	3,554	3,130

[a] *Includes water and sewer revenues and excludes ad valorem property tax revenues.*

[b] *Unaudited 2014 Operating Revenues reflect an increase in water & sewer rates, effective July 1, 2014. (See Water & Sewer Rates - Table 10.)*

[c] *Excludes depreciation, capital outlays, fire service expenses and ad valorem property tax-related expenses.*

[d] *Supplemental Utility Fees are generated under the terms of a contract with the Town of Trophy Club to serve homes in the Public Improvement District (PID) and are based on a one time per new home permit charge of $2,300, for a total of 1,407 homes. The approximate number of lots remaining in the PID development at 9-30-14 is 128.*

[e] *Customer count includes 1,259 connections served by the District but located in the Town of Trophy Club.*

Sources: The Issuer's Comprehensive Annual Financial Reports and Other Information from the Issuer.

DEBT SERVICE COVERAGE — **TABLE 3**

Fiscal Year Ended September 30, 2014 (Unaudited) Net Revenues Available for Debt Service	$ 1,099,330	
Following the Issuance of the Bonds:		
Average Annual Principal and Interest Requirements (2015-2035)	$ 641,245	*
Coverage of Average Requirements from FY 2014 (Unaudited) Net System Revenues	1.71	X*
Maximum Principal and Interest Requirements (2025*)	$ 659,700	*
Coverage of Maximum Requirements from FY 2014 (Unaudited) Net System Revenues	1.67	X*

* *Preliminary, subject to change.*

OTHER OBLIGATIONS **TABLE 4**

Description	Year of Issue	Interest Rate Payable	Final Maturity	Average Annual Payment	Original Amount	Principal Outstanding Unaudited as of 9-30-14
Capital Lease						
Fire Truck	2014	2.50%	2022	$ 127,149	$ 1,057,316	$ 807,316 [(a)]
Notes Payable:						
Equipment (Vac Truck)	2010	3.90%	2015	$ 201,318	$ 179,955	$ 35,991
					Total Other Obligations	$ 843,307

[(a)] *The District paid $250,000 in a down payment on October 23, 2014. The Capital Lease calls for seven additional annual payments of $127,149 scheduled for fiscal years 2016 through 2022.*

FUND BALANCES **TABLE 5**

		Unaudited As of 9-30-14
Water and Sewer Operating Fund (Unassigned)		$ 2,134,075
Water and Sewer Operating Fund (Assigned / Non-Spendable Prepaids)		13,980
Water and Sewer Capital Projects Fund		10,268
Reserve Fund for Replacement of Infrastructure		109,270
	Total	$ 2,158,323

NOTE: The District will establish an Interest and Sinking Fund following the issuance of the Bonds.
Source: The Issuer

REVENUE BOND DEBT SERVICE REQUIREMENTS

TABLE 6

Fiscal Year Ending 9-30	Revenue Debt Service Outstanding	The Bonds * Principal	The Bonds * Interest	The Bonds * Total	Total Combined Debt Service *
2015	$ 154,200.00	$ -	$ 171,529.17	$ 171,529.17	$ 325,729.17
2016	153,406.00	210,000.00	294,050.00	504,050.00	657,456.00
2017		365,000.00	289,850.00	654,850.00	654,850.00
2018	-	375,000.00	282,550.00	657,550.00	657,550.00
2019	-	380,000.00	275,050.00	655,050.00	655,050.00
2020		390,000.00	267,450.00	657,450.00	657,450.00
2021		400,000.00	259,650.00	659,650.00	659,650.00
2022		410,000.00	247,650.00	657,650.00	657,650.00
2023		420,000.00	235,350.00	655,350.00	655,350.00
2024		435,000.00	222,750.00	657,750.00	657,750.00
2025		450,000.00	209,700.00	659,700.00	659,700.00
2026		460,000.00	196,200.00	656,200.00	656,200.00
2027		475,000.00	182,400.00	657,400.00	657,400.00
2028		490,000.00	165,775.00	655,775.00	655,775.00
2029		510,000.00	148,625.00	658,625.00	658,625.00
2030		525,000.00	130,775.00	655,775.00	655,775.00
2031		545,000.00	112,400.00	657,400.00	657,400.00
2032		565,000.00	91,962.50	656,962.50	656,962.50
2033	-	585,000.00	70,775.00	655,775.00	655,775.00
2034	-	610,000.00	48,837.50	658,837.50	658,837.50
2035	-	630,000.00	25,200.00	655,200.00	655,200.00
	$ 307,606.00	$ 9,230,000.00	$ 3,928,529.17	$ 13,158,529.17	$ 13,466,135.17

* *Preliminary, subject to change. Interest is calculated at an average interest rate of 3.47% for illustration purposes only.*

PRINCIPAL REPAYMENT SCHEDULE

TABLE 7

Fiscal Year Ending 9-30	Principal Repayment Schedule: Outstanding Revenue Debt	The Bonds *	Total Bonds *	Bonds Unpaid at End of Year *	Percent of Principal Retired (%) *
2015	$ 150,000	$ -	$ 150,000	$ 9,382,000	1.57%
2016	152,000	210,000	362,000	9,020,000	5.37%
2017	-	365,000	365,000	8,655,000	9.20%
2018	-	375,000	375,000	8,280,000	13.13%
2019	-	380,000	380,000	7,900,000	17.12%
2020		390,000	390,000	7,510,000	21.21%
2021		400,000	400,000	7,110,000	25.41%
2022		410,000	410,000	6,700,000	29.71%
2023		420,000	420,000	6,280,000	34.12%
2024		435,000	435,000	5,845,000	38.68%
2025		450,000	450,000	5,395,000	43.40%
2026		460,000	460,000	4,935,000	48.23%
2027		475,000	475,000	4,460,000	53.21%
2028		490,000	490,000	3,970,000	58.35%
2029		510,000	510,000	3,460,000	63.70%
2030		525,000	525,000	2,935,000	69.21%
2031		545,000	545,000	2,390,000	74.93%
2032		565,000	565,000	1,825,000	80.85%
2033	-	585,000	585,000	1,240,000	86.99%
2034	-	610,000	610,000	630,000	93.39%
2035	-	630,000	630,000	-	100.00%
	$ 302,000	$ 9,230,000	9,532,000		

* *Preliminary, subject to change.*

HISTORICAL PRODUCTION AND CONSUMPTION DATA — TABLE 8

	Fiscal Year Ended September 30				
	Unaudited 2014	2013	2012	2011	2010
Production:					
Gallons pumped into System (in 000 gallons)	937,819	984,981	990,456	1,005,000	771,254
Usage:					
Water Active Meter Count	4,339 [(a)]	4,122 [(a)]	3,882	3,549	3,320
Total Gallons Billed (in 000 gallons)	888,962	900,766	914,365	927,407	686,750
Water Accountability Ratio	94.79%	91.50%	92.30%	92.30%	89.00%
Total Water Sales ($$)	$ 3,461,337	$ 3,458,058	$ 3,412,887	$ 3,403,440	$ 2,415,817
Average Monthly Usage Per User in Gallons	17,000	17,000	19,000	21,000	17,000
Average Monthly Bill Per User ($$)	$ 66.47	$ 61.26	$ 69.11	$ 75.71	$ 61.26
Percentage Water Loss in System	5.21%	8.50%	7.70%	7.70%	11.00%

[(a)] *Customer count includes 1,259 connections served by the District but located in the Town of Trophy Club.*
Source: The Issuer's annual audit reports (statistical information section) and the Issuer.

PRINCIPAL WATER/SEWER CUSTOMERS - As of September 30, 2014 (Unaudited) — TABLE 9

Name of Customer		Average Monthly Consumption In Gallons	Average Monthly Bill
Maguire Thomas/BRE Solana LLC		9,368,083	$ 39,956
Town of Trophy Club		2,149,500	9,012
Marriott-Solana		1,920,333	6,999
Byron Nelson High School		1,849,917	7,251
The Vineyards at Trophy Club		1,536,000	7,019
Lennar Homes		1,137,417	3,965
Value Place Hotel		587,833	2,131
Quorum Apts/Armore-Quorum LLC		496,667	2,703
Trophy Club Medical Center		589,500	2,141
Trophy Club Village Shops		551,333	1,958
	Total	20,186,583	$ 83,135

Principal water/sewer customers for 2014 (Unaudited) represented 16.79% of the District's total annual revenue.

Source: Issuer

Current Rates
Effective July 1, 2014

A Water and Sewer Rate Study was completed by J. Stowe & Co. and was presented to the Board on February 18, 2014
The study recommended both a new rate structure and new rates.

Water Base Rates

Meter Size	Base Rate
5/8"	$ 12.71
1"	16.71
1.5"	26.42
2"	38.06
3"	65.23
4"	104.04
6"	201.06

Water Volumetric Rates

Rates per 1,000 Gallons Over Base	Gallons
$ 2.70	0 to 6,000
3.14	6,001 to 17,000
3.64	17,001 to 25,000
4.23	25,001 to 50,000
4.91	50,001 and Over

Sewer Base and Volumetric Rates

Residential and Commercial Base Rate	$ 14.58
Residential Sewer volumetric Rate per 1,000 Gallons	2.50
Residential Sewer Cap in Gallons	18,000
Commercial Sewer volumetric Rate per 1,000 Gallons	2.50
Commercial Sewer Cap in Gallons	None

NOTE: Out of district water and sewer rates are 1.15 times the "in town" rate.

Previous Rates
Effective February 1, 2012

Retail rates based on 5/8" meter:
(Most prevalent type of meter (if not a 5/8") - 1 inch

	Admin Fee	Minimum Usage	Rates per 1,000 Gallons Over Minimum	Usage Levels	
WATER	$ 12.71	0	$ 2.50	0 to 6,000	gallons
			3.05	7,000 to 17,000	gallons
			3.30	18,000 to 25,000	gallons
			3.40	26,000 to 50,000	gallons
			3.50	51,000 +	gallons

NOTE: Out of district water rates are double the "in town" rate.

WASTEWATER	$ 12.71	0	$ 2.50	0 to 12,000	gallons
				Caps at 12,000	gallons

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

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APPENDIX B

SELECTED PROVISIONS OF THE ORDER

SELECTED PROVISIONS OF THE ORDER

SECTION 1: Definitions and Interpretations.

(a) Unless otherwise expressly provided or unless the context clearly requires otherwise, in this Order the following terms shall have the meanings specified below:

"Additional Parity Obligations" means the additional parity obligations permitted to be issued by Section 18 of this Order.

"Average Annual Debt Service Requirements" means that average amount which, at the time of computation, will be required to pay the Debt Service Requirement on all outstanding Bonds and Additional Parity Obligations when due (either at Stated Maturity or mandatory redemption) and derived by dividing the total of such Debt Service Requirement by the number of Fiscal Years then remaining before Stated Maturity of such Bonds and Additional Parity Obligations. For purposes of this definition, a fractional period of a Fiscal Year shall be treated as an entire Fiscal Year. Capitalized interest payments provided from bond proceeds and accrued interest on the Parity Revenue Obligations be excluded in making the aforementioned computation.

"Closing Date" means the date of the initial delivery of and payment for the Bonds.

"Code" means the Internal Revenue Code of 1986, as amended, including applicable regulations, published rulings and court decisions relating thereto.

"Construction Fund" means the construction fund established by Section 12 of this Order.

"Debt Service Requirements" means as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the District as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest calculated by assuming (i) that the interest rate for every 12-month period on such bonds is equal to the rate of interest reported in the most recently published edition of *The Bond Buyer* (or its successor) at the time of calculation as the "Revenue Bond Index" or, if such Revenue Bond Index is no longer being maintained by *The Bond Buyer* (or its successor) at the time of calculation, such interest rate shall be assumed to be 80% of the rate of interest then being paid on United States Treasury obligations of like maturity and (ii) that the principal of such bonds is amortized such that annual debt service is substantially level over the remaining stated life of such bonds, and further assuming in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity, the principal amounts thereof will be redeemed prior to Stated Maturity in accordance with the mandatory redemption provisions applicable thereto.

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

"Event of Default" means any Event of Default as defined in Section 20 of this Order.

"Existing Obligations" means the outstanding Trophy Club Municipal Utility District No. 1 Revenue Note, Series 2012 and Trophy Club Municipal Utility District No. 1 Revenue Note, Series 2013.

"Fiscal Year" means the twelve-month accounting period used by the District currently ending on September 30 of each year.

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

"Initial Bond" means the Bond described in Section 9.

"Interest and Sinking Fund" means the interest and sinking fund established by Section 12 of this Order.

"Interest Payment Date" means the date or dates upon which interest on the Bonds is scheduled to be paid until the maturity of the Bonds, such dates being March 1 and September 1 of each year commencing September 1, 2015.

"Net Revenues" and "Net Revenues of the System" mean all of the revenues of every kind and nature received through the operation of the System, less the expenses of operation and maintenance paid thereof, including salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however, that only such repairs and extensions as in the judgment of the Board, reasonably and fairly exercised, are necessary to keep the System in operation and render adequate service to the District and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair the security of the Bond or the Additional Parity Obligations shall be deducted in determining "Net Revenues".

