public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the Board of Directors detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest District funds without express written authority from the Board of Directors.

Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt by written instrument a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Directors; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

Current Investments

As of September 30, 2014 (unaudited) the District's funds were invested in the District's bank accounts and TexPool as shown in the table that follows. The District does not currently own, nor does it anticipate the inclusion of long-term securities or derivative products in its portfolio.

Fund and Investment Type	Amount
Bank of the West Money Market Account - General Fund	$1,504,702
First Financial Bank Accounts	587,297
First Financial - Debt Service	4,846
TexPool – General Fund	1,171,507
(Includes Operating Fund / Fire Dept. / Reserves for Future Asset Replacement)	
TexPool - Debt Service	10,406
TexPool - Capital Projects Fund	152,090
Total Investments	**$3,430,848**

The Texas State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool ("TexPool"). 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 both of participants in TexPool and of the other persons who do not have a business relationship with TexPool. The advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAA by S&P. TexPool operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value.

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the initial Bonds are valid and binding obligations of the District and based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, the approving legal opinion of Fulbright & Jaworski LLP, a member of Norton Rose Fulbright ("Bond Counsel") to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's legal opinion will also address the matters described below under "TAX MATTERS - Tax Exemption." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In its capacity as Bond Counsel, Fulbright & Jaworski LLP has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Order.

The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold and delivered, and therefore, such fees are contingent upon the sale and delivery of the Bonds. The legal opinion to be delivered concurrently with the delivery of the Bonds expresses the professional judgment of the attorney rendering the opinion as to the legal issue explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction. Though it represents the financial Advisor and certain entities that may bid on the Bonds from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds.

Litigation

On September 24, 2013, the District filed an application with TCEQ for expedited approval of a proposed engineering project and the issuance of bonds to finance improvements to the District's wastewater treatment plant. On February 6, 2014, TCEQ issued an order approving the application and bond issuance. Seeking to overturn the order, Maguire Partners – Solana Land, L.P. ("Maguire") filed a Motion to Overturn with TCEQ, which was overruled by operation of law on May 2, 2014, and the following two lawsuits:

(i) Maguire Partners – Solana Land, L.P. v. Texas Commission on Environmental Quality and Richard Hyde, in his official capacity as Executive Director, Cause No. D-1-GN-14-000716, filed on March 7, 2014, in the 126th Judicial District Court of Travis County, Texas (the "First State Court Action"); and

(ii) Maguire Partners – Solana Land, L.P. v. Texas Commission on Environmental Quality and Richard Hyde, in his official capacity as Executive Director, Cause No. D-1-GN-14-001623, filed on May 30, 2014, in the 53rd Judicial District of Travis County, Texas (the "Second State Court Action"; collectively with the First State Court Action, the "Administrative Appeals").

On June 23, 2014, the District filed a lawsuit under Chapter 1205 of the Texas Government Code to obtain judicial validation of the TCEQ approved bonds. The lawsuit was styled Ex Parte Trophy Club Municipal Utility District No. 1, Cause No. D-1-GN-14-001983, and was filed in the 201st Judicial District Court of Travis County, Texas (the "Chapter 1205 Suit"). Specifically, the Chapter 1205 Suit sought an expedited declaratory judgment to conclusively establish that the District is authorized to issue and to deliver the Bonds and up to $9,230,000 in revenue bonds to finance improvements to its wastewater treatment plant. On July 14, 2014, the Honorable Judge Lora Livingston entered an order that consolidated the Administrative Appeals with the Chapter 1205 Suit (the "Consolidated Action").

On July 14, 2014, before Judge Livingston, and October 27, 2014, before the Honorable Judge Scott Jenkins of the 53rd Judicial District Court of Travis County, Texas, a trial was conducted in the Consolidated Action. As a result, on October 29, 2014, Judge Jenkins entered an order requiring Maguire to post a $2,300,000 before the 11th day after the entry of that order, otherwise Maguire would be dismissed from the action. Moreover, on October 30, 2014, Judge Jenkins further entered a final judgment dismissing all of Maguire's claims in the Consolidated Action with prejudice, and granting the District the relief it requested in the Chapter 1205 Suit, including a declaration that the District is authorized to issue and deliver the Bonds and up to $9,230,000 in revenue bonds to finance improvements to its wastewater treatment plant.

On November 12, 2014, because Maguire failed to post the required bond, Judge Jenkins entered an order dismissing Maguire with prejudice from the Consolidated Action.

The District can make no representations or predictions concerning any appeals that may be filed or any other action that could be taken which could affect the District's ability to deliver the Bonds on or about February 17, 2015 as anticipated.

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. A form of Bond Counsel's opinion is reproduced as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

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 corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, 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.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the District made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the District with the provisions of the Order subsequent to the issuance of the Bonds. The Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities 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 Treasury of arbitrage "profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the District as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the 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, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, 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. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of certain Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, 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. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Bonds (the "Premium Bonds") may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed $10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and has certified its expectation that the above-described $10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Bonds will not be subject to the 100% disallowance of interest expense allocable to interest on the Bonds under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Bonds will be reduced by 20% pursuant to section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The Issuer will provide certain updated financial information and operating data to the MSRB. The District will provide all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement. The information to be updated includes Tables 1, 2, 3, 4, 5, 8, 9 and 10 of Appendix A, and the annual audited financial statements of the District. The Issuer will update and provide this information within six months after the end of each fiscal year ending in and after 2015.

The financial information to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Website or filed with the SEC, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Issuer will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the Issuer may be required to employ from time to time pursuant to State law or regulation.

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

Notice of Certain Events

The Issuer will also provide timely notices of certain events to the MSRB. The Issuer will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Issuer, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the Issuer will provide timely notice of any failure by the Issuer to provide annual financial information or operating data in accordance with their agreement described above under "Annual Reports". Neither the Order nor the Bonds make any provision for debt service reserves, redemption provisions, credit enhancement, or liquidity enhancement.

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

Availability of Information from MSRB

The Issuer has agreed to provide the foregoing financial information and operating data only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at *www.emma.msrb.org.*

Limitations and Amendments

The Issuer has agreed to update information and to provide notices of certain specified events only as described above. The Issuer has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Issuer makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Issuer disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Bonds may seek a writ of mandamus to compel the Issuer to comply with its agreement.

The Issuer may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The Issuer may also repeal or amend these provisions if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Issuer amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Agreements

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

FINANCIAL ADVISOR

Southwest Securities, 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 provided in the Preliminary Official Statement for the Bonds.

The Official Statement was approved as to form and content and the use thereof in the offering of the Bonds was authorized, ratified and approved by the Board on the date of sale, and the 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 was approved by the Board of the Issuer for distribution in accordance with the provisions of the Rule.

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

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

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APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

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

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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

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

	Fiscal Year Ending September 30				
	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] *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 Net Revenues Available for Debt Service	$ 1,099,330
Following the Issuance of the Bonds:	
Average Annual Principal and Interest Requirements (2015-2035)	$ 602,455
Coverage of Average Requirements from FY 2014 Net System Revenues	1 82 X
Maximum Principal and Interest Requirements (2025)	$ 650,475
Coverage of Maximum Requirements from FY 2014 Net System Revenues	1.69 X

OTHER OBLIGATIONS **TABLE 4**

Description	Year of Issue	Interest Rate Payable	Final Maturity	Average Annual Payment	Original Amount	Principal Outstanding 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**

		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	$ -	$ 136,988.54	$ 136,988.54	$ 291,188.54
2016	153,406.00	210,000.00	234,837.50	444,837.50	598,243.50
2017		365,000.00	230,637.50	595,637.50	595,637.50
2018	-	375,000.00	223,337.50	598,337.50	598,337.50
2019	-	380,000.00	215,837.50	595,837.50	595,837.50
2020		390,000.00	208,237.50	598,237.50	598,237.50
2021		400,000.00	200,437.50	600,437.50	600,437.50
2022		410,000.00	192,437.50	602,437.50	602,437.50
2023		420,000.00	184,237.50	604,237.50	604,237.50
2024		435,000.00	175,837.50	610,837.50	610,837.50
2025		450,000.00	167,137.50	617,137.50	617,137.50
2026		460,000.00	157,012.50	617,012.50	617,012.50
2027		475,000.00	145,512.50	620,512.50	620,512.50
2028		490,000.00	133,637.50	623,637.50	623,637.50
2029		510,000.00	120,162.50	630,162.50	630,162.50
2030		525,000.00	106,137.50	631,137.50	631,137.50
2031		545,000.00	90,387.50	635,387.50	635,387.50
2032		565,000.00	74,037.50	639,037.50	639,037.50
2033	-	585,000.00	57,087.50	642,087.50	642,087.50
2034	-	610,000.00	39,537.50	649,537.50	649,537.50
2035	-	630,000.00	20,475.00	650,475.00	650,475.00
	$ 307,606.00	$ 9,230,000.00	$ 3,113,951.04	$ 12,343,951.04	$ 12,651,557.04

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		

HISTORICAL PRODUCTION AND CONSUMPTION DATA **TABLE 8**

	Fiscal Year Ended September 30				
	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 **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

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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 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 (15th) 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 Existing Obligations. 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 funds as provided in the orders or resolutions authorizing the Parity Revenue Obligations and the Reserve Fund to the extent provided hereunder for the Bonds and in any order authorizing the issuance of Additional Parity 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 $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 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 General 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 General 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

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[LETTERHEAD OF BOND COUNSEL]

[Closing Date]

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 $9,230,000 (the "Bonds"), we have examined into their issuance by the Trophy Club Municipal Utility District No. 1 (the "District"), solely to express legal opinions as to the validity of the Bonds and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the District, the disclosure of any financial or statistical information or data pertaining to the District and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

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

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

BASED ON OUR 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, 2014

(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.)

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TROPHY CLUB

MUNICIPAL UTILITY DISTRICT NO. 1

BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR

ENDED SEPTEMBER 30, 2014

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }
COUNTY OF DENTON }

I, ____
(Name of Duly Authorized District Representative)

Of the ____________ Trophy Club Municipal Utility District No. 1 ____________
(Name of District)

Hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 20th day of January, 2015, its annual audit report for the fiscal year or period ended September 30, 2014 and that copies of the annual audit report have been filed in the district office, located at 100 Municipal Drive, Trophy Club, Texas, 76262.

The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on the Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

Date: ______________________, 20___ By: ______________________________
(Signature of District Representative)

____
(Typed Name & Title of above District Representative)

Sworn to and subscribed to before me this _________ day of ______________ , _________.

(SEAL) ______________________________
(Signature of Notary)

My Commission Expires On: __________________, ____________________.
Notary Public in the State of Texas

CONTENTS

FINANCIAL SECTION Page

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 (the "District"), as of and for the year ended September 30, 2014, 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.

LaFollett and Abbott PLLC
PO Box 717 · Tom Bean, TX · 75489
903-546-6975 · www.lafollettcpa.com

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, 2014, 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, budgetary comparisons, and retirement system funding information on pages 3-10 and 35-37 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 20, 2015, 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.

Fa Follett and Abbott PLLC

Tom Bean, Texas
January 20, 2015

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

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, 2014.

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 $16,804,343. Of this amount, $2,961,240 is unrestricted net position and may be used to meet the District's ongoing commitments.

The District's net position increased by $1,654,193 during 2014. The increase is mostly attributable to $936,481 of developer capital contributions to the District's water and wastewater systems.

At the end of the fiscal year, the District's governmental type funds reported a combined fund balance of $2,962,683. As of September 30, 2014, the unassigned fund balance of the General Fund was $488,818.

Long-term debt activity for the District included debt principal repayments totaling $1,040,991. No new debt was issued by the District during 2014.

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 $16,804,343. Of this amount, $13,843,103 (82%) 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 2014	Governmental Activities 2013
Current and other	$ 4,485,026	$ 5,111,997
Capital assets	19,849,794	18,047,016
Total Assets	24,334,820	23,159,013
Long-term liabilities	6,031,304	6,101,472
Other liabilities	1,499,173	1,930,110
Total liabilities	7,530,477	8,031,582
Net Position:		
Net investment in capital assets	13,843,103	10,886,696
Unrestricted	2,961,240	4,240,735
Total Net Position	$ 16,804,343	$ 15,127,431

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, 2014 and 2013. Governmental activities have increased the District's net position by $1,654,193, which amounts to a 10.9% increase in net position for the year ended September 30, 2014.

Table 2
Changes in Net Position

	Governmental Activities 2014	Governmental Activities 2013
Revenue:		
Program revenue		
Charges for services	$ 6,150,179	$ 6,070,147
Grants and Contributions	946,481	284,684
General Revenue		
Ad valorem taxes	1,740,079	1,619,051
Unrestricted investment earnings	6,255	16,649
Miscellaneous	115,102	114,036
Total Revenue	8,958,096	8,104,567
Expenses:		
Water & Wastewater operations	4,083,929	3,759,269
General government	2,113,413	2,290,093
Fire	901,351	811,552
Interest charges	205,210	256,272
Total Expenses	7,303,903	7,117,186
Increase in net position	$ 1,654,193	$ 987,381

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 $2,962,683, of which 16%, or $488,818, is unassigned and available to the District for future spending.

General Fund budgetary highlights

The most significant amendment to the General Fund 2014 budget involved increasing budgeted capital expenditures by $868,681 for on-going water and wastewater system improvements.

Revenue: Revenues were $65,521 (0.8%) less than budgeted

- Water and wastewater charges were $120,058 (2.1%) more than budgeted.
- Utility fees were $250,909 (43.1%) less than budgeted.

Expenses: Expenses were $152,028 (1.8%) less than budgeted

- Water operations expenditures were $394,226 (9.6%) less than budgeted.
- Non-departmental expenditures were $394,226 (102.9%) more than budgeted and attributable to budget overruns for legal expenses.

Debt Service Fund:

- Debt Service Fund budget versus actual results were generally in line with expectations. The fund experienced a slight decrease in fund balance of $3,126 due to a small 0.9% unfavorable budget variance for property tax revenue.

Capital Asset and Debt Administration

The District's investment in capital assets for its governmental activities as of September 30, 2014 amounted to $19,849,794, 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 10% during 2014 primarily due to approximately $1.3 million of on-going water and wastewater system improvements and $936,481 of capital contributions. Additional information about capital assets may be found in Note 5 in the notes to financial statements.