"Bonds" means the District's revenue bond entitled "Trophy Club Municipal Utility District No. 1 Water and Sewer System Revenue Bonds, Series 2015" authorized to be issued by this Order.

"Order" means this Order.

"Outstanding" - When used in this Order with respect to Bonds or Parity Revenue Obligations means, as of the date of determination, all Bonds theretofore issued and delivered, except:

(1) those Bonds or Parity Revenue Obligations cancelled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

(2) those Bonds or Parity Revenue Obligations paid or deemed to be paid in accordance with the provisions of Section 22 hereof, or substantially similar provisions with respect to Parity Revenue Obligations; and

(3) those Bonds or Parity Revenue Obligations that have been mutilated, destroyed, lost, or stolen and replacement Bonds have been registered and delivered in lieu thereof as provided in Section 21 hereof or similar provisions with respect to Parity Revenue Obligations.

"Parity Revenue Obligations" means the Bonds, the Existing Obligations, and Additional Parity Obligations.

"Paying Agent/Registrar" means BOKF, NA dba Bank of Texas, Austin, Texas, any successor thereto or an entity which is appointed as and assumes the duties of paying agent/registrar as provided in this Order.

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

"Record Date" means the fifteenth (15^{th}) day of the month next preceding an Interest Payment Date.

"Reserve Fund" means the fund established in Section 12 of this Order.

"Required Reserve" means the amount required to be deposited and maintained in the Reserve Fund under the provisions of Section 15 of this Order.

"System" means the District's water and sewer system, including all present and future extensions, additions, replacements and improvements thereto.

(b) Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa.

(c) This Order and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Order.

SECTION 11: Pledge-Security for the Bonds.

(a) The Parity Revenue Obligations, including the Bonds, and the interest thereon, and any and all other amounts payable thereunder, are and shall be secured by and payable from a first lien on and pledge of the Net Revenues of the System (with the exception of those in excess of the amounts required to establish and maintain the Interest and Sinking Fund hereinafter provided); and the revenues herein pledged are further pledged to the establishment and maintenance of the Interest and Sinking Fund hereinafter provided.

(b) The Bonds are special obligations of the District secured by and payable from a first lien on and pledge of the Net Revenues of the System, as provided in this Order, and is not a charge on the property of the District or on taxes levied by the District. No part of the obligation evidenced by the Bonds, whether principal, interest or other obligation, shall ever be paid from taxes levied or collected by the District.

(c) Chapter 1208, Texas Government Code applies to the issuance of the Bond and the pledge of the Net Revenues granted by the District under Section 11(a) of this Order, and such pledge, therefore, is valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the revenues granted by the District under Section 11(a) above is to be subject to the filing requirements of Chapter 9, Texas Business and Commerce Code, then in order to preserve to the registered owners of the Bond the perfection of the security interest in said pledge, the District agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business and Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

SECTION 12: Funds. The District hereby creates the following special funds or accounts:

(a) Trophy Club Municipal Utility District No. 1, Water and Sewer System Revenue Bonds, Series 2015, Interest and Sinking Fund (the "Interest and Sinking Fund");

(b) Trophy Club Municipal Utility District No. 1, Water and Sewer System Revenue Bonds, Series 2015, Reserve Fund (the "Reserve Fund");

(c) Trophy Club Municipal Utility District No. 1, Water and Sewer System Revenue Bonds, Series 2015, Construction Fund (the "Construction Fund").

SECTION 13: Revenue Fund. A Revenue Fund has previously been established on the books of the District in connection with the District's Revenue Note, Series 2012. All gross revenues of every nature received from the operation and ownership of the System shall be deposited as collected into the Revenue Fund, and the reasonable, necessary, and proper expenses of operation and maintenance of the System shall be paid from the Revenue Fund. The revenues of the System not actually required to pay said expenses shall be deposited from the Revenue Fund into the Interest and Sinking Fund to the extent provided hereunder and to the interest and sinking funds as provided in the orders or resolutions authorizing the Parity Revenue Obligations. However, until the Parity Revenue Obligations are retired, any surplus Net Revenues of the System not required to be deposited in the funds and accounts established by the orders or resolutions authorizing the Parity Revenue Obligations shall be deposited in the Revenue Fund; provided, however, at such time as the Existing Obligations identified in Section 1 hereof are no longer outstanding, the following provision shall be applicable to such excess Net Revenues:

Any Net Revenues remaining in the Revenue Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other District purpose now or hereafter permitted by law.

SECTION 14: Interest and Sinking Fund. (a) Net Revenues of the System shall be deposited to the credit of the Interest and Sinking Fund at such times and in such amounts as necessary for the timely payment of the principal of and interest on the Bonds.

(b) Money on deposit in the Interest and Sinking Fund shall be used to pay the principal of and interest on the Bonds as such become due and payable.

SECTION 15: Reserve Fund. To accumulate and maintain a reserve for the payment of the Bonds and Additional Parity Obligations (the Required Reserve) equal to the lesser of (i) the Average Annual Debt Service Requirements (calculated on a Fiscal Year basis and determined as of the date of issuance of the Bonds, the most recently issued series of Additional Parity Obligations then Outstanding or, at the option of the District, at the end of each Fiscal Year) for the Bonds and Additional Parity Obligations or (ii) the maximum amount in a reasonably required reserve fund for the Bonds and Additional Parity Obligations, from time to time that can be invested without restriction as to yield pursuant to section 148 of the Code (as defined in Section 24), the District agrees to maintain the Reserve Fund at an official depository of the District. All funds deposited into the Reserve Fund (excluding surplus funds which include earnings and income derived or received from deposits or investments which will be transferred to the Revenue Fund during such period as there is on deposit in the Reserve Fund the Required Reserve) shall be used solely for the payment of the principal of and interest on the Bonds and Additional Parity Obligations, when and to the extent other funds available for such purposes are insufficient, and, in addition, may be used to retire the last stated maturity or interest on the Bonds or Additional Parity Obligations.

Upon issuance of the Bonds, the total amount required to be accumulated and maintained in the Reserve Fund is hereby determined to be $_________ (the "Required Reserve"), which is equal to not less than the Average Annual Debt Service for the Bonds, and on or before the 1st day of the month next following the month the Bonds are delivered to the Purchasers and on or before the 1st day of each following month, the District shall cause to be deposited to the Reserve Fund from the Net Revenues of the System an amount equal to at least one-sixtieth (1/60th) of the Required Reserve. After the Required Reserve has been fully accumulated and while the total amount on deposit in the Reserve Fund is in excess of the Required Reserve, no monthly deposits shall be required to be made to the Reserve Fund.

As and when Additional Parity Obligations are delivered or incurred, the Required Reserve shall be increased, if required, to an amount calculated in the manner provided in the first paragraph of this Section. Any additional amount required to be maintained in the Reserve Fund shall be so accumulated by the deposit of the necessary amount of the proceeds of the issue or other lawfully available funds in the Reserve Fund immediately after the delivery of the then proposed Additional Parity Obligations, or, at the option of the District, by the deposit of monthly installments, made on or before the 1st day of each month following the month of delivery of the then proposed Additional Parity Obligations, of not less than 1/60th of the additional amount to be maintained in the Reserve Fund by reason of the issuance of the Additional Parity Obligations then being issued (or 1/60th of the balance of the additional amount not deposited immediately in cash), thereby ensuring the accumulation of the appropriate Required Reserve.

When and so long as the cash and investments in the Reserve Fund equal the Required Reserve, no deposits need be made to the credit of the Reserve Fund; but, if and when the Reserve Fund at any time contains less than the Required Reserve (other than as the result of the issuance of Additional Parity Obligations as provided in the preceding paragraph), the District covenants and agrees to cure the deficiency in the Required Reserve by resuming monthly deposits to said Fund or account from the Net Revenues, or any other lawfully available funds, such monthly deposits to be in amounts equal to not less than 1/60th of the Required Reserve covenanted by the District to be maintained in the Reserve Fund with any such deficiency payments being made on or before the 1st day of each month until the Required Reserve has been fully restored. The District further covenants and agrees that, subject only to the prior payments to be made to the Interest and Sinking Fund, the Net Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve and to cure any deficiency in such amounts as required by the terms of this Order and any other order or resolution pertaining to the issuance of Additional Parity Obligations.

During such time as the Reserve Fund contains the Required Reserve, the District may, at its option, withdraw all surplus funds in the Reserve Fund in excess of the Required Reserve and deposit such surplus in the System Fund, unless such surplus funds represent proceeds of the Bonds, then such surplus will be transferred to the Interest and Sinking Fund.

The District, at its option and consistent with the provisions of this Section, may, to the extent permitted by then-applicable law, fund the Reserve Fund at the Required Reserve by purchasing an insurance policy that will unconditionally obligate the insurance company or other entity to pay all, or any part thereof, of the Required Reserve in the event funds on deposit in the Interest and Sinking Fund are not sufficient to pay the debt service requirements on the Parity Revenue Obligations. All resolutions or orders adopted after the date hereof authorizing the issuance of Additional Parity Obligations shall contain a provision to this effect.

In the event an insurance policy issued to satisfy all or part of the District's obligation with respect to the Reserve Fund causes the amount then on deposit in the Reserve Fund to exceed the Required Reserve, the District may transfer such excess amount to any fund or account established for the payment of or security for the Parity Revenue Obligations (including any escrow established for the final payment of any such obligations pursuant to Chapter 1207, as amended, Texas Government Code) or use such excess amount for any lawful purpose now or hereafter provided by law.

SECTION 16: Construction Fund.

(a) Money on deposit in the Construction Fund, including investment earnings thereof, shall be used for the Project.

(b) All amounts remaining in the Construction Fund after the accomplishment of the Project, including investment earnings of the Construction Fund, shall be deposited into the Interest and Sinking Fund, unless a change in applicable law permits or authorizes all or any part of such funds to be used for other purposes.

SECTION 17: Security of Funds – Investments.

(a) All moneys on deposit in the funds referred to in this Order shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds, and moneys on deposit in such funds shall be used only for the purposes permitted by this Order.

(b) Investments. (i) Money in the funds established by this Order, at the option of the District, may be invested in such securities or obligations as permitted under applicable law.

(ii) Any securities or obligations in which money is so invested shall be kept and held in trust for the benefit of the Owners and shall be sold and the proceeds of sale shall be timely applied to the making of all payments required to be made from the fund from which the investment was made.

(c) Investment Income. Interest and income derived from investment of any fund created by this Order shall be credited to such fund.

SECTION 18: Additional Parity Obligations. In addition to the right to issue obligations of inferior lien as authorized by the laws of this State, the District reserves the right to issue notes, bonds and other obligations which, when duly authorized and issued in compliance with law and the terms and conditions hereinafter appearing, shall be on a parity with the Parity

Revenue Obligations, payable from and equally and ratably secured by a first lien on and pledge of the Net Revenues of the System; and the Parity Revenue Obligations shall in all respects be of equal dignity. The Additional Parity Obligations may be issued in one or more installments, provided, however, that none shall be issued unless and until the following conditions have been met:

(a) A certificate is executed by the District Manager of the District and the President of the Board to the effect that no default exists in connection with any of the covenants or requirements of the Order or orders or resolutions authorizing the issuance of the Bonds and all then outstanding Parity Revenue Obligations;

(b) A certificate is executed by the District Manager of the District and the President of the Board to the effect that the Interest and Sinking Fund and Reserve Fund contains the amount of money then required to be on deposit therein;

(c) A certificate is executed by a Certified Public Accountant to the effect that, in his opinion, the Net Earnings of the System either for the last complete fiscal year of the District, or for any twelve consecutive calendar month period ending not more than 90 days prior to the passage of the Order authorizing the issuance of such Additional Parity Obligations, were at least 1.20 times the average annual principal and interest requirements for the then outstanding Parity Revenue Obligations and the Additional Parity Obligations then proposed to be issued.

At such time as the Existing Obligations are no longer outstanding, the Accountant, in making a determination of the Net Earnings, may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least sixty (60) days prior to the last day of the period for which Net Earnings are determined and, for purposes of satisfying the above Net Earnings test, make a pro forma determination of the Net Earnings of the System for the period of time covered by his certification or opinion based on such change in rates and charges being in effect for the entire period covered by the Accountant's certificate or opinion.

PROVIDED, that the term "Net Earnings of the System" shall mean all of the Net Revenues of the System, except that in calculating Net Revenues there shall not be deducted as an expense of operation and maintenance any charge or disbursement for repairs or extensions which, under standard accounting practice, should be charged to capital expenditures; and PROVIDED FURTHER, that it shall not be necessary for the District to meet the above requirements to issue Additional Parity Obligations if the District obtains the written consent of all of the holders of all outstanding Parity Revenue Obligations.

SECTION 19: Representations and Covenants as to Payment.

(a) While the Bonds are outstanding and unpaid, there shall be made available to the Paying Agent/Registrar, out of the Interest and Sinking Fund and Reserve Fund, if necessary, money sufficient to pay the interest on and the principal of the Bonds, as applicable, as will accrue or mature on each applicable Interest Payment Date.

(b) The District will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Order and in the Bonds; the District will promptly pay or cause to be paid the principal of, interest on, and premium, if any, with respect to, the Bonds on due dates and at the places and manner prescribed in such Bonds; and the District will, at the times and in the manner prescribed by this Order, deposit or cause to be deposited the amounts of money specified by this Order.

(c) The District is duly authorized under the laws of the State of Texas to issue the Bonds; all action on its part for the creation and issuance of the Bond has been duly and effectively taken; and the Bonds in the hands of the Owners thereof is and will be valid and enforceable obligations of the District in accordance with their terms.

(d) The District will at all times collect for services rendered by the System such amounts as will be at least sufficient to pay all expenses of operation and maintenance, and to provide Net Revenues equal to 1.10 times the amount that is sufficient to pay the scheduled principal of and interest on the Parity Revenue Obligations, plus one times the amount (if any) required to be deposited in any reserve or contingency fund or account created for the payment and security of the Parity Revenue Obligations;

(e) If the System should become legally liable for any other indebtedness, the District shall fix, maintain, charge and collect additional rates and services rendered by the System, sufficient to establish and maintain funds for the payment thereof.

SECTION 20: Default and Remedies.

(a) Events of Default. Each of the following occurrences or events for the purpose of this Order is hereby declared to be an "Event of Default," to-wit:

(i) the failure to make payment of the principal of or interest on the Bonds when the same become due and payable; or

(ii) default in the performance or observance of any other covenant, agreement or obligation of the District, the failure to perform which materially, adversely affects the rights of the Owners, including but not limited to, their prospect or ability to be repaid in accordance with this Order, and the continuation thereof for a period of 60 days after notice of such default is given by any Owner to the District.

(b) Remedies for Default. (i) Upon the happening of any Event of Default, then and in every case any Owner or an authorized representative thereof, including but not limited to, a trustee or trustees therefor, may proceed against the District for the purpose of protecting and enforcing the rights of the Owners under this Order, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Owners hereunder or any combination of such remedies.

(ii) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Owners of the Bonds then outstanding.

(c) Remedies Not Exclusive. (i) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Order, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Order.

(ii) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

SECTION 21: Mutilated, Destroyed, Lost and Stolen Bonds. In case any Bond shall be mutilated, or destroyed, lost or stolen, the Paying Agent/Registrar may execute and deliver a replacement Bond of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Bond; and with respect to a lost, destroyed or stolen Bond a replacement Bond may be issued only upon the approval of the District and after (i) the filing by the Holder with the Paying Agent/Registrar of evidence satisfactory to the Paying Agent/Registrar of the destruction, loss or theft of such Bond, and of the authenticity of the ownership thereof and (ii) the furnishing to the Paying Agent/Registrar of indemnification in an amount satisfactory to hold the District and the Paying Agent/Registrar harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond shall be borne by the Holder of the Bond mutilated, or destroyed, lost or stolen.

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

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

SECTION 22: Satisfaction of Obligation of District. If the District shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Bonds, at the times and in the manner stipulated in this Order, then the pledge of taxes levied under this Order and all covenants, agreements, and other obligations of the District to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

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

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

SECTION 23: Order a Contract - Amendments - Outstanding Bonds. This Order shall constitute a contract with the Holders from time to time, be binding on the District, and shall not be amended or repealed by the District so long as any Bond remains Outstanding except as permitted in this Section and in Section 39 hereof. The District may, without the consent of or notice to any Holders, from time to time and at any time, amend this Order in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the District may, with the written consent of Holders holding a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of this Order; provided that, without the consent of all Holders of Outstanding Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held by Holders for consent to any such amendment, addition, or rescission.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

NORTON ROSE FULBRIGHT

[Closing Date]

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IN REGARD to the authorization and issuance of the "Trophy Club Municipal Utility District No. 1 Water and Sewer System Revenue Bonds, Series 2015," dated February 1, 2015, in the principal amount of $______ (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 EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and 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 and, together with the outstanding and unpaid "Parity Revenue Obligations" (identified and defined in the Order), are payable solely from and equally and ratably secured by a first lien on and pledge of the Net Revenues of the System (as defined in the Order), 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 the general principles of equity.

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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.

APPENDIX D

EXCERPTS FROM THE DISTRICT'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

(Independent Auditor's Report, Management's Discussion and Analysis, General Financial Statements and Notes to the Financial Statements - not intended to be a complete statement of the Issuer's financial condition. Reference is made to the complete Annual Financial Report for further information.)

LaFollett and Abbott PLLC
Certified Public Accountants

Susan LaFollett, CPA – Partner
Rod Abbott, CPA – Partner

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trophy Club Municipal Utility District No. 1, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Trophy Club Municipal Utility District No. 1, as of September 30, 2013, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-10 and 35-36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Trophy Club Municipal Utility District No. 1's basic financial statements. The accompanying individual schedules and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying individual schedules and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying individual schedules and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2014, on our consideration of Trophy Club Municipal Utility District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Trophy Club Municipal Utility District No. 1's internal control over financial reporting and compliance.

LaFollett and Abbott PLLC

Tom Bean, Texas
January 21, 2014

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2013

Trophy Club Municipal Utility District No. 1, Texas (the "District") Management's Discussion and Analysis (MD&A) is a narrative overview and analysis designed to provide the reader a means to identify and understand the financial activity of the District and changes in the District's financial position during the fiscal year ended September 30, 2013.

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

Financial Highlights

At the close of the fiscal year, the assets of the District exceeded its liabilities by $15,127,431. Of this amount, $4,240,735 is unrestricted net position and may be used to meet the District's ongoing commitments.

The District's net position increased by $987,371 as a result of operations.

At the end of the fiscal year, the District's governmental type funds reported a combined fund balance of $4,060,192.

As of September 30, 2013, the unassigned fund balance of the General Fund was $2,996,343, which is equal to 42% of total General Fund expenditures.

Long-term debt activity for the District included a new $445,000 note payable and a $1,905,000 Series 2013 refunding bonds.

Overview of the Financial Statements

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

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

Overview of the Financial Statements – continued

The government-wide financial statements consist of two statements:

1. The Statement of Net Position – (Page 11) this statement presents information on all of the District's assets and liabilities; the difference between the two is reported as net position. Over an extended period, the increase or decrease in net position will serve as a good indicator of whether the financial position of the District is improving or deteriorating.

2. The Statement of Activities – (Page 12) gives information showing how the District's net position has changed during the fiscal year. All revenues and expenses are reported on the full accrual basis.

Fund Financial Statements - Fund financial statements provide detailed information about the most important funds and not about the District as a whole as in the government-wide financial statements.

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

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

The District maintains three governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Debt Service Fund and Capital Projects Fund.

The District adopts annual appropriated budgets for the General Fund and Debt Service Funds. A budgetary comparison statement is provided for each annually budgeted fund to demonstrate compliance with its budget.

Notes to the Basic Financial Statements – The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 17-34.

Overview of the Financial Statements - continued

Government-wide Financial Analysis

The Management's Discussion and Analysis highlights the information provided in both the Statement of Net Position and Statement of Activities in the government-wide financial statements. It may serve over an extended period of time, as a useful indicator of the District's financial position. At the end of the fiscal year, the District's assets exceeded liabilities by $15,127,431. Of this amount $10,886,696 (72%) reflects the District's investment in capital assets (e.g., land, buildings, machinery and equipment, net of accumulated depreciation), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide service to the community; therefore these assets are not available for future spending.

Table 1
Condensed Statements of Net Position

	Governmental Activities 2013	Governmental Activities 2012
Current and other	$ 5,111,997	$ 5,441,743
Capital assets	18,047,016	17,740,507
Total Assets	23,159,013	23,182,250
Long-term liabilities	6,101,472	6,641,531
Other liabilities	1,930,110	2,400,669
Total liabilities	8,031,582	9,042,200
Net Position:		
Invested in capital assets, net of related debt	10,886,696	10,009,038
Restricted	-	130,297
Unrestricted	4,240,735	4,000,715
Total Net Position	$ 15,127,431	$ 14,140,050

Overview of the Financial Statements - continued

District operational analysis – The following table provides a summary analysis of the District's consolidated operations for the fiscal years ended September 30, 2013 and 2012. Governmental activities have increased the District's net position by $987,381, which amounts to a 6.9% increase in net position for the year ended September 30, 2013.

Table 2
Changes in Net Position

	Governmental Activities 2013	Governmental Activities 2012
Revenue:		
Program revenue		
Charges for services	$ 6,070,147	$ 5,981,722
Grants and Contributions	284,684	70,512
General Revenue		
Ad valorem taxes	1,619,051	1,931,167
Unrestricted investment earnings	16,649	7,000
Miscellaneous	114,036	123,024
Total Revenue	8,104,567	8,113,425
Expenses:		
Water & Wastewater operations	3,759,269	3,703,498
General government	2,290,093	1,658,228
Fire	811,552	843,542
Interest charges	256,272	290,151
Total Expenses	7,117,186	6,495,419
Increase in net position	$ 987,381	$ 1,618,006

Financial analysis of the District's funds

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

At the end of the fiscal year, the District's governmental funds reported combined ending fund balances of $4,060,192, of which 74%, or $2,996,343, is unassigned and available to the District for future spending.

General Fund budgetary highlights

Significant amendments to the General Fund 2013 budget involved the addition of $130,304 of administrative department expenditures and a $221,716 decrease in water department expenditures.

Revenue: Revenues were $40,191 (.5%) more than budgeted

- Water and wastewater charges were $113,659 (2.1%) more than budgeted.

Expenses: Expenses were $215,078 (2.9%) less than budgeted

- Water operations expenditures were $377,055 less than budgeted.
- Non-departmental expenditures were $208,394 more than budgeted and mostly attributable to non-budgeted legal expenses.

Debt Service Fund:

- Debt Service Fund reserves decreased $118,538 due to an overall $141,063 unfavorable budget variance. A budgeted $150,000 transfer in was not done since the fund had reserves adequate to meet 2013 debt service requirements.

Capital Asset and Debt Administration

The District's investment in capital assets for its governmental activities as of September 30, 2013 amounted to $18,047,016, net of accumulated depreciation. This represents a broad range of capital assets including, but not limited to land, buildings, improvements, machinery and equipment, vehicles, and water, wastewater treatment, and wastewater collection systems.

Capital assets increased approximately 1.7% during 2013 primarily due to approximately $400,000 of land purchased. The District also received $274,684 of capital contributions. Additional information about capital assets may be found in Note 5 in the notes to financial statements.

Debt administration

Long-Term Debt – at the end of the current fiscal year, the District had $7,160,320 of general obligation bonds, contractual obligation bonds, notes payable, and accrued compensated absences, a decrease of 7.4% from the previous fiscal year. Of this amount, $7,065,539 is backed by the full faith and credit of the government. New debt for the District included a $445,000 note payable and a $1,905,000 Series 2013 refunding bonds that fully defeased outstanding Series 2003 and Series 2005 bond debt.

General debt currently outstanding

Table 3
Outstanding Debt at Year-end

	Governmental Activities 2013	Governmental Activities 2012
General obligation bonds	$ 6,111,557	$ 6,717,270
Contractual obligations	70,000	137,000
Notes payable	883,982	840,973
Compensated absences	94,781	36,226
Total	$ 7,160,320	$ 7,731,469

Economic factors and next year's budgets and rates:

General fund fiscal year 2014 budgetary highlights:

Revenue: The District's 2014 operational revenue is budgeted to increase by $86,597.

- Property tax revenue is budgeted to decrease by $81,785 due to a decrease in the property tax rate.
- Water and wastewater revenue is budgeted to increase by $143,444 due to an increase in the number of utility customers.
- Utility fee revenue is budgeted to increase by $73,809 due to expected new home construction.
- Reserve funds of $16,526 will be allocated to the Debt Service fund.

Expenses: The District's 2014 operational expense is budgeted to increase by $606,330.

- The wholesale water expense will increase by $310,024 due to an increase in the cost of water purchased from wholesaler.

Overall:

The District's 2014 operational budget is anticipated to have expenses of $7,678,887 and revenues of $7,678,887.

Debt Service Fund 2014 budget:

- Debt service revenues are budgeted to decrease from $717,794 in fiscal year 2013 to $624,495 in fiscal year 2014. This is a decrease of $93,299.
- Debt service appropriations will decrease from $836,333 to $624,495 due to the 2013 refinancing of existing bond issues. This is a decrease of $211,838.
- Property tax revenues are budgeted to increase by $186,322 due to a tax rate increase.
- Reserve funds of $16,526 will be allocated to the Debt Service fund in fiscal year 2014.

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

The consolidated District's overall budget for revenue decreased from $8,310,084 in fiscal year 2013 to $8,303,382 in fiscal year 2014, which is a 0.0807% decrease. The overall appropriations increased from $7,908,890 to $8,303,382, which is a 4.99% increase.

Although the O&M tax rate decreased and the debt service tax rate increased, the overall tax rate remained the same for fiscal year 2014 as was assessed in fiscal year 2013.