Debt administration

Long-Term Liabilities – at the end of the current fiscal year, the District had $6,031,304 of general obligation bonds, notes payable and accrued compensated absences, which is a decrease of 15.8% from the previous fiscal year. Of this amount, $7,065,539 is backed by the full faith and credit of the government. No new debt was issued for the District during 2014.

Table 3
Outstanding Debt at Year-end

	Governmental Activities 2014	Governmental Activities 2013
General obligation bonds	$ 5,668,700	$ 6,111,557
Contractual obligations	-	70,000
Notes payable	337,991	883,982
Compensated absences	24,613	94,781
Total	$ 6,031,304	$ 7,160,320

Economic factors and next year's budgets and rates:

General fund fiscal year 2015 budgetary highlights:

Revenue: The District's 2015 operational revenue is budgeted to increase by $1,298,499.

- Property tax revenue is budgeted to increase from $1,026,805 for fiscal year 2014 to $1,040,716 for fiscal year 2015.
- Water and wastewater revenue is budgeted to increase by $2,099,396 due to an increase in the number of utility customers and to a rate increase that was effective July 1, 2014.
- Utility fee revenue is budgeted to decrease by $398,109 due to slow down of expected new home construction in the Public Improvement District.
- Reserve funds of $100,000 will be allocated to the Debt Service Fund.

Expenses: The District's 2015 operational expense is budgeted to increase by $1,298,499. The wholesale water expense will increase by $589,835 due to an increase in the cost of water purchased from wholesaler.

Overall:

The District's 2015 operational budget is anticipated to have expenses of $9,862,873 and revenues of $9,862,873.

Debt Service Fund 2015 budget:

- Debt service revenues are budgeted to increase from $624,495 in fiscal year 2014 to $1,078,256 in fiscal year 2015. This is an increase of $453,761 and is needed to cover new debt service expenses.
- Property tax revenues are budgeted to increase by $76,803 due to an increase in taxable property values.
- Reserve funds of $100,000 will be allocated to the Debt Service Fund in fiscal year 2015.

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

The consolidated District's overall budget for revenue increased from $9,188,869 in fiscal year 2014 to $10,941,129, in fiscal year 2015, which is a 19.07% increase. The overall budgeted expenses increased from $9,188,869 to $10,939,204, which is a 19.05% increase.

The O&M tax decreased and the debt service tax increased which resulted in the overall tax rate remaining the same for 2015 as was assessed in 2014.

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, 2014

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	3,431,448
Receivables		
Accounts receivable, net		969,666
Taxes		38,046
Due from other governments		31,886
Prepaids		13,980
Non-depreciable capital assets:		
Land		648,178
Construction in progress		1,366,502
Depreciable capital assets: (net)		
Buildings and other improvements		3,099,011
Machinery, vehicles, and other equipment		1,313,382
Water system		13,365,163
Organization costs		57,558
TOTAL ASSETS	$	24,334,820
LIABILITIES		
Accounts payable	$	1,148,882
Accrued liabilities		35,418
Accrued interest payable		14,876
Customer deposits		299,997
Noncurrent liabilities:		
Debt due within one year		625,991
Debt due in more than one year		5,405,313
TOTAL LIABILITIES		7,530,477
NET POSITION		
Net investment in capital assets		13,843,103
Unrestricted		2,961,240
TOTAL NET POSITION	$	16,804,343

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, 2014

	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	$ 1,320,187	$ 419,307	$ -	$ -	$ (900,880)
Water operations	3,160,821	3,534,240	-	224,812	598,231
Wastewater operations	688,212	2,196,632	-	711,669	2,220,089
Wastewater collection system	234,896	-		-	(234,896)
Non-Departmental	781,325	-	-	-	(781,325)
Directors	11,901	-	-	-	(11,901)
Fire	901,351	-	10,000	-	(891,351)
Interest on long term debt	205,210	-	-	-	(205,210)
Total governmental activities	$ 7,303,903	$ 6,150,179	$ 10,000	$ 936,481	$ (207,243)

General Revenues:	
Ad valorem taxes	1,740,079
Investment income	6,255
Miscellaneous	115,102
Total general revenues	1,861,436
Change in net position	1,654,193
Net Position - beginning of year	15,127,431
Prior period adjustments	22,719
Net Position - end of year	$ 16,804,343

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, 2014

ASSETS

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 3,264,105	$ 15,253	$ 152,090	$ 3,431,448
Receivables:				
Accounts receivables, net	969,666	-	-	969,666
Taxes	28,051	9,995		38,046
Due from other governments	31,886	-	-	31,886
Due from other funds	86,259	-	-	86,259
Prepaids	13,980	-	-	13,980
TOTAL ASSETS	$ 4,393,947	$ 25,248	$ 152,090	$ 4,571,285

LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Liabilities				
Accounts payable	$ 1,092,819	$ 500	$ 55,563	$ 1,148,882
Accrued liabilities	35,418	-	-	35,418
Customer deposits	299,997	-	-	299,997
Due to other funds	-	-	86,259	86,259
Total liabilities	1,428,234	500	141,822	1,570,556
Deferred Inflows of Resources				
Unavailable revenues - property taxes	28,051	9,995	-	38,046
Total deferred inflows of resources	28,051	9,995	-	38,046
Fund Balances				
Non-spendable prepaids	13,980	-	-	13,980
Assigned-Capital outlays	2,434,864	-	10,268	2,445,132
Assigned-Debt service	-	14,753	-	14,753
Unassigned	488,818	-	-	488,818
Total fund balances	2,937,662	14,753	10,268	2,962,683
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	$ 4,393,947	$ 25,248	$ 152,090	$ 4,571,285

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, 2014

Total fund balances - governmental funds	$ 2,962,683
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.	19,849,794
Unavailable tax revenues that are reported as deferred inflows of resources in the governmental funds balance sheet is recognized as revenue in the government-wide financial statements.	38,046
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.	(14,876)
Accrued compensated absences do not require the use of current financial resources; therefore accrued vacation is not reported as a liability in the governmental funds balance sheet.	(24,613)
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.	(6,006,691)
Net position of governmental activities	$ 16,804,343

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, 2014

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues:				
Water and wastewater charges	$ 5,730,872	$ -	$ -	$ 5,730,872
Taxes	1,340,502	389,668	-	1,730,170
Utility Fees	331,200	-	-	331,200
Miscellaneous	115,102	-		115,102
Oversize meter reimbursements	77,380			77,380
Inspection and tap fees	10,725	-	-	10,725
Intergovernmental revenues	10,000	-	-	10,000
Investment income	6,071	97	87	6,255
Total Revenues:	7,621,852	389,765	87	8,011,704
Expenditures				
Water	3,031,672			3,031,672
Adminstration	990,577			990,577
Wastewater	621,108			621,108
Fire	879,830			879,830
Collections	185,561			185,561
Non-Departmental	776,992		-	776,992
Board of Directors	11,901		-	11,901
Capital Outlay	990,311		354,919	1,345,230
Debt Service				
Principal	615,991	425,000	-	1,040,991
Interest and fiscal charges	26,656	197,195	-	223,851
Bond Administrative Fees	-	1,500	-	1,500
Total Expenditures:	8,130,599	623,695	354,919	9,109,213
Excess (deficiency) of revenues over (under) expenditures	(508,747)	(233,930)	(354,832)	(1,097,509)
Other Financing Sources (Uses)				
Transfers in	-	230,804	120,000	350,804
Transfers out	(350,804)	-	-	(350,804)
Total Other Financing Sources (Uses):	(350,804)	230,804	120,000	-
Net change in fund balance	(859,551)	(3,126)	(234,832)	(1,097,509)
Fund Balances - beginning of year	3,797,213	17,879	245,100	4,060,192
Fund Balances - end of year	$ 2,937,662	$ 14,753	$ 10,268	$ 2,962,683