Requests for information

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

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities				
		Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
Program Activities	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General government	$ 1,530,396	$ 602,776	$ -	$ -	$ (927,620)
Water operations	2,773,409	3,513,485	-	165,339	905,415
Wastewater operations	985,860	1,953,886	-	109,345	1,077,371
Wastewater collection system	385,037	-		-	(385.037)
Non-Departmental	351,784	-	-	-	(351,784)
Directors	22,876	-	-	-	(22,876)
Fire	811,552	-	10,000	-	(801,552)
Interest on long term debt	256,272	-	-	-	(256.272)
Total governmental activities	$ 7,117,186	$ 6,070,147	$ 10,000	$ 274,684	$ (762,355)

General Revenues:	
Ad valorem taxes	1,619,051
Investment income	16,649
Miscellaneous	114,036
Total general revenues	1,749,736
Change in net position	987.381
Net Position - beginning of year	14,140,050
Net Position - end of year	$ 15,127,431

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

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

ASSETS

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 3,606,382	$ 17,879	$ 330,571	$ 3,954,832
Receivables:				
Accounts receivables, net	832,861	-	-	832,861
Taxes	16,274	11,863		28,137
Due from other governments	94,936	-		94,936
Due from other funds	37,580	-	-	37,580
Prepaids	31,664	-	-	31,664
TOTAL ASSETS	$ 4,619,697	$ 29,742	$ 330,571	$ 4,980,011

LIABILITIES AND FUND BALANCES

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

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

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

Total fund balances - governmental funds	$ 4,060,192
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	18,047,016
Costs associated with the issuance of long-term debt are expensed when incurred in governmental funds. These costs are capitalized and amortized over the life of the debt in the government wide financial statements.	169,566
Revenue reported as deferred revenue in the governmental funds balance sheet is recognized as revenue in the government wide statement financial statements.	28,137
Interest payable on long term debt does not require current financial resources; therefore interest payable is not reported as a liability in the governmental funds balance sheet.	(17,160)
Accrued compensated absences does not require the use of current financial resources; therefore accrued vacation is not reported as a liability in the governmental funds balance sheet.	(94,781)
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	(7,065,539)
Net position of governmental activities	$ 15,127,431

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

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

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental 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				
Principal	468,991	605,000	-	1,073,991
Interest and fiscal charges	31,066	229,033	-	260,098
Bond Administrative Fees	-	2,300	-	2,300
Total Expenditures:	7,072,557	836,333	200,008	8,108,897
Excess (deficiency) of revenues 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.		3,826
Change in net position of governmental activities	$	987,381

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

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

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

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

B. Financial Reporting Entity

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

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

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

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:

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

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

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

Statement of Net Position	
Primary Government:	
Cash and cash equivalents	$ 3,954,832
Total cash and investments	$ 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:

Investment Type		Amount	Weighted Average Maturity
TexPool	$	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

Investment Type	Amount	Minimum Legal Rating	Rating as of Year 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:

	Beginning 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	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:

Description	Interest Rate Payable	Year of Issue	Final Maturity	Average Annual Payment	Original Amount	Outstanding 9/30/2013
Tax and revenue bonds:						
Operations	4.00-5.00%	2003	2023	$ 89,793	$ 1,200,000	$ -
Refunding	3.00-4.20%	2005	2023	195,676	3,143,998	-
Improvements	3.50-5.00%	2010	2031	148.205	2,000,000	1,870,000
Refunding	2.00-3.00%	2012	2023	251,373	2,355,000	2,170,000
Refunding	2.00-3.50%	2013	2023	224,734	1,905,000	1,905,000
						$ 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
						$ 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 Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Tax, revenue, and refunding bonds	$ 6,555,000	$ 1,905,000	$ (2,515,000)	$ 5,945,000	$ 425,000
Contractual obligations	137,000	-	(67,000)	70,000	70,000
Deferred loss on refunding	(47,079)	(8,666)	47,079	(8,666)	(867)
Premium on bonding	209,349	63,057	(97,183)	175,223	18,724
	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

Year Ending September 30,	Principal	Interest	Total
2014	$ 70,000	$ 3,031	$ 73,031
Total	$ 70,000	$ 3,031	$ 73,031

Notes payable:

Year Ending September 30,	Principal	Interest	Total
2014	$ 545,991	$ 23,536	$ 569,527
2015	185,991	5,623	191,614
2016	152,000	1,406	153,406
Total	$ 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		$ 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.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted amounts			
	Original	**Final**	**Actual**	**Variance with Final 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	-
Transfers out	(308,000)	(308,000)	(615,333)	(307,333)
Total other financing sources (uses)	(308,000)	(269,899)	(577,232)	(307,333)
Net change in fund balance	(103,239)	(5,434)	(57,498)	(52,064)
Fund Balances - beginning of year	3,854,711	3,854,711	3,854,711	-
Fund Balances - end of year	$ 3,751,472	$ 3,849,277	$ 3,797,213	$ (52,064)

Notes to Required Supplementary Information:

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

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

	Budgeted Amounts			
	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.

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

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

1. Services provided by the District:

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

2. Retail service providers:

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

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

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

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

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

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

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

District employs winter averaging for wastewater usage? No

TCMUD006113

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

Total water and wastewater charges per 10.000 gallons usage (including surcharges) effective August 27. 2013

First 10.000 gallons used	$	77.62
Next 10.000 gallons used		36.25
Next 10.000 gallons used		33.50
Next 10.000 gallons used		34.00
Next 10.000 gallons used		34.00
Next 10.000 gallons used and subsequent		35 00

Maximum residential wastewater charge is for 12.000 gallons or $42.71

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

Meter Size	Connections Total	Connections Active	ESFC Factor	Active 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? No

For the most recent fiscal year, FY2013:

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

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

5. Location of District:

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

Is the District located entirely in one county? No

Is the District located within a city? Partially

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

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

ETJ's in which District is located: Unknown

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

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

		Current Year 2013	Prior Year 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	1.581.619
Total to be accounted for	101.346	1.307.433	1.408.779	211.000	1.619.779
Less collections and adjustments:					
Current year	(98.370)	(1.284.845)	(1.383.215)	(193.955)	(1.577.169)
Prior years	(1.085)	(8.203)	(9.288)	(5.182)	(14.470)
Total to be accounted for	(99.455)	(1.293.048)	(1.392.503)	(199.137)	(1.591.639)
Taxes receivable. end of year	$ 1.891	$ 14.385	$ 16.276	$ 11.863	$ 28.139
Taxes receivable by year					
1996 and prior	$ 19	$ 108	$ 127	$ 454	$ 581
1997	7	41	48	150	198
1998	7	44	51	140	191
1999	7	48	55	108	163
2000	7	34	41	122	163
2001	7	36	43	120	163
2002	208	1.848	2.056	4.102	6.158
2003	70	126	196	132	328
2004	17	145	162	210	372
2005	59	199	258	283	541
2006	88	409	497	632	1.129
2007	52	508	560	621	1.181
2008	123	963	1.086	781	1.867
2009	315	1.267	1.582	797	2.379
2010	189	2.345	2.534	1.652	4.186
2011	231	2.551	2.782	1.305	4.087
2012	485	3.713	4.198	254	4.452
	$ 1.891	$ 14.385	$ 16.276	$ 11.863	$ 28.139

Property valuations (in 000's)	F/Y 12/13	F/Y 11/12	F/Y 10/11	F/Y 09/10	F/Y 08/09
Land	$ 324.474	$ 282.115	$ 247.335	$ 209.177	$ 186.574
Improvements	$ 910.964	707.431	713.265	786.539	737.273
Personal property	83.539	55.618	73.914	80.332	71.091
Exemptions	(56.728)	(42.735)	(41.345)	(40.057)	(34.027)
	$ 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		
Due During Fiscal Years Ending	Principal Due 1-Sep	Interest Due Mar 1/ Sep 1	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	505,000	128,534	633,534
2020	510,000	114,083	624,083
2021	530,000	98,333	628,333
2022	550,000	81,958	631,958
2023	570,000	63,458	633,458
2024	110,000	43,183	153,183
2025	115,000	37,683	152,683
2026	115,000	33,083	148,083
2027	125,000	28,368	153,368
2028	130,000	23,243	153,243
2029	135,000	17,783	152,783
2030	140,000	12,113	152,113
2031	145,000	6,163	151,163
	$ 5,945,000	$ 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 Years Ending	Principal Due 1-Sep	Interest Due 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 Years Ending	Principal Due 1-Sep	Interest Due 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	$ 349,352	$ 2,519,352

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

Due During Fiscal Years Ending	Principal Due 1-Sep	Interest Due 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 Tax	Series 2005 Combination Tax	Series 2010 GO Bonds	Series 2012 GO Bonds	Series 2013 GO Bonds	Totals
Interest rate	3.10-4.25%	2.97-4 20%	3.50-5.00%	2.00-3.00%	2.00-3 50%	
Date interest payable	3/1 & 9/1	3/1 & 9/1	3/1 & 9/1	3/1 & 9/1	3/1 & 9/1	
Maturity date	9/1/2023	9/1/2023	9/1/2031	9/1/2023	9/1/2023	
Bonds outstanding at beginnmg 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 prıncipal	$ (785,000)	$ (1,480,000)	$ (65,000)	$ (185,000)	$ -	$ (2,515,000)
Bonds outstanding at end of fiscal year	$ -	$ -	$ 1,870,000	$ 2,170,000	$ 1,905,000	$ 5,945,000
Retirements of interest	$ 31,290	$ 58,535	$ 78,458	$ 60,750	$ -	$ 229,033

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

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

The general obligation bonds were authorized on October 7, 1975

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

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

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

	Amounts					Percent of total revenue				
REVENUE	2013	2012	2011	2010	2009	2013	2012	2011	2010	2009
Ad valorem property taxes	$ 1,426,185	$ 1,374,808	$ 1,311,296	$ 1,491,564	$ 1,283,705	18.7%	16 1%	18.6%	26 2%	21.1%
Water and wastewater charges	5,467,371	5,210,788	5,323,244	3,919,084	3,721,868	71.7%	60.9%	75 5%	68.8%	61.3%
Utility Fees	508,300	647,080	165,600	80,500	515,200	6.7%	7.6%	2.3%	1 4%	8.5%
Inspection and tap fees	9,600	10,250	8,560	5,775	4,975	0.1%	0.1%	0 1%	0.1%	0.1%
Interest earned	4,641	5,706	5,534	6,171	20,755	0.1%	0 1%	0.1%	0.1%	0.3%
Capital lease proceeds/Contractual Obligations	-	1,100,000	-	-	330,000	0.0%	12.8%	0 0%	0.0%	5.4%
Miscellaneous and other	214,294	213,277	240,831	191,498	199,780	2.8%	2 5%	3.4%	3.4%	3 3%
Total revenue	$ 7,630,391	$ 8,561,909	7,055,065	5,694,592	6,076,283	100 0%	100 0%	100.0%	100.0%	100.0%
EXPENDITURES										
Administrative and Other	$ 1,476,467	$ 1,097,547	$ 1,042,073	$ 993,986	$ 1,297,613	19.3%	12.8%	14.8%	17.5%	21.4%
Water operations	2,623,822	2,503,331	2,271,490	1,882,511	1,811,385	34.4%	29.2%	32.2%	33.1%	29.8%
Wastewater operations	896,538	614,102	598,465	711,382	999,388	11.7%	7.2%	8.5%	12.5%	16.4%
Wastewater collection system	322,017	260,895	277,775	308,798	294,869	4.2%	3.0%	3.9%	5 4%	4.9%
Information systems	-	173,386	123,605	182,658	175,698	0.0%	2.0%	1.8%	3.2%	2.9%
Contribution to Trophy Club Fire Dept	790,779	822,307	770,123	876,521	783,736	10.4%	9.6%	10.9%	15.4%	12.9%
Capital outlay	462,876	1,562,809	515,884	-	-	6.1%	18 3%	7.3%	0.0%	0.0%
Transfers Out and Debt Service	1,115,390	1,011,260	1,130,123	558,000	383,009	14.6%	11.8%	16.0%	9.8%	6.3%
Total expenditures	$ 7,687,889	$ 8,045,637	6,729,538	5,513,856	5,745,698	100.8%	94.0%	95.4%	96 8%	94.6%
Excess (deficiency) of revenues over (under) expenditures	$ (57,498)	$ 516,272	$ 325,527	$ 180,736	$ 330,585	-0.8%	6.0%	4.6%	3 2%	5.4%
Total active retail water and/or wastewater connections	3096	3,887	3,554	3,361	3,161					

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

	Amounts					Percentage				
REVENUE	2013	2012	2011	2010	2009	2013	2012	2011	2010	2009
Ad valorem property taxes	201,207	547,587	771,631	740,420	$ 1,100,115	28.0%	62.9%	57.9%	52.9%	73.4%
Penalties and interest	1,688	3,226	6,018	-	11,885	0.2%	0.4%	0.5%	0.0%	0.8%
Intergovernmental	503,000	308,000	554,100	653,000	383,009	70.1%	35.4%	41.6%	46.7%	25.5%
Interest earned	11,900	5,956	985	4,848	4,105	1.7%	0.7%	0.1%	0.3%	0.3%
Miscellaneous and other	-	6,120	-	1,000	-	0.0%	0.7%	0.0%	0.1%	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%
EXPENDITURES										
Principal retirement	605,000	565,000	1,115,000	1,055,000	1,025,000	84.3%	64.9%	83.7%	75.4%	68.4%
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%	2.3%	8.1%

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Financial Advisory Services
Provided By:

SOUTHWEST
SECURITIES
A Hilltop Holdings Company

INVESTMENT BANKERS

NEW ISSUE - BOOK-ENTRY-ONLY

Ratings: S&P: "AA-"
(See "RATING" herein)

OFFICIAL STATEMENT
Dated January 20, 2015

In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date hereof, subject to the matters described under "TAX MATTERS" herein including the alternative minimum tax on corporations.