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, 2014

Net change in fund balances - total governmental funds	$	(1,097,509)
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.		(671,240)
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.		1,345,230
Debt principal payments reduces long-term liabilities in the statement of net position, but it is recorded as an expenditure in the governmental funds.		1,111,159
Current year contributions of capital assets are not recorded in the governmental funds, but are recognized for the government-wide financial statements.		936,481
Governmental funds report the effects of debt premiums, debt discounts, and deferred losses on refunding when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.		17,857
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.		9,931
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.		2,284
Change in net position of governmental activities	$	1,654,193

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 2014, the major fund is the General Fund. The non-major funds are the Capital Projects Fund and Debt Service Fund.

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

General Fund

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

Debt Service Fund

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

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, 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, 2014, the carrying amount of the District's deposits (cash, certificates of deposit, and non-pooled savings accounts) was $2,096,845 and the bank balance was $2,078,148. The District's cash deposits at September 30, 2014, and during the year then ended were entirely covered by FDIC insurance, pledged securities, or by a letter of credit pledged by the District's agent bank in the District's name.

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, 2014 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Primary Government:	
Cash and cash equivalents	$ 3,431,448
Total cash and investments	$ 3,431,448

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Cash and investments as of September 30, 2014 consist of the following:

Petty Cash	$ 600
Deposits with financial institutions	2,096,845
Texpool Investments	1,334,003
Total cash and pooled investments	$ 3,431,448

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, 2014, the District had the following investment:

Investment Type	Amount	Weighted Average Maturity
TexPool	$ 1,334,003	53 days
Total Investments	$ 1,334,003	

As of September 30, 2014, 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	$ 1,334,003	AAAm	AAAm
Total Investments	$ 1,334,003		

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, 2014, 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	$	489,293
MUD sewer		239,218
Unbilled receivables		147,752
Refuse (as agent for Town of Trophy Club)		61,676
Refuse tax (as agent for Town of Trophy Club)		5,300
Storm drainage (as agent for Town of Trophy Club)		38,478
		981,717
Allowance for uncollectible accounts		(12,051)
Total (net)	$	969,666
Due from Other Governments:		
Town of Trophy Club	$	31,886

NOTE 4. INTERFUND TRANSFERS

Transfers between funds during the year are as follows:

Transfer In	Transfer Out		Amount	Purpose
Capital Projects	General Fund	$	120,000	Capital Imp. Reimbursements
Debt Service	General Fund		230,804	Debt service
	Total	$	350,804	

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, was as follows:

	Beginning Balances	Additions	Retirements/ Transfers	Ending Balance
Governmental Activities:				
Capital assets - Non-Depreciable				
Land	$ 648,178	$ -	$ -	$ 648,178
Construction in progress (restated)	361,822	1,527,999	(523,319)	1,366,502
Total capital assets not being depreciated	1,010,000	1,527,999	(523,319)	2,014,680
Capital assets - Depreciable				
Buildings	3,344,790	-	-	3,344,790
Improvements other than buildings	303,492		-	303,492
Machinery and equipment	1,651,136		15,505	1,666,641
Organization costs	2,331,300	-	-	2,331,300
Vehicles	1,477,017	-	-	1,477,017
Water system	9,720,832	412,091	214,566	10,347,489
Wastewater treatment system	5,663,320	341,641	-	6,004,961
Wastewater collection system	3,208,855	-	293,248	3,502,103
Total capital assets being depreciated	27,700,742	753,732	523,319	28,977,793
Less accumulated depreciation for:				
Buildings	(258,974)	(66,888)		(325,862)
Improvements other than buildings	(212,591)	(10,819)		(223,410)
Machinery and equipment	(648,301)	(89,690)		(737,991)
Organization costs	(2,229,494)	(44,248)		(2,273,742)
Vehicles	(997,585)	(94,701)		(1,092,286)
Water system	(3,081,035)	(168,343)		(3,249,378)
Wastewater treatment system	(1,779,496)	(140,977)	-	(1,920,473)
Wastewater collection system	(1,263,964)	(55,574)	-	(1,319,538)
Total accumulated depreciation	(10,471,440)	(671,240)	-	(11,142,680)
Governmental activities capital assets, net	$ 18,239,302	$ 1,610,491	$ -	$ 19,849,793

NOTE 5. CAPITAL ASSETS - CONTINUED

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

General government	$	360,484
Water operations		148,114
Fire department		21,521
Non-Departmental		4,333
Wastewater operations		80,436
Wastewater collection systems		56,352
Total depreciation expense	$	671,240

NOTE 6. LONG-TERM DEBT

At September 30, 2014, 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 9/30/2014
Tax and revenue bonds:							
Improvements	3.50-5.00%	2010	2031	148,205	2,000,000	$	1,800,000
Refunding	2.00-3.00%	2012	2023	251,373	2,355,000		1,980,000
Refunding	2.00-3.50%	2013	2023	224,734	1,905,000		1,740,000
						$	5,520,000
Notes payable:							
Equipment	3.90%	2010	2015	201,318	179,955	$	35,991
Water/Wastewater Imp.'s	1.85%	2013	2016	153,588	445,000		302,000
						$	337,991

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, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Tax, revenue, and refunding bonds	$ 5,945,000	$ -	$ (425,000)	$ 5,520,000	$ 440,000
Contractual obligations	70,000	-	(70,000)	-	-
Deferred loss on refunding	(8,666)	-	867	(7,799)	-
Premium on bonding	175,223	-	(18,726)	156,497	-
	6,181,557	-	(512,859)	5,668,698	440,000
Notes payable	883,982		(545,991)	337,991	185,991
Compensated absences	94,781	-	(70,168)	24,613	-
Total Governmental Activities Long-term Liabilities	$ 7,160,320	$ -	$ (1,129,018)	$ 6,031,302	$ 625,991

The annual requirements to amortize all debt outstanding as of September 30, 2014, are as follows:

Tax, revenue, and refunding bonds:

Year Ending September 30,	Principal	Interest	Total
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
2020-2024	2,270,000	401,015	2,671,015
2025-2029	620,000	140,160	760,160
2030-2031	285,000	18,276	303,276
Total	$ 5,520,000	$ 1,333,243	$ 6,853,243

NOTE 6. LONG-TERM DEBT – CONTINUED

Notes payable:

Year Ending September 30,	Principal	Interest	Total
2015	$ 185,991	$ 5,623	$ 191,614
2016	152,000	1,406	153,406
Total	$ 337,991	$ 7,029	$ 345,020

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

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

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

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

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

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, 2014.

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

NOTE 7. PROPERTY TAXES – CONTINUED

through various appeals and, if necessary, legal action. Property taxes for the District are not limited as to rate or amount. In an election held October 7, 1975, the electorate of the District authorized the levy of up to $0.25 per $100 valuation for the operations and maintenance of the District. Property taxes attach as an enforceable lien on property as of January 1, following the levy date. Taxes are due by January 31, following the levy date.

Property taxes are recorded as receivables when levied. Following is information regarding the 2014 tax levies:

Adjusted taxable values		$ 1,275,127,821
O & M and Fire tax levy	$0.09673/$100	1,316,961
I & S tax levy	$0.03666/$100	383,932
Total tax levy	$0.13339/$100	$ 1,700,893

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, 2014:

Non-Spendable Fund Balances
The District's $13,980 non-spendable fund balance represents expenses prepaid at fiscal year-end.

Assigned Fund Balances
The District assigned a total of $2,434,864 of General Fund fund balances for the following future capital outlays: $767,996 for wastewater system improvements, $810,100 for water system improvements, $396,969 for vehicles, $308,906 for street projects, and $150,893 for other improvements. Total fund balances for the Debt Service Fund and Capital Projects Fund have been assigned by the District for those respective purposes.

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, 2014, the General Fund was due $86,259 from the Capital Projects Fund for capital project expenditures paid for by the General Fund.

NOTE 11. RETIREMENT PLAN

Plan Description
The District participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the Texas County & District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. The coverage provided to retired employees is a postemployment benefit other than pension benefits (OPEB). Retired employees are insured for $5,000. The GTLF is a separate trust administered by the TCDRS Board of Trustees. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GTLF. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782.

Benefits
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.

NOTE 11. RETIREMENT PLAN - CONTINUED

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.

Funding Policy
Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The District contributions to the GTLF for the year ended September 30, 2014 were $99,082, which equaled the contractually required contribution.

Annual Pension Cost
The required contribution was determined as part of the Dec. 31, 2013 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at Dec. 31, 2013 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 4.9 percent. Both (a) and (b) included an inflation component of 3.0 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a thirty-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at Dec. 31, 2013 was twenty-nine years.

Funding Progress
The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents 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.

NOTE 12. PRIOR PERIOD RESTATEMENTS

The following schedule itemizes the effects of prior period restatements on the government-wide financial statements:

Government-wide effects	Governmental Activities
Net Position - beginning	$ 15,127,431
Prior period adjustment - remove bond issuance costs per GASB 65	(169,567)
Prior period adjustment - unrecorded construction in progress	192,286
Net Position - beginning as adjusted	$ 15,150,150

NOTE 13. SUBSEQUENT EVENTS

The District has evaluated all events and transactions that occurred after September 30, 2014 up through audit report date, which is the date the financial statements were issued. The District has the following subsequent event:

On December 23, 2014, the District issued Series 2014 Unlimited Tax Bonds of $5,765,000 to finance wastewater plant expansion. The following schedule shows how this issuance will increase future minimum debt service:

Fiscal Year	Principal	Interest	Total
2015	$ -	$ 105,476	$ 105,476
2016	235,000	148,325	383,325
2017	240,000	144,800	384,800
2018	245,000	141,200	386,200
2019	250,000	137,525	387,525
2020-2024	1,360,000	618,024	1,978,024
2025-2029	1,575,000	446,675	2,021,675
2030-2034	1,860,000	194,588	2,054,588
	$ 5,765,000	$ 1,936,613	$ 7,701,613

REPORTS REQUIRED BY
GOVERNMENTAL AUDITING STANDARDS

LaFollett and Abbott PLLC
Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trophy Club Municipal Utility District No. 1 (the District), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

LaFollett and Abbott PLLC
PO Box 717 · Tom Bean, TX · 75489
903-546-6975 · www.lafollettcpa.com

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated January 20, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LaFollett and Abbott PLLC

Tom Bean, Texas
January 20, 2015

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INVESTMENT BANKERS

CERTIFICATE OF CERTIFIED PUBLIC ACCOUNTANT

THE STATE OF TEXAS §
§
COUNTY OF Grayson §

I, the undersigned, of the firm of LaFollett and Abbott PLLC, Certified Public Accountants, DO HEREBY CERTIFY AND REPRESENT:

1. According to the books and records of the Water and Sewer System (the "System") of the Trophy Club Municipal Utility District No. 1 (the "District"), for the fiscal year ending September 30, 2014 the gross revenues, operating and maintenance expenses and net earnings of the System for said period were as follows: (see attachment for calculation of these totals)

Gross Revenues	Operating and Maintenance Expenses	Net Earnings
$5,940,149	$4,840,819	$1,099,330

2. The Net Earnings (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) for the fiscal year ending September 30, 2014 are equal to at least 1.00 times the average annual principal and interest requirements for the outstanding "Trophy Club Municipal Utility District No. 1 Revenue Note, Series 2013", dated April 1, 2013 and the proposed "Trophy Club Municipal Utility District No. 1 Water and Sewer System Revenue Bonds, Series 2015", dated February 1, 2015.

LaFollett and Abbott PLLC,
Certified Public Accountants

By: Rod Abbott

SWORN TO AND SUBSCRIBED BEFORE ME, this the 5th day of February, 2015.

Carol Milam
Notary Public, State of Texas

(Notary Seal)

CAROL MILAM
NOTARY PUBLIC
STATE OF TEXAS
MY COMM. EXP. 1/8/18

41446157.1/11411680

ATTACHMENT FOR CPA CERTIFICATION

Trophy Club Municipal Utility District No. 1
Statement of Revenues and Expenditures
For the Fiscal Year Ended September 30, 2014
(as derived from the audited financial statements)

		General Fund	2014 Audit
Operating Revenues			
Water and Wastewater charges	$	5,730,872	Page 15
Miscellaneous	$	115,102	Page 15
Oversize meter reimbursements	$	77,380	Page 15
Inspection and tap fees	$	10,725	Page 15
Investment income	$	6,071	Page 15
Total Operating Revenues	**$**	**5,940,149**	Page 15
Operating Expenditures			
Water	$	3,031,672	Page 15
Administration	$	990,577	Page 15
Wastewater	$	621,108	Page 15
Collections	$	185,561	Page 15
Board of Directors	$	11,901	Page 15
Total Operating Expenses	**$**	**4,840,819**	Page 15
Net Revenues Available for Debt Service	**$**	**1,099,330**	Page 15
Utility Fees	$	331,200	Page 15

Removed from Revenues in Audit, Shown separately as Supplemental Revenues in OS. Not included in Net Revenues in OS.