The District has designated the Bonds as "Qualified Tax-Exempt Obligations"
See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions" herein.

$9,230,000
TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
(A Political Subdivision of the State of Texas Located in Denton and Tarrant Counties)
WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2015

Dated Date: February 1, 2015 **Due: September 1, as shown on Page ii**

The Trophy Club Municipal Utility District No. 1 (the "District" or "Issuer") $9,230,000 Water and Sewer System Revenue Bonds, Series 2015 (the "Bonds") are being issued pursuant to the terms and provisions of an order (the "Order") of the Board of Directors of the District (the "Board") and in accordance with the Constitution and general laws of the State of Texas (the "State"), including particularly Article XVI, Section 59 of the Texas Constitution and Texas Water Code, Chapters 49 and 54, as amended, and an approving order of the Texas Commission on Environmental Quality issued on February 6, 2014. (See "THE BONDS - Authority for Issuance" herein.)

The Bonds, when issued, will constitute special obligations of the District, payable, both as to principal and interest, solely from and secured by a first lien on and pledge of the Net Revenues of the District's water and sewer system (the "System"). The Net Revenues consist of the gross revenues of the System, less maintenance and operation expenses of the System. Depreciation and payments into and out of funds for the Bonds and Additional Parity Obligations shall never be considered expenses of maintenance and operation. Additionally, the District has established a reserve fund (the "Reserve Fund") pledged to the payment of the Bonds and any Additional Parity Obligations and is required to maintain an amount in the Reserve Fund equal to average annual debt service requirements on the Bonds Similarly Secured (see "SELECTED PROVISIONS OF THE ORDER"). **The Bonds do not constitute a general obligation of the District, and the holders of the Bonds shall not have the right to demand payment thereof from any funds raised or to be raised by taxation. None of the State of Texas, Denton or Tarrant Counties, Texas nor any political subdivision or municipality, other than the District shall be obligated to pay the principal of or interest on the Bonds.** (See "THE BONDS – Security for Payment" herein.) THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. (See "INVESTMENT CONSIDERATIONS" herein.) Bond purchasers are encouraged to read this entire Official Statement prior to making an investment decision.

Interest on the Bonds will accrue from February 1, 2015 (the "Dated Date") and is payable September 1, 2015, and each March 1 and September 1 thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of $5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as Cede & Co., as the paying agent to DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the Beneficial Owners of the Bonds. The initial paying agent/registrar for the Bonds shall be BOKF, NA dba Bank of Texas, Austin, Texas (the "Paying Agent").

Proceeds from the sale of the Bonds are being used for (i) acquiring, constructing and equipping improvements to the District's wastewater treatment facilities and (ii) pay the costs related to the issuance of the Bonds. (See "THE BONDS – Use of Bond Proceeds" herein.)

The District reserves the right to redeem, prior to maturity, in integral multiples of $5,000, those Bonds maturing on and after September 1, 2025, in whole or from time to time in part, on March 1, 2025, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. (See "THE BONDS – Optional Redemption" herein.)

After requesting competitive bids for purchase of the Bonds, the District has accepted the lowest bid to purchase the Bonds, bearing interest rates as shown on page ii herein, at a price of 100% of par plus a cash premium of $4,615.00 plus accrued interest to the date of delivery, resulting in a net interest cost rate to the District of 2.75%.

STATED MATURITY SCHEDULE
(See Page ii)

The Bonds are offered for delivery, when, as and if issued and received by the initial purchaser (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Fulbright & Jaworski LLP, Dallas, Texas, a member of Norton Rose Fulbright, Bond Counsel. Delivery of the Bonds through DTC in Dallas, Texas is expected on or about February 17, 2015.

STATED MATURITY SCHEDULE
(Due September 1)
Base CUSIP – 897061 [(a)]

Stated Maturity	Principal Amount	Rate (%)	Yield (%)	CUSIP Suffix[(a)]
2016	$210,000	2.000	0.500	AA 5
2017	365,000	2.000	0.750	AB 3
2018	375,000	2.000	1.000	AC 1
2019	380,000	2.000	1.150	AD 9
2020	390,000	2.000	1.350	AE 7
2021	400,000	2.000	1.500	AF 4
2022	410,000	2.000	1.700	AG 2
2023	420,000	2.000	1.800	AH 0
2024	435,000	2.000	1.900	AJ 6
2025	450,000	2.250	2.050 [(b)]	AK 3
2026	460,000	2.500	2.375 [(b)]	AL 1
2027	475,000	2.500	2.450 [(b)]	AM 9
2028	490,000	2.750	2.550 [(b)]	AN 7
2029	510,000	2.750	2.650 [(b)]	AP 2
2030	525,000	3.000	2.800 [(b)]	AQ 0
2031	545,000	3.000	2.900 [(b)]	AR 8
2032	565,000	3.000	3.000	AS 6
2033	585,000	3.000	3.150	AT 4
2034	610,000	3.125	3.250	AU 1
2035	630,000	3.250	3.350	AV 9

The District reserves the right to redeem, prior to maturity, in integral multiples of $5,000, those Bonds maturing on and after September 1, 2025, in whole or from time to time in part, on March 1, 2025, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. (See "THE BONDS – Optional Redemption" herein.)

(a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the District nor the Financial Advisor is responsible for the selection or the correctness of the CUSIP numbers set forth herein.

(b) Yield calculated to first call date, March 1, 2025.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1

BOARD OF DIRECTORS

Name	Position	Two-Year Term Expires May	Occupation
James Moss	President	2016	Retired
Jim Hase	Vice President	2018	Retired
Kevin Carr	Secretary / Treasurer	2018	Self-Employed
James C. Thomas	Director	2016	Retired
Neil Twomey	Director	2018	Retired

DISTRICT PERSONNEL AND ADVISORS

General Manager	Jennifer McKnight Trophy Club, Texas
Finance Manager	Renae Gonzales Trophy Club, Texas
Administration Manager	Terri Sisk Trophy Club, Texas
Attorneys for the District	Bob West Whitaker Chalk Swindle & Schwartz, PLLC Fort Worth, Texas
	Pamela Harrell Liston The Liston Law Firm, P.C. Rowlett, Texas
Financial Advisor	Southwest Securities, Inc. Dallas, Texas
Bond Counsel	Fulbright & Jaworski LLP Dallas, Texas
Independent Auditors	Lafollett and Abbott PLLC Tom Bean, Texas
Tax Assessor - Collector	Denton County, Texas Tarrant County, Texas
Chief Appraiser	Denton County, Texas Tarrant County, Texas

For Additional Information Please Contact:

Ms. Jennifer McKnight
General Manager
Trophy Club Municipal Utility District
100 Municipal Drive
Trophy Club, Texas 76262
(682) 831-4610

Mr. Dan A. Almon
Senior Vice President
Southwest Securities, Inc.
1201 Elm Street, Suite 3500
Dallas, Texas 75270
(214) 859-9452

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

USE OF INFORMATION IN THE OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District.

This Official Statement does not alone constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, resolutions, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Financial Advisor, upon the payment of reasonable duplication costs.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this "Official Statement" nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or the other matters described herein since the date hereof. However, the District has agreed to keep this "Official Statement" current by amendment or sticker to reflect material changes in the affairs of the District, and to the extent that information actually comes to its attention, other matters described in the "Official Statement" until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "OFFICIAL STATEMENT -Updating the Official Statement During Underwriting Period" and "CONTINUING DISCLOSURE OF INFORMATION."

NEITHER THE DISTRICT NOR THE FINANCIAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION WAS PROVIDED BY DTC.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE, AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE, AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by Raymond James and Associates, Inc. (the "Purchaser") bearing the interest rates shown on page ii hereof, at a price of 100% of the par value thereof plus a premium of $4,615.00, plus accrued interest to the date of delivery which resulted in a net interest cost of 2.75% as calculated pursuant to Texas Government Code Chapter 1204, as amended. The initial reoffering yields were supplied to the District by the Purchasers. The initial reoffering yields shown on the cover page will produce compensation to the Initial Purchasers of approximately $93,562.90.

Issue Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over - allot or effect transactions which stabilize or maintain the market prices or the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds involve certain investment considerations and all prospective purchasers are urged to examine carefully the Official Statement, including particularly the section captioned "INVESTMENT CONSIDERATIONS", with respect to the investment security of the Bonds.

SELECTED DATA FROM THE OFFICIAL STATEMENT

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer

The Trophy Club Municipal Utility District No. 1 (the "District" or "Issuer") is a political subdivision of the State of Texas located in Denton and Tarrant Counties, Texas. The District was created as a municipal utility district pursuant to Chapters 49 and 54 of the Texas Water Code and is a conservation and reclamation district in accordance with Article XVI, Section 59 of the Texas Constitution. The District has also adopted a fire protection plan under Section 50.055 of the Texas Water Code, now codified as Subchapter L of Chapter 49 of the Texas Water Code, pursuant to the Order of the Texas Water Commission of August 22, 1983. In July of 2009, documentation was submitted to the Texas Commission on Environmental Quality ("TCEQ") regarding the consolidation of Trophy Club Municipal Utility District Nos. 1 and 2 as of a May 9, 2009 election. (See "THE DISTRICT" herein.)

The Bonds

The Bonds are being issued pursuant to the terms and provisions of an order (the "Order") of the Board of Directors of the District (the "Board") and in accordance with the Constitution and general laws of the State of Texas (the "State"), including particularly Article XVI, Section 59 of the Texas Constitution and Texas Water Code, Chapters 49 and 54, as amended, and an approving order of the Texas Commission on Environmental Quality issued on February 6, 2014. (See "THE BONDS - Authority for Issuance" herein.)

Security for Payment

The Bonds, when issued, will constitute special obligations of the District, payable, both as to principal and interest, solely from and secured by a first lien on and pledge of the Net Revenues of the District's water and sewer system (the "System"). The Net Revenues consist of the gross revenues of the System, less maintenance and operation expenses of the System. Depreciation and payments into and out of funds for the Bonds and Additional Parity Obligations shall never be considered expenses of maintenance and operation. Additionally, the District has established a reserve fund (the "Reserve Fund") pledged to the payment of the Bonds and Additional Parity Obligations and is required to maintain an amount in the Reserve Fund equal to average annual debt service requirements on the Bonds Similarly Secured (see "SELECTED PROVISIONS OF THE ORDER"). **The Bonds do not constitute a general obligation of the District, and the holders of the Bonds shall not have the right to demand payment thereof from any funds raised or to be raised by taxation. None of the State of Texas, Denton or Tarrant Counties, Texas nor any political subdivision or municipality, other than the District shall be obligated to pay the principal of or interest on the Bonds.** (See "THE BONDS –Security for Payment" herein.)

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Bonds is BOKF, NA dba Bank of Texas, Austin, Texas.

Description

The Bonds in the aggregate principal amount of $9,230,000 mature on September 1 of each year in the amounts as set forth on page ii of this Official Statement. Interest accrues from February 1, 2015 (the "Dated Date") at the rates per annum set forth page ii hereof and is payable September 1, 2015 and each March 1 and September 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of $5,000 for any one maturity. (See "THE BONDS - General Description" herein.)

Optional Redemption

Bonds maturing on and after September 1, 2025 are subject to redemption in whole or from time to time in part at the option of the District on March 1, 2025, and on any date thereafter, at par plus accrued interest from the most recent interest payment date to the date of redemption. (See "THE BONDS - Optional Redemption" herein.)

Tax Matters

In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing law subject to matters discussed herein under "TAX MATTERS" including the alternative minimum tax on corporations. (See "TAX MATTERS" and Appendix C - "Form of Legal Opinion of Bond Counsel" herein.)

Use of Proceeds

Proceeds from the sale of the Bonds will be used to (i) make improvements to the District's wastewater treatment facilities and (ii) pay the costs related to the issuance of the Bonds. (See "THE BONDS – Use of Bond Proceeds" herein.)