GENERAL CERTIFICATE

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

WE, the undersigned, President of the Board of Directors and General Manager, respectively, of the Trophy Club Municipal Utility District No. 1 (the "District"), DO HEREBY CERTIFY, with respect to the proposed "TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2015", dated February 1, 2015 (the "Bonds") as follows:

1. Save and except for the pledge of the income and revenues of the District's Water and Sewer System (the "System") to the payment of the (a) principal of and interest to become due with respect to the outstanding "Trophy Club Municipal Utility District No. 1 Revenue Notes, Series 2013", dated April 1, 2013 (hereinafter called the "Outstanding Obligations") and the proposed "Trophy Club Municipal Utility District No. 1 Water and Sewer System Revenue Bonds, Series 2015", dated February 1, 2015 (the "Bonds") and (b) water supply contract with the City of Fort Worth, Texas, said income and revenues of said System have not been pledged or hypothecated in any other manner or for any other purpose; and the Outstanding Obligations, the Bonds and the above mentioned contract evidence the only liens, encumbrances or indebtedness of said System or against the income and revenues of such System.

2. The District is not in default as to any covenant, condition, obligation or requirement contained in the resolution authorizing the issuance of the Outstanding Obligations; and there is on hand in the Interest and Sinking Fund created for the payment and security of the Outstanding Obligations the amount now required to be deposited therein.

3. The following is a schedule of the gross receipts, operating expenses and net revenues of the System for the years stated:

Fiscal Year Ending 9-30	Gross Receipts	Operating Expenses	Net Revenues
2010	$4,111,328	$3,959,498	$ 151,830
2011	$5,488,838	$4,228,316	$1,260,522
2012	$5,430,020	$4,526,474	$ 903,546
2013	$5,647,805	$5,000,351	$ 647,454
2014*	$5,940,149	$4,840,819	$1,099,330

*unaudited

4. The District secures its water from four wells and pursuant to a water supply contract with the City of Fort Worth, Texas.

5. As of the date hereof, no question is pending and no proceedings of any nature have been instituted in any manner questioning the District's right and title to its utility properties or its authority to operate the same.

6. The current monthly rates and charges for services provided by the System are reflected in Exhibit A attached hereto and incorporated herein by reference as a part of this certificate for all purposes.

7. The duly qualified and acting officers of the Board of Directors and certain administrative officials of the District are as follows:

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

8. The District is a conservation and reclamation district, a body corporate and politic and governmental agency of the State of Texas, created as a municipal utility district pursuant to Article 16, Section 59, of the Texas Constitution by Order of the Texas Water Commission, the predecessor in interest to the Texas Natural Resource Conservation Commission (collectively, the "Commission"), and the District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended (the "Act") and was the successor by merger and consolidation of Trophy Club Municipal Utility District No. 1 ("Prior MUD I") and Trophy Club Municipal Utility District No. 2 ("Prior MUD 2" and collectively with Prior MUD 1, the "Prior MUDs") by consolidation election of May 9, 2009 (the "Consolidation Election"). No changes in the boundaries of the District has occurred since the Consolidation Election. There have there been no changes in the boundaries of the District subsequent to the most recent date of approval by the Office of the Attorney General of Texas of the District's last issuance of public securities.

9. No municipal consents are required for the issuance of the Bonds because the Town of Trophy Club and the Town of Westlake were incorporated after the creation of the District.

10. The District is in compliance with the rules and regulations of the TCEQ and all information has been filed with the TCEQ as required by law, and is current on all such filings.

11. Attached hereto as Exhibit B is a debt service requirement schedule for the Outstanding Obligations and the Bonds.

[remainder of page left blank intentionally]

WITNESS OUR HANDS AND THE SEAL OF THE DISTRICT, this the 20th day of January, 2015.

TROPHY CLUB MUNICIPAL UTILITY
DISTRICT NO. 1

President, Board of Directors

General Manager

(District Seal)

41432425.1/11411680 [signature page of General Certificate]

EXHIBIT A

WATER AND SEWER 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.

EXHIBIT B

REVENUE BOND DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9-30	Revenue Debt Service Outstanding	The Bonds Principal	Interest	Total	Total Combined Debt Service
2015	$ 154,200.00	$ -	$ 136,988.54	$ 136,988.54	$ 291,188.54
2016	153,406.00	210,000.00	234,837.50	444,837.50	598,243.50
2017		365,000.00	230,637.50	595,637.50	595,637.50
2018	-	375,000.00	223,337.50	598,337.50	598,337.50
2019	-	380,000.00	215,837.50	595,837.50	595,837.50
2020		390,000.00	208,237.50	598,237.50	598,237.50
2021		400,000.00	200,437.50	600,437.50	600,437.50
2022		410,000.00	192,437.50	602,437.50	602,437.50
2023		420,000.00	184,237.50	604,237.50	604,237.50
2024		435,000.00	175,837.50	610,837.50	610,837.50
2025		450,000.00	167,137.50	617,137.50	617,137.50
2026		460,000.00	157,012.50	617,012.50	617,012.50
2027		475,000 00	145,512.50	620,512.50	620,512.50
2028		490,000.00	133,637.50	623,637.50	623,637.50
2029		510,000.00	120,162.50	630,162.50	630,162.50
2030		525,000.00	106,137.50	631,137.50	631,137.50
2031		545,000.00	90,387.50	635,387.50	635,387.50
2032	-	565,000.00	74,037.50	639,037.50	639,037.50
2033	-	585,000.00	57,087.50	642,087.50	642,087.50
2034	-	610,000.00	39,537.50	649,537.50	649,537.50
2035	-	630,000.00	20,475.00	650,475.00	650,475.00
	$ 307,606.00	$ 9,230,000.00	$ 3,113,951.04	$ 12,343,951.04	$ 12,651,557.04

SIGNATURE AND NO-LITIGATION CERTIFICATE

THE STATE OF TEXAS §
§
COUNTIES OF DENTON AND TARRANT §

WE, the undersigned, officials of the Trophy Club Municipal Utility District No. 1 (the "District"), do hereby certify with respect to the "TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2015", dated February 1, 2015, in the aggregate principal amount of $9,230,000 (the "Bonds"), as follows:

(1) The Bonds have been duly and officially executed by the undersigned President and Secretary of the Board of Directors of the District with our manual or facsimile signature in the same manner appearing hereon, and the undersigned President and Secretary of the Board of Directors of the District hereby adopt and ratify our respective signatures in the manner appearing on each of the Bonds whether in manual or facsimile form, as the case may be, as our true, genuine and official signatures.

(2) On January 20, 2015 and on the date hereof, we were and are the duly qualified and acting officials of the District indicated below.

(3) We have caused the official seal of the Issuer to be impressed, imprinted or lithographed on the Bonds; and said seal on the Bonds has been duly adopted as, and is hereby declared to be, the official seal of the Issuer.

(4) Except as noted below, no litigation of nature is now pending before any federal or state court, or administrative body, or to our knowledge threatened, seeking to restrain or enjoin the issuance or delivery of the Bonds or questioning the issuance or sale of the Bonds, the authority or action of the governing body of the Issuer relating to the issuance or sale of the Bonds, the collection of revenues of the District's Water and Sewer System (the "System"), or the imposition of rates and charges with respect to the System, pledged to pay the principal of and interest on the Bonds or that would otherwise adversely affect in a material manner the financial condition of the Issuer to pay the principal of and interest on the Bonds; and that neither the corporate existence or boundaries of the Issuer nor the right to hold office of any member of the governing body of the Issuer or any other elected or appointed officer of the Issuer is being contested or otherwise questioned. On October 30, 2014, a final judgment was entered in the matter styled *Ex Parte Trophy Club Municipal Utility District No. 1*, Cause No. D-1-GN-14-001983, filed in the 201st Judicial District Court of Travis County, Texas, pursuant to Chapter 1205 of the Texas Government Code. The final judgment granted the District the relief requested and no appeals were timely filed.