Ratings	Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") has assigned a rating of "AA-" to the Bonds. An explanation of the significance of a rating may be obtained from S&P. (See "RATINGS" herein.)
Qualified Tax Exempt Obligations	The Issuer has designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions" herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York relating to the method and timing of payment and the method and transfer relating to the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Future Bond Issues	Currently the District has no plans to issue additional debt within the next twelve months.
Payment Record	The Issuer has never defaulted in the timely payment of principal of or interest on its revenue indebtedness.
Delivery	When issued, anticipated on or about February 17, 2015.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Fulbright & Jaworski LLP, Bond Counsel, Dallas, Texas, a member of Norton Rose Fulbright.

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OFFICIAL STATEMENT
relating to

$9,230,000
TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
(A Political Subdivision of the State of Texas Located in Denton and Tarrant Counties, Texas)

WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2015

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by the Trophy Club Municipal Utility District No. 1 (the "District" or "Issuer") of its $9,230,000 Water and Sewer System Revenue Bonds, Series 2015 (the "Bonds").

The Bonds are being issued pursuant to the terms and provisions of an order (the "Order") of the Board of Directors of the District (the "Board") and in accordance with the Constitution and general laws of the State of Texas (the "State"), including particularly Article XVI, Section 59 of the Texas Constitution and Texas Water Code, Chapters 49 and 54, as amended, and an approving order of the Texas Commission on Environmental Quality issued on February 6, 2014, and will constitute special obligations of the District, payable, both as to principal and interest, solely from and secured by a first lien on and pledge of the Net Revenues of the District's water and sewer system (the "System").

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Order.

Included in this Official Statement are descriptions of the Bonds, the Order, and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District or Financial Advisor.

THE BONDS

General

The Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for payment of the principal of and interest on the Bonds by the District. Set forth below is a description of the Bonds and a summary of certain provisions of the Order. Capitalized terms in such summary are used as defined in the Order. Such summary is not a complete description of the entire Order and is qualified by reference to the Order, copies of which are available from the District or the Financial Advisor. (See "APPENDIX B - SELECTED PROVISIONS OF THE ORDER" herein.)

Description of the Bonds

The $9,230,000 Trophy Club Municipal Utility District No. 1 Water and Sewer System Revenue Bonds, Series 2015 will bear interest from February 1, 2015 (the "Dated Date") and will mature on September 1 of the years and in the principal amounts set forth on page ii hereof.

Interest on the Bonds is payable September 1, 2015, and each March 1 and September 1 thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of $5,000 or any integral multiple thereof. The initial paying agent for the Bonds shall be BOKF, NA dba Bank of Texas, Austin, Texas ("Paying Agent"). The principal of and interest on the Bonds shall be payable without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debt due the United States of America.

If the specified date for any payment of principal (or Redemption Price) of or interest on the Bonds is a Saturday, Sunday, or legal holiday or equivalent for banking institutions generally in the city in which Designated Payment / Transfer Office of the Paying Agent is located, such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

Initially, the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners.** Principal of and interest on the Bonds will be payable by the Paying Agent to Cede & Co., which will distribute the amounts paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. (See "BOOK–ENTRY-ONLY SYSTEM" HEREIN.)

Use of Bond Proceeds

Proceeds from the sale of the Bonds are being used to (i) make improvements to the District's wastewater treatment facilities and (ii) pay the costs related to the issuance of the Bonds.

Authority for Issuance

The Bonds are issued pursuant to the terms and provisions of an order (the "Order") of the Board of Directors of the District (the "Board") and in accordance with the Constitution and general laws of the State of Texas (the "State"), including particularly Article XVI, Section 59 of the Texas Constitution and Texas Water Code, Chapters 49 and 54, as amended, and an approving order of the Texas Commission on Environmental Quality issued on February 6, 2014.

Texas Commission on Environmental Quality Approval

On February 6, 2014, the Texas Commission on Environmental Quality ("TCEQ") issued a Commission Order ("TCEQ Order") approving the project and the issuance of the Bonds. The approval order included the following information:

> "....Pursuant to TEX. WATER CODE Section 49.181, the engineering project for Trophy Club Municipal Utility District No. 1 of Denton and Tarrant Counties is hereby approved together with the issuance of $14,995,000 ($9,230,000 in water and sewer system revenue bonds and $5,765,000 in unlimited tax bonds) in bonds at a maximum net effective interest rate of 6.23%.... The District is directed not to expend $12,991,567 ($11,297,015 for construction plus $1,694,552 in contingencies) of the bond issue proceeds approved herein for the wastewater treatment plant improvements pending District Board's receipt of plans and specifications approved by all entities with jurisdiction, as necessary.... The approval of the sale of these bonds herein shall be valid for one year from the date of this Order unless extended by written authorization of the Commission staff."

The TCEQ further ordered, to enable the TCEQ to carry out the responsibilities imposed by Texas Water Code Sections 49.181-182, that the District shall: (1) furnish the TCEQ copies of all bond issue project construction documentation outlined under Title 30 of the Texas Administrative Code, Section 293.62, including detailed progress reports and as-built plans required by Texas Water code Section 49.277(b), which have not already been submitted; (2) notify the Utilities and Districts Section of the TCEQ and obtain approval of the TCEQ for any substantial alterations in the engineering project approved herein before making such alterations; and (3) ensure, as required by Texas Water Code Section 49.277(b), that all construction financed with the proceeds from the sale of bonds is completed by the construction contractor according to the plans and specifications contracted.

Payment Record

The District has never defaulted on the timely payment of principal of and interest on its revenue indebtedness.

Redemption Provisions

Optional Redemption: The Bonds maturing on or after September 1, 2025, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on March 1, 2025, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

Notice of Redemption: Not less than thirty (30) days prior to a redemption date for the Bonds, the District shall cause a notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owners of each Bond or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing of such notice. With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the Issuer, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the Issuer will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Bonds have not been redeemed. ANY NOTICE OF REDEMPTION SO MAILED TO THE REGISTERED OWNERS WILL BE DEEMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY ANY HOLDER OF THE BONDS, AND, SUBJECT TO PROVISION FOR PAYMENT OF THE REDEMPTION PRICE HAVING BEEN MADE, AND ANY PRECONDITIONS STATED IN THE NOTICE OF REDEMPTION HAVING BEEN SATISFIED INTEREST ON THE REDEEMED BONDS SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A BOND HAS NOT BEEN PRESENTED FOR PAYMENT. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Bonds or portion thereof which are to be redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bonds or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Issuer will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Order and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Termination of Book-Entry-Only System

The District is initially utilizing the book-entry-only system of the DTC. (See "BOOK-ENTRY-ONLY SYSTEM" herein.) In the event that the Book-Entry-Only System is discontinued by DTC or the District, the following provisions will be applicable to the Bonds.

Payment: Principal of the Bonds will be payable at maturity or redemption to the registered owners as shown by the registration books maintained by the Paying Agent upon presentation and surrender of the Bonds to the Paying Agent at the designated office for payment of the Paying Agent/Registrar in St. Paul, Minnesota (the "Designated Payment/Transfer Office"). Interest on the Bonds will be payable by check or draft, dated as of the applicable interest payment date, sent by the Paying Agent by United States mail, first class, postage prepaid, to the registered owners at their respective addresses shown on such records, or by such other method acceptable to the Paying Agent requested by registered owner at the risk and expense of the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent is located are required or authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or day on which banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the original date payment was due. Initially, the only registered owner of the Bonds will be CEDE & CO. as nominee of DTC. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Registration: The Bonds may be transferred and re-registered on the registration books of the Paying Agent only upon presentation and surrender thereof to the Paying Agent/Registrar at the Designated Payment/Transfer Office. A Bond also may be exchanged for a Bond or Bonds of like maturity and interest and having a like aggregate principal amount, upon presentation and surrender at the Designated Payment/Transfer Office. All Bonds surrendered for transfer or exchange must be endorsed for assignment by the execution by the registered owner or his duly authorized agent of an assignment form on the Bonds or other instruction of transfer acceptable to the Paying Agent. Transfer and exchange of Bonds will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such transfer or exchange. A new Bond or Bonds, in lieu of the Bond being transferred or exchanged, will be delivered by the Paying Agent/Registrar to the registered owner, at the Designated Payment/Transfer Office of the Paying Agent/Registrar or by United States mail, first-class, postage prepaid. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the denominations of $5,000 or any integral multiple thereof. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be initially utilized in regard to ownership and transferability of the Bonds.)

Limitations on Transfer of Bonds: Neither the District nor the Paying Agent shall be required to make any transfer, conversion or exchange to an assignee of the registered owner of the Bonds with respect to any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Replacement Bonds: If a Bond is mutilated, the Paying Agent will provide a replacement Bond in exchange for the mutilated bond. If a Bond is destroyed, lost or stolen, the Paying Agent will provide a replacement Bond upon (i) the filing by the registered owner with the Paying Agent of evidence satisfactory to the Paying Agent of the destruction, loss or theft of the Bond and the authenticity of he registered owner's ownership and (ii) the furnishing to the Paying Agent of indemnification in an amount satisfactory to hold the District and the Paying Agent harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond must be borne by the registered owner. The provisions of the Order relating to the replacement Bonds are exclusive and the extent lawful, preclude all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

Defeasance of Outstanding Bonds

The Order provides for the defeasance of the Bonds when payment of the principal of and premium, if any, on Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or an authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The

Order provides that "Government Securities" means (1) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (2) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (3) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (4) any other then authorized securities or obligations under applicable Texas state law that may be used to defease obligations such as the Bonds. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that any particular rating for U.S. Treasury securities used as Government Securities or the rating for any other Government Security will be maintained at any particular rating category. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the District to initiate proceedings to take any action amending the terms of the Bonds are extinguished.

Paying Agent/Registrar

Principal of and semiannual interest on the Bonds will be paid by BOKF, NA dba Bank of Texas, Austin, Texas, the initial Paying Agent/Registrar (the "Paying Agent"). The Paying Agent must be a bank, trust company, financial institution or other entity duly qualified and equally authorized to serve and perform the duties as paying agent and registrar for the Bonds.

Provision is made in the Order for the District to replace the Paying Agent by a Order of the District giving notice to the Paying Agent of the termination of the appointment, stating the effective date of the termination and appointing a successor Paying Agent. If the Paying Agent is replaced by the District, the new Paying Agent shall be required to accept the previous Paying Agent's records and act in the same capacity as the previous Paying Agent. Any successor paying agent/registrar selected by the District shall be subject to the same qualification requirements as the Paying Agent. The successor paying agent/registrar, if any, shall be determined by the Board of Directors and written notice thereof, specifying the name and address of such successor paying agent/registrar will be sent by the District or the successor paying agent/registrar to each Registered Owner by first-class mail, postage prepaid.

Record Date

The record date for payment of the interest on Bonds on any regularly scheduled interest payment date is defined as the fifteenth day of the month preceding such interest payment date.

Tax Covenants

In the Order the District has covenanted with respect to, among other matters, the use of the proceeds of the Bonds and the property financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States of arbitrage profits from the investment of proceeds, and the reporting of certain information to the United States Treasury. The District may cease to comply with any such covenant if it has received a written opinion of a nationally recognized bond counsel to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources of Funds	
Par Amount of Bonds	$ 9,230,000.00
Accrued Interest on the Bonds	10,437.22
Net Original Issue Premium	98,177.90
Total Sources of Funds	**$ 9,338,615.12**
Uses of Funds	
Deposit to the Construction Fund	$ 9,015,000.00
Costs of Issuance	215,000.00
Accrued Interest Deposit to Interest & Sinking Fund	15,052.22
Underwriter's Discount	93,562.90
Total Uses of Funds	**$ 9,338,615.12**

SECURITY FOR THE BONDS

The following summary of the provisions of the Order that describe the security for the Bonds is qualified by reference to the Order, excerpts of which are included in Appendix B "SELECTED PROVISIONS OF THE ORDER."

Net Revenues

The District has pledged the Net Revenues to secure the payment of the Bonds, the Outstanding Obligations shown below, and any Additional Bonds (as defined below) and has reserved the right, subject to certain conditions, to pledge the Net Revenues to secure additional parity obligations ("Additional Parity Obligations") from time to time in the future (see "SECURITY FOR THE BONDS – Issuance of Additional Bonds"). The Order defines "Net Revenues" as all of the revenues of every kind and nature received through the operation of the System, less the expenses of operation and maintenance paid thereof, including salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however, that only such repairs and extensions as in the judgment of the Board, reasonably and fairly exercised, are necessary to keep the System in operation and render adequate service to the District and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair the security of the Bonds or the Additional Parity Obligations shall be deducted in determining Net Revenues. Depreciation and payments into and out of funds for the Outstanding Obligations, the Bonds and any Additional Parity Obligations shall never be considered expenses of maintenance and operation. Additionally, the District has established a reserve fund (the "Reserve Fund") pledged to pay principal of or interest on the Bonds and Additional Parity Obligations and covenants to maintain an amount equal to the Required Reserve, as described below (see "SELECTED PROVISIONS OF THE ORDER"). **The District has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation.**

The District has Outstanding Obligations secured by and payable from Net Revenues on parity with the Bonds as follows:

Dated Date	Outstanding Amount	Issue Description
04-01-13	$302,000	Revenue Notes Series 2013

The Series 2013 Notes are referred to hereinafter as the "Outstanding Obligations". The "Parity Revenue Obligations" means, collectively, the Bonds, the Outstanding Obligations, and any Additional Parity Obligations.