(5) No authority or proceeding for the issuance, sale or delivery of the Bonds, passed and adopted by the governing body of the Issuer, has been amended, repealed, revoked, rescinded or otherwise modified since the date of passage thereof, and all such proceedings and authority relating to the issuance and sale of the Bonds remain in full force and effect as of the date of this certificate.

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

41432599.1/11411680

DELIVERED this FEB 17 2015.

SIGNATURE	OFFICIAL TITLE
[signature]	President, Board of Directors Trophy Club Municipal Utility District No. 1
[signature]	Secretary, Board of Directors Trophy Club Municipal Utility District No. 1

THE STATE OF TEXAS §
COUNTY OF DENTON §

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

Given under my hand and seal of office, this 20th day of January, 2015.

Laurie Elizabeth Slaght
Notary Public, State of Texas

(Notary Seal)

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

CERTIFICATE AS TO OFFICIAL STATEMENT

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

RE: $9,230,000 "Trophy Club Municipal Utility District No. 1 Water and Sewer System Revenue Bonds, Series 2015", dated February 1, 2015

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

(a) The descriptions and statements of or pertaining to the District contained in its Official Statement, and any addenda, supplement or amendment thereto, prepared in connection with the issuance and sale of the above referenced Bonds, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects;

(b) Insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(c) Insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the District, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and that the District has no reason to believe that they are untrue in any material respect; and

(d) There has been no material adverse change in the financial condition of the District since September 30, 2013, the date of the last audited financial statements of the District appearing in the Official Statement.

[remainder of page left blank intentionally]

DELIVERED, this February 17, 2015.

TROPHY CLUB MUNICIPAL UTILITY
DISTRICT NO. 1

President, Board of Directors

General Manager

41446141.1/11411680 [signature page of Certificate as to Official Statement]

CERTIFICATE AS TO TAX EXEMPTION

The undersigned, being the duly chosen and qualified General Manager of the Trophy Club Municipal Utility District No. 1 (the "Issuer"), hereby certifies with respect to TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2015, in the original principal amount of $9,230,000 (the "Bonds"), as follows:

A. General.

(1) I, along with other officers of the Issuer, am charged with the responsibility for issuing the Bonds.

(2) This certificate is made pursuant to Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and Treasury Regulations issued thereunder, including Temporary Regulations (the "Regulations").

(3) This certificate is based on the facts and estimates described herein in existence on this date, which is the date of delivery of the Bonds to and payment for the Bonds by the initial purchasers thereof, and, on the basis of such facts and estimates, the Issuer expects that the future events described herein will occur.

B. Purpose and Size.

(1) The Bonds are being issued pursuant to an order adopted by the Board of Directors of the Issuer on January 20, 2015 (hereinafter referred to as the "Order") for (i) acquiring, constructing and equipping improvements to the District's wastewater treatment facilities (collectively, the "Projects") and (ii) paying costs of issuance. Terms used and not defined herein have the same meaning given to them in the Order.

(2) The Projects will be owned, operated, managed and maintained by the Issuer and no person or group of persons (other than on the basis as members of the general public) will have access to or use of or derive any special benefit from such facilities, pursuant to any lease, management or payment contract or any other arrangement.

(3) The amounts received from the sale of the Bonds, when added to the amounts expected to be received from the investment thereof, do not exceed the amounts required to pay the capital costs of the Projects and of issuing the Bonds.

(4) No receipt from the sale of the Bonds or amounts received from the investment thereof will be used to pay the principal of or interest on any presently outstanding issue of bonds or other similar obligations of the Issuer other than the Bonds.

C. Source and Disbursement of Funds.

(1) The Bonds are being issued and delivered to the underwriters thereof on the date hereof upon payment of the aggregate agreed purchase price of $9,245,052.22 (representing the principal amount of the Bonds of $9,230,000, plus premium of $98,177.90, less an Underwriter's discount of $93,562.90, plus accrued interest of $10,437.22).

(2) The Issuer has caused the deposit or disbursement of such amount as follows:

Disposition	Amount
Deposited to the credit of the construction fund	$9,039,731.00
Deposited to the Interest and Sinking Fund	$15,052.22
Disbursed to pay costs of issuance	190,269.00
Total	$9,245,052.22

(3) Proceeds of sale of the Bonds in the amount of $15,052.22, representing accrued interest of $10,437.22 and premium of $4,615.00, are being deposited on the date hereof in the Interest and Sinking Fund for the Bonds and will be used to pay the first payment of interest to become due on the Bonds on September 1, 2015.

(4) The Issuer estimates that income and profits in the aggregate amount of $27,000.00 will be received from the investment of the amounts deposited to the construction fund pending the disbursement of such amounts for the governmental purposes for which the Bonds are being issued. All of such income and profit will be used to pay costs of the Projects or deposited to the Interest and Sinking Fund and used to pay principal of and interest on the Bonds within one year of receipt.

D. Temporary Periods and Time for Expenditures.

(1) Within six months from the date hereof, the Issuer will have incurred binding obligations or commitments to third parties for the Projects in the amount of at least 5% of the net sales proceeds of the Bonds.

(2) After entering into said contracts, completion of the Projects and the allocation of net sales proceeds of the Bonds to expenditures will proceed with due diligence.

(3) The Issuer expects that all of the net sales proceeds of the Bonds will be spent within three years from the date hereof, and that all investment proceeds of the Bonds will be spent within one year from the date of receipt.

(4) Approximately $-0- of the proceeds of the Bonds will be used to reimburse the Issuer for Project expenditures made by it from its own funds prior to the date hereof. With respect to such reimbursement, if any, the Issuer adopted an official intent for the original expenditures (except possibly for "preliminary expenditures" as defined in section 1.150-2(f)(2) of the Regulations) not later than 60 days after payment of the original expenditures, and a copy of the Issuer's official intent is attached to this Certificate as to Tax Exemption. Except for expenditures meeting the preliminary expenditures exception set forth in section 1.150-2(f)(2) of the Regulations, the Bonds are being issued and the reimbursement allocation is hereby being made not later than 18 months after the later of (i) the date the original expenditures were paid, or (ii) the date the Projects are placed in service or abandoned, but in no event more than 3 years after the original expenditures were paid. The original expenditures were capital expenditures, and in connection with this allocation, the Issuer has not employed any abusive arbitrage device under section 1.148-10 of the Regulations to avoid the arbitrage restrictions or to avoid restrictions under section 142 through 147 of the Code.

E. <u>Reserve Fund</u>.

(1) The Issuer is required by the Resolution to maintain a Reserve Fund (the "Reserve Fund") during the term of the Bonds for the purpose of accumulating and maintaining funds as a reserve for the payment of the Bonds and Additional Parity Obligations in an amount (the "Required Reserve Amount") equal to an amount not less than the average annual principal and interest requirements of all outstanding Bonds and Additional Parity Obligations.