Reserve Fund

In the Order, the District covenants to accumulate and maintain a reserve for the payment of the Bonds and Additional Parity Obligations (the *Required Reserve*) equal to the lesser of (i) the Average Annual Debt Service Requirements (calculated on a Fiscal Year basis and determined as of the date of issuance of the Bonds or the most recently issued series of Additional Parity Obligations then Outstanding, or at the option of the District, at the end of each fiscal year) for the Bonds and Additional Parity Obligations or (ii) the maximum amount in a reasonably required reserve fund for the Bonds and Additional Parity Obligations from time to time that can be invested without restriction as to yield pursuant to section 148 of the Internal Revenue Code of 1986, as amended (the *Reserve Fund*), which Fund or account shall be maintained at an official depository of the District. All funds deposited into the Reserve Fund (excluding surplus funds which include earnings and income derived or received from deposits or investments which will be transferred to the Revenue Fund during such period as there is on deposit in the Reserve Fund the Required Reserve) shall be used solely for the payment of the principal of and interest on the Bonds Similarly Secured, when and to the extent other funds available for such purposes are insufficient, and, in addition, may be used to retire the last stated maturity or interest on the Bonds or Additional Parity Obligations.

Upon issuance of the Bonds, the total amount required to be accumulated and maintained in the Reserve Fund is hereby determined to be $616,680 (the *Required Reserve*), which is equal to not less than the Average Annual Debt Service for the

Bonds, and on or before the 1st day of the month next following the month the Bonds are delivered to the Purchasers and on or before the 1st day of each following month, the District shall cause to be deposited to the Reserve Fund from the Pledged Revenues an amount equal to at least one-sixtieth (1/60th) of the Required Reserve. After the Required Reserve has been fully accumulated and while the total amount on deposit in the Reserve Fund is in excess of the Required Reserve, no monthly deposits shall be required to be made to the Reserve Fund.

As and when Additional Parity Bonds are delivered or incurred, the Required Reserve shall be increased, if required, to an amount calculated in the manner provided in the first paragraph of this Section. Any additional amount required to be maintained in the Reserve Fund shall be so accumulated by the deposit of the necessary amount of the proceeds of the issue or other lawfully available funds in the Reserve Fund immediately after the delivery of the then proposed Additional Parity Bonds, or, at the option of the District, by the deposit of monthly installments, made on or before the 1st day of each month following the month of delivery of the then proposed Additional Parity Bonds, of not less than 1/60th of the additional amount to be maintained in the Reserve Fund by reason of the issuance of the Additional Parity Bonds then being issued (or 1/60th of the balance of the additional amount not deposited immediately in cash), thereby ensuring the accumulation of the appropriate Required Reserve. When and so long as the cash and investments in the Reserve Fund equal the Required Reserve, no deposits need be made to the credit of the Reserve Fund; but, if and when the Reserve Fund at any time contains less than the Required Reserve (other than as the result of the issuance of Additional Parity Bonds as provided in the preceding paragraph), the District covenants and agrees to cure the deficiency in the Required Reserve by resuming the Required Reserve Fund Deposits to said Fund or account from the Pledged Revenues, or any other lawfully available funds, such monthly deposits to be in amounts equal to not less than 1/60th of the Required Reserve covenanted by the District to be maintained in the Reserve Fund with any such deficiency payments being made on or before the 1st day of each month until the Required Reserve has been fully restored. The District further covenants and agrees that, subject only to the prior payments to be made to the Bond Fund, the Pledged Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve and to cure any deficiency in such amounts as required by the terms of the Order and any other order pertaining to the issuance of Additional Parity Bonds.

During such time as the Reserve Fund contains the Required Reserve, the District may, at its option, withdraw all surplus funds in the Reserve Fund in excess of the Required Reserve and deposit such surplus in the Revenue Fund, unless such surplus funds represent proceeds of the Bonds, then such surplus will be transferred to the Bond Fund. The District hereby designates its Depository as the custodian of the Reserve Fund.

The District, at its option and consistent with the provisions of the Order, may, to the extent permitted by then-applicable law, fund the Reserve Fund at the Required Reserve by purchasing an insurance policy that will unconditionally obligate the insurance company or other entity to pay all, or any part thereof, of the Required Reserve in the event funds on deposit in the Interest and Sinking Fund are not sufficient to pay the debt service requirements on the Bonds Similarly Secured. All orders adopted after the date hereof authorizing the issuance of Additional Parity Bonds shall contain a provision to this effect.

In the event an insurance policy issued to satisfy all or part of the District's obligation with respect to the Reserve Fund causes the amount then on deposit in the Reserve Fund to exceed the Required Reserve, the District may transfer such excess amount to any fund or account established for the payment of or security for the Bonds Similarly Secured (including any escrow established for the final payment of any such obligations pursuant to Chapter 1207, as amended, Texas Government Code) or use such excess amount for any lawful purpose now or hereafter provided by law.

Rate Covenant

The District will at all times collect for services rendered by the System such amounts as will be at least sufficient to pay all expenses of operation and maintenance, and to provide Net Revenues equal to 1.10 times the amount that is sufficient to pay the scheduled principal of and interest on the Parity Revenue Obligations, plus one times the amount (if any) required to be deposited in any reserve or contingency fund or account created for the payment and security of the Parity Revenue Obligations.

Issuance of Additional Bonds

The District expressly reserves and shall hereafter have the right to issue in one or more installments such other bonds as provided below. Such Bonds may be payable from and equally secured by a pledge of and first lien on the Net Revenues, to the same extent as pledged and in all things on a parity with the lien of these Bonds.

The District expressly reserves and shall hereafter have the right to issue in one or more installments the following:

(1) Additional Bonds. The District expressly reserves the right to issue Additional Bonds payable solely from the Net Revenues of the System, for the purpose of completing, repairing, improving, extending, enlarging, or replacing the System, or refund bonds or other obligations issued in connection with the System, and such bonds may be payable form and equally secured by a first lien on and pledge of said Net Revenues on a parity with the pledge thereof for these Bonds. Provided, however, that before the District can issue Additional Bonds payable solely from the Net Revenues of the System, an independent certified public accountant shall certify that the Net Earnings of the System for the last completed fiscal year or a 12 consecutive calendar month period ending no more than 90 days preceding the adoption of the order authorizing the Additional Bonds shall have been not less than 1.20 times the average annual debt service requirements of the Outstanding

Obligations, the Bonds and any Additional Parity Obligations. Additionally, in connection with the issuance of Additional Parity Obligations, the President of the Board and the General Manager shall sign a written certificate to the effect that the District is not in default as to any covenant, condition or obligation in connection with the Outstanding Obligations, the Bonds and Additional Parity Obligations and the bond orders authorizing the same and the Interest and Sinking Fund and the Reserve Fund each contain the amount then required to be therein.

At such time as the Outstanding Bonds are no longer outstanding, the Accountant, in making a determination of the Net Earnings, may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least sixty (60) days prior to the last day of the period for which Net Earnings are determined and, for purposes of satisfying the above Net Earnings test, make a pro forma determination of the Net Earnings of the System for the period of time covered by his certification or opinion based on such change in rates and charges being in effect for the entire period covered by the Accountant's certificate or opinion.

(2) Inferior Lien Bonds. The District also reserves the right to issue inferior lien bonds and to pledge the Net Revenues of the System, to the payment thereof, such pledge to be subordinate in all respects to the lien of these Bonds and the Outstanding Bonds and any Additional Bonds.

Bondholders' Remedies

The Order provides that, in addition to all other rights and remedies of any Registered Owners provided by the laws of the State of Texas, in the event the District defaults in the observance or performance of any covenant in the Order including payment when due of the principal of and interest on the Bonds, any Registered Owner may apply for a writ of mandamus from a court of competent jurisdiction requiring the Board of Directors or other officers of the District to observe or perform such covenants.

The Order provides no additional remedies to a Registered Owner. Specifically, the Order does not provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners or for the acceleration of maturity of the Bonds upon the occurrence of a default in the District's obligations. Consequently, the remedy of mandamus is a remedy which may have to be enforced from year-to-year by the Registered Owners and may prove time consuming, costly and difficult to enforce.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Order may not be reduced to a judgment for money damages. The Bonds are not secured by an interest in any improvements or any other property of the District. Under Texas law, no judgment obtained against the District may be enforced by execution of a levy against the District's public purpose property. The Registered Owners themselves cannot foreclose on property within the District or sell property within the District in order to pay principal of or interest on the Bonds. In addition, the enforceability of the rights and remedies of the Registered Owners may be delayed, reduced or otherwise affected or limited by federal bankruptcy laws or other similar laws affecting the rights of creditors of a political subdivision or by a state statute reasonably required to attain an important public purpose. See "INVESTMENT CONSIDERATIONS – Registered Owners' Remedies" and "– Bankruptcy Limitation to Registered Owners' Rights."

RATING

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") has assigned a rating of "AA-" to the Bonds. Currently the District has no underlying rating on its revenue debt. An explanation of the significance of a rating may be obtained from S&P. The rating reflects only the view of such company, and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by any such rating company, if, in the judgment of such company circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by the Depository Trust Company while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District and the Purchaser cannot and do not give any assurance the (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participant, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners (hereinafter defined), or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of

DTC. One fully registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC, the world's largest 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 certificated securities. 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 is rated "AA+" by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of Bonds ("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 Bonds 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 Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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 the notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, physical Bonds are required to be printed and delivered to DTC Participants or the Beneficial Owners, as the case may be.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical Bonds will be printed and delivered. (See "THE BONDS – Termination of Book-Entry-Only System" herein.)

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer and Underwriter believe to be reliable, but the Issuer and the Underwriter take no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct or Indirect Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

INVESTMENT CONSIDERATIONS

General

The Bonds are special limited obligations of the District and are not obligations of the Town of Trophy Club, the Town of Westlake, the State of Texas, Denton County, Tarrant County, or any other political subdivision except the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect amounts sufficient to pay all expenses of operation and maintenance of the System, and to provide Net Revenues which will be adequate to pay promptly all of the principal of and interest on the Additional Parity Obligations and to make all deposits required to be made into the Reserve Fund and any other funds established by the Order or any other order authorizing the issuance of Additional Parity Obligations. The District has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation.

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the quality of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained in this Official Statement.

Consolidation

A district (such as the District) has the legal authority to consolidate with other municipal utility districts and, in connection therewith, to provide for the consolidation of its assets, such as its water and wastewater systems with the assets of the district(s) with which it is consolidating, as well as its liabilities (which would include the Bonds and other outstanding obligations of the District). The District is the resulting entity from a consolidation in May 2009 of Prior MUD 1 and Prior MUD 2 (see "THE DISTRICT"). No representation is made whether the District will consolidate again in the future with any other district.

Abolition

Under Texas law, if a municipal utility district is located wholly in two or more municipalities, the district may be abolished by agreement among the district and all of the municipalities in which the district is located. The abolition agreement must provide for the distribution among the municipalities of the property and other assets of the district and for the pro rata assumption by the municipalities of all the debts, liabilities, and obligations of the abolished district. When the pro rata share of any district bonds or other obligations payable in whole or in part from property taxes has been assumed by the municipality, the governing body of the municipality is required to levy and collect taxes on all taxable property in the municipality to pay the principal of and interest on its share as the principal and interest become due and payable.

If the abolished municipal utility district has outstanding bonds or other obligations payable in whole or in part from the net revenue from the operation of the district utility system or property, the affected municipalities are required take over and operate the system or property through a board of trustees. The municipalities are required to apply the net revenue from the operation of the system or property to the payment of outstanding revenue bonds or other obligations as if the district had not been abolished. The system or property is required to be operated in that manner until all the revenue bonds or obligations are retired in full by payment or by the refunding of the bonds or other obligations into municipal obligations. When all the revenue bonds and other obligations are retired in full, the property and other assets of the district are distributed among the municipalities as described above. On the distribution, the board of trustees is dissolved.

The District is located wholly within the municipalities of the Town of Westlake and the Town of Trophy Club. The Town of Westlake has recently proposed that it, the Town of Trophy Club and the District enter into an agreement to abolish the District with the District's assets and liabilities assumed by the two municipalities. The Board of Directors of the District has rejected that proposal and stated that the District currently intends to continue to operate as a municipal utility district. As described above, the District would have to separately agree to any abolition of the District. No representation is made concerning the ability of the Town of Trophy Club and the Town of Westlake to make debt service payments on the Bonds should abolition occur at some point in the future.

Alteration of Boundaries

In certain circumstances, under Texas law the District may alter its boundaries to: 1) upon satisfying certain conditions, annex additional territory; and 2) exclude land subject to taxation within the District that is not served by District facilities if the District simultaneously annexes land of equal acreage and value that may be practicably served by District facilities. No representation is made concerning the likelihood that the District would effect any change in its boundaries.

Registered Owners' Remedies

If the District defaults in the payment of principal, interest or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Order, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the covenants contained in the Bonds or in the Order and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles and rests with the discretion of the court. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Therefore, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of Bondholders may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Texas law requires a municipal utility district such as the District to obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owner's claim against a district. Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9 and such provision is subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

A district may not be forced into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

The Order contains covenants by the District intended to preserve the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. (See "THE BONDS - Specific Tax Covenants " herein.) Failure by the District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. (See "TAX MATTERS " herein.)

Future Debt

Currently the District has no plans to issue additional debt within the next twelve months.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

THE DISTRICT

Creation of the District

The District was created by the consolidation of two prior municipal utility districts, being Trophy Club Municipal Utility District No. 1 ("Prior MUD 1") and Trophy Club Municipal Utility District No. 2 ("Prior MUD 2" and collectively with Prior MUD 1, the "Prior MUDs"). Prior MUD 1 was created as Denton County Municipal Utility District No. 1 by order of the Texas Water Rights Commission (the "Commission") on March 4, 1975 for the purpose of providing water and sewer facilities and other authorized services to the area within the territory of Prior MUD 1. The name of Prior MUD 1 was changed to Trophy Club Municipal Utility District No. 1 on April 1, 1983. Prior MUD 2 was created as a result of the consolidation of Denton County Municipal Utility District No. 2 and Denton County Municipal Utility District No. 3, which were created by the Texas Commission on Environmental Quality ("TCEQ") for the purpose of providing water, sewer and drainage facilities and other authorized services to the area. The creation of Prior MUD 2 was confirmed by its electorate at an election held on August 9, 1980.

On January 26, 2009, the Boards of the Prior MUDs entered into an agreement to consolidate the Prior MUDs into a single Municipal Utility District covering the territory of the Prior MUDs, subject to the approval of the consolidation by the voters at an election held for that purpose. On May 9, 2009, the voters approved the consolidation and the District became the Trophy Club Municipal Utility District No. 1. Pursuant to the consolidation agreement, the District assumed the outstanding bonds, notes and other obligations of the Prior MUDs and the authorized but unissued bonds, taxes and other obligations of the Prior MUDs and became authorized to levy a uniform tax on all taxable property within the District. The functions performed by the District include supplying water for municipal purposes; collecting, transporting, processing and disposing of wastes; establishing, operating and maintaining a fire department; and performing other functions permitted by municipal utility districts under the Texas Water Code.

Governance

The District is governed by a board of directors which has control over and management supervision of all affairs of the District. There are five elected directors that serve four-year staggered terms. Directors receive no remuneration, except a Director's per diem allowance of $100 per day on which necessary service is performed for the District. The District and all similar districts are subject to the continuing supervision and filing requirements of the TCEQ, including the preparation and filing of an annual independent audit report. All District facility plans are submitted to the TCEQ for review and approval.

Employees

The District has nineteen (19) full-time employees for water and wastewater services. The District is required to pay 50% of the costs incurred by the Town (hereinafter defined) for salary, benefits and other compensation of employees who provide firefighting and emergency medical services to both the District and the Town. The District's liabilities under the Agreement for Fire Personnel, including pension benefits, do not have a substantial impact on the District's finances.

General

The District is comprised of 2,283.5 acres [approximately 449.9 acres in Town of Westlake (Solana)]. Of the developed acres within the District, there are approximately 2,800 existing households, 136 apartment units and 42 townhouses.

Location

The District is located in southern Denton County and northern Tarrant County partially within the Town of Trophy Club (the "Town") and partially within the Town of Westlake. The District is directly adjacent to and accessible from State Highway 114, north of and approximately mid-way between Dallas and Fort Worth. The District is approximately 27 miles from downtown Dallas, 25 miles from downtown Fort Worth, 17 miles from Denton, 8 miles from Grapevine and 14 miles from the Dallas-Fort Worth International Airport.

Major highways connecting these population centers, which will also serve the District, include State Highways 114, 170 and 377 and Interstate Highways 35E and 35W. State Highway 170 connects Trophy Club directly to Alliance Airport which is located seven miles southwest of the District. (See "Vicinity Map" herein.)

Population

According to District officials, the current population of the District is estimated to be approximately 7,843 (2,801 occupied homes times 2.8 persons per household) and the current population of the entire Town of Trophy Club, the District and the Trophy Club PID No. 1 (the "Trophy Club Development") is estimated at 11,127 (3,974 occupied homes times 2.8 persons per household).

Topography and Drainage

The land within the District has a gradual slope from the southeast to the northwest toward Marshall Creek, and from the west to the east toward Marshall Creek. Runoff water enters Grapevine Reservoir just north of the District through Marshall Creek or several other small tributaries. The maximum elevation in the area being developed is approximately 690 feet mean sea level and the minimum elevation in the area being developed is approximately 576 feet mean sea level. The soil is sandy loam and clay loam, and existing vegetation consists of native grasses and small oak trees. Areas which are subject to flooding by a 100-year frequency flood are located in the flood plan of Marshall Creek and have been delineated by the Water Resources Branch of the U.S. Geological Survey. Additional flood studies were made by the engineers to determine what areas may be subject to flooding. It was determined that the area subject to flooding within the District is approximately 58.5 acres based on 100-year flood frequency; however, 57.6 acres of this area is within the golf course area and is not intended to be developed for residential land use.

Shopping and Commercial Facilities

A shopping center within the District has a major grocery store chain, a bank, a major chain drug store, several service businesses, fast food outlets, and a beauty shop and a dry cleaners. Additionally there are several more businesses and professional offices located in the District, at the primary entrance to the Town of Trophy Club. There are additional shopping facilities in Roanoke, about two (2) miles west of the District and numerous shopping facilities in Southlake about five (5) miles east of the District and in Grapevine about eleven (11) miles east of the District. Full metropolitan shopping facilities are available in Dallas and Fort Worth, Texas which have their central business districts approximately 27 miles and 25 miles, respectively from the District.

Fire Protection

The District operates its Fire Department (the "Department") with an engine, a Quint, a brush truck and two support vehicles. Currently the Department is staffed with fourteen (15) full-time firefighter / paramedics and one full-time Fire Chief. Operations under the Department include fire suppression, fire prevention, emergency management, investigation/enforcement and emergency medical response. The new $3.1 million fire station was completed and equipped in August 2011 with proceeds from the sale of the District's Series 2010 Bonds, replacing the previously existing facility. This Department serves the Town of Trophy Club and area in the District that is not in the Town limits, and is currently financed by a combination of a $0.07727 maintenance tax assessment in the District, as well as a $0.07727 Public Improvement District ("PID") assessment in Trophy Club PID No. 1. The 2014-2015 annual operating budget is $1,383,940 with October 1, 2014 reserves of $528,633 (subject to change).

Police Protection

Twenty-four hour security is provided by the Town of Trophy Club Police Department.

Schools

The Town is served by the Northwest Independent School District (the "School District" or "Northwest ISD"). Northwest ISD covers approximately 234.71 square miles in Denton, Wise and Tarrant Counties. In addition to serving the Town, the School District also serves the communities of Aurora, Fairview, Haslet, Justin, Newark, Northlake, Rhome, Roanoke and portions of Flower Mound, Fort Worth, Keller, Southlake and Westlake. Northwest ISD is comprised of 17 elementary schools for grades pre-kindergarten through fifth, 5 middle schools for grades sixth through eighth, 2 comprehensive high schools and one accelerated high school for grades ninth through twelfth, and 2 alternative education campuses for grades seventh through twelfth. One of the high schools, Byron Nelson High School, is located in the Town of Trophy Club. All campuses offer enriched curricula with special programs for gifted/talented students as well as students achieving below grade level, and all are equipped with computers and full cafeteria service. The School District serves a 2014-2015 estimated enrollment of 19,831 students (as of October 27, 2014).

Recreational Opportunities

Recreational opportunities in Trophy Club are afforded by Lake Grapevine and its surrounding parks, which lie two miles north and east of the District. The Town has several community parks, including facilities for soccer, baseball, softball, basketball, tennis, a competitive swimming pool and playground amenities. The Town also operates an 877 acre Corps of Engineers park, which features 100 acres of motorized trails, as well as many passive recreational opportunities such as fishing, hiking and picnicking.

Status of Development of the District

The area in the District is locally known as "Trophy Club." It is a residential and mixed-use development consisting of approximately 2,283.5 acres. The District is a mature district with approximately 146 acres undeveloped, of which approximately 96 acres are zoned residential and approximately 50 acres are available for commercial development. The majority of the acres zoned residential are located in the Canterbury Hills addition. Home construction has begun in the Canterbury Hills addition. There is substantial land left for commercial development in the Solana complex, which is located within the Town of Westlake.

Lot and custom home sales officially began in the District in mid-year 1975. Homes are currently being offered at prices ranging from $200,000 to $1,000,000 and lots range in price from $35,000 to $200,000. The status of single-family home development as of September 30, 2014 is shown below:

Status of Single-Family Home Development[(b)]

Houses Under Construction	Houses Occupied	Total Houses	Additional Developed Lots	Total Houses and Lots	Multi-Family Units Completed [(a)]
24	2,801	2,825	156	2,981	178

(a) In addition to the single-family development, there are approximately 136 apartments and 42 completed townhouses, which are occupied.

(b) Figures exclude development within the Public Improvement District, which is totally located within the Town of Trophy Club and is not in the District.

Status of Business / Commercial Development

Solana business complex ("Solana"), a 900 acre tract located in the District and the Town of Westlake, has approximately 230 acres available for additional development. The existing 14 building campus style office development was originally owned by Los Angeles based Maguire Thomas Partners and IBM Corporation. In September 2014, the Maguire Thomas Partners properties in Solana were sold to BRE Solana LLC (Tarrant Appraisal District lists this taxpayer as 5 Village Circle Holding, LP.

Two other developers have bought undeveloped property in Solana and plan commercial and residential projects, which were approved by the Town of Westlake in 2013.

The District has additional commercial property available for development in the Town of Trophy Club, which is approximately 52 acres of land along Highway 114. Current development includes a medical complex, hotels, restaurants and a short-stay hospital facility. Additionally, the District currently has a small strip center along Highway 114 containing several food establishments and professional offices.

Solana remains current in the payment of their property taxes, including the amount due for Tax Year 2013. The District cannot predict the impact that any future events may have on the District's financial condition.

Public Improvement District Description

Trophy Club PID No. 1 (the "PID") consists of approximately 609.683 acres of land generally to the north of Oakmont Drive, Oak Hill Drive and the Quorum Condominiums, east of the Lakes Subdivision and Parkview Drive, south of the Corps of Engineer's property, and west of the Town's eastern limit. The PID is located entirely within the Town limits but outside the District. A master-planned residential community (the "Property") is under construction in the PID and at build-out will be comprised of approximately 1,407 residential units located within the Property, which Property is zoned to permit such use pursuant to the PID Zoning. As of September 30, 2014, 1,173 homes have been completed and are occupied and an additional 63 homes have been permitted and are currently under construction. The PID is projected to build out as early as 2017. The District provides emergency and fire protection services to the PID, and the PID pays the District an assessment for such services at the current fire tax rate of $0.07727. The District also provides water and sewer service for the PID. The total billed for PID water and sewer for fiscal year 2013-2014 was $1,408,037.

THE DISTRICT'S SYSTEM

The following information describes generally the water and wastewater systems for the District.

Description of the Water System

Sources of Water Supply: The present water supply is provided from two sources: (i) four ground wells which provide approximately 1,000,000 gallons per day, and (ii) a 21-inch water line which is capable of delivering 10,000,000 gallons per day of treated water from the City of Fort Worth facilities. Currently the District has a contract with the City of Fort Worth, which expires September 30, 2031, for unlimited water services. Current maximum usage is approximately 5,500,000 gallons per day (of which 4,500,000 is Fort Worth water). These sources, when combined, provide water which complies with the quality requirements of the TCEQ and needs only chlorination at the District's water plant facility.

Water Plant Facility: The present facility provides 900,000 gallons elevated and 6,000,000 gallons ground storage with pumping/chlorination capacity of 10,000,000 gallons per day.

Description of the Wastewater System

Wastewater Treatment Plant Facility: The wastewater treatment plant system has a permitted treatment/discharge capacity of 1,750,000 gallons per day from the TCEQ under TPDES Permit No. 11593-001. Although the permit authorizes the discharge of wastewater to the adjacent tributary leading to Lake Grapevine, the plant effluent is currently pumped to various holding ponds within the community of Trophy Club and is re-used for irrigating the golf course. The District's application to the Texas Commission on Environmental Quality ("TCEQ") to issue up to $5,765,000 in Unlimited Tax Bonds and up to $9,230,000 in water and sewer system revenue bonds for expansion of the wastewater treatment plant facility has been approved. Construction is expected to begin as soon as possible.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT

Available District funds are invested as authorized by Texas law and in accordance with investment policies approved by the Board of Directors. Both State law and the District's investment policies are subject to change. Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; or (ii) where (a) the funds are invested by the District through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the District as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the District; (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less; (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; and, (13) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its