(2) By reason of the issuance of the Bonds, the Required Reserve Amount has been determined to be $616,680. Beginning on or before the 1st day of the month next following the delivery of the Bonds to the initial purchasers and on or before the 1st day of each month thereafter an amount equal to 1/60th of the Required Reserve Amount.

(3) The amount on deposit in the Reserve Fund and allocated to the Bonds at all times will be an amount not in excess of the least of (i) the maximum annual debt service requirement on the Bonds, (ii) 125% of the average annual debt service requirements on the Bonds, or (iii) 10% of the stated principal amount of the Bonds.

(4) The Issuer expects that all amounts received from investment of the Reserve Fund will, within one year of receipt, either be expended to pay principal of or interest on the Bonds or be commingled with other substantial revenues of the Issuer for the governmental purposes of the Issuer.

(5) The Resolution provides that any amounts held for the credit of the Reserve Fund in excess of the Required Reserve may be withdrawn and transferred by the Issuer to the System Fund to be disbursed as provided therein.

(6) The Issuer has been advised by Southwest Securities, Inc., financial advisor to the Issuer, that a reserve fund balance of the Required Reserve was required in order to obtain bond insurance to market the Bonds at the interest rates set forth in the Resolution, and for the purchase price set forth on the Certificate of Managing Underwriter, and that funding a reserve fund for a lesser amount would have resulted in a less favorable rating with respect to the Bonds and sale of the Bonds at materially higher interest rates or for a materially lower purchase price to the Issuer.

F. <u>Interest and Sinking Fund and Revenue Fund</u>.

(1) The Bonds are payable solely from amounts held for the credit of the Interest and Sinking Fund and the Reserve Fund and are secured solely by a pledge of the Net Revenues of the System. The Issuer may credit against its required deposits to the Interest and Sinking Fund and the Reserve Fund all amounts received from the investment of funds held therein.

(2) The Resolution requires that all revenues received by the Issuer by reason of its ownership and operation of the System shall be deposited as received in the Revenue Fund to be disbursed in the following order of priority: for the payment of maintenance and operating expenses of the System, for payment into the Interest and Sinking Fund for Parity Revenue Obligations, for payment into the Reserve Fund created for the Bonds and Additional Parity Obligations, and for any lawful purpose.

(3) The Interest and Sinking Fund will be maintained by the Issuer primarily to achieve a proper matching of revenues and debt service within each bond year. The Issuer expects that the following will occur with respect to the money in the Interest and Sinking Fund:

a. Such fund will be depleted at least once each bond year except possibly for a carryover amount not to exceed the greater of the previous bond year's earnings on the Interest and Sinking Fund or one-twelfth of the previous bond year's debt service requirements on the Bonds;

b. All amounts deposited to such fund to pay debt service on the Bonds will be spent within 13 months of deposit; and

c. All amounts received from the investment of such fund will be deposited therein and will be expended within twelve months of receipt.

(4) Except as described above, no funds of the Issuer have been or will be pledged to payment of principal or interest on the Bonds or otherwise restricted so as to give reasonable assurance of the availability of such funds for such purpose.

G. Yield and Nonpurpose Investments.

(1) The discount factor required to reduce the principal and interest to be paid on the Bonds to a present value on the date hereof, compounding semiannually, equal to the initial offering prices at which a substantial amount of each maturity of the Bonds was sold to the public, is 2.6231%. In determining the initial offering price at which a substantial amount of each maturity of the Bonds was sold to the public, the Issuer has relied on a certificate from the managing underwriter that purchased the Bonds.

(2) No other obligations of the Issuer which are reasonably expected to be paid from substantially the same source of funds as the Bonds were sold within 15 days from the date the Bonds were sold.

(3) Except as otherwise provided in Section 148(f) of the Code, the Issuer will account for proceeds of the Bonds separately from other funds of the Issuer and will compute and pay to the United States Treasury the Rebate Amount due with respect to the Bonds no less frequently than every five years, in the installments, to the place, in the manner and accompanied by such forms or other information as is or may be required by Section 148(f) of the Code and the regulations and rulings thereunder.

H. No Abusive Arbitrage Device.

(1) In connection with the issuance of the Bonds, the Issuer has not employed any action which has the effect of overburdening the market for tax-exempt obligations by issuing more bonds, issuing bonds earlier, or allowing bonds to remain outstanding longer than is reasonably necessary to accomplish the governmental purposes of the Bonds.

(2) In connection with the issuance of the Bonds, the Issuer has not employed any action which has the effect of enabling the Issuer to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage.

I. Qualified Tax-Exempt Obligations.

(1) The Issuer has not incurred or issued and will not incur or issue tax exempt obligations (bonds, notes, lease agreements, etc.) pursuant to Section 103(a) of the Code during the current calendar year in an aggregate amount in excess of $10,000,000, and the Issuer has in the Order and hereby designates the Bonds as "Qualified Tax Exempt Obligations" in accordance with the provisions of paragraph (3) of subsection (b) of Section 265 of the Code.

J. Written Procedures.

(1) The representations and covenants contained in this Certificate as to Tax Exemption and the Order are hereby adopted by the Issuer to be written procedures to ensure compliance, including post-issuance compliance and record retention practices, with the rules applicable to tax-exempt obligations issued under Section 103 of the Code. The Issuer will maintain records that show compliance with the covenants and representations contained in this Certificate and the Order, and with the requirements contained in the Code and Regulations related to tax-exempt obligations, while the applicable tax-exempt obligations remain outstanding and for a period of three years after redemption of the tax-exempt obligations.

(2) The Issuer designates its General Manager to have primary responsibility for monitoring post-issuance tax compliance with the covenants and representations contained in this Certificate and the Order and with the requirements contained in the Code and regulations relating to tax-exempt obligations, including requirements relating to the maintenance and retention of records. The General Manager may assign and delegate responsibilities as he or she deems necessary or appropriate. These officers will receive the following training with regard to their compliance monitoring responsibilities: consultations with professional advisors, review of written alerts and materials and attendance at professional meetings and seminars.

(3) The Issuer will conduct compliance checks for its tax-exempt obligations at least annually. If the Issuer discovers a potential violation of a federal tax requirement, it will promptly take appropriate action, as needed, to maintain the tax-exemption of the applicable debt obligations, including consultation with professional advisors and taking remedial action as described in the Treasury Regulations, and/or other corrective action, such as through the Tax Exempt Bonds Voluntary Closing Agreement Program.

[remainder of page left blank intentionally]

EXECUTED AND DELIVERED, February 17, 2015.

TROPHY CLUB MUNICIPAL UTILITY
DISTRICT NO. 1

General Manager

The undersigned has read the foregoing Certificate as to Tax Exemption, has made the representations to the Issuer attributed to it in paragraph E.6, believe such representations to be true, correct and complete as of the date hereof, and is not aware of any facts or circumstances that would make such representations untrue, inaccurate or incomplete.

SOUTHWEST SECURITIES, INC.

BY: Dan Q. Almon

CERTIFICATE OF MANAGING UNDERWRITER

The undersigned hereby certifies with respect to the sale of TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2015 (the "Bonds"), issued in aggregate principal amount of $9,230,000 as follows:

1. The undersigned is the underwriter or the manager of the syndicate of underwriters which has purchased the Bonds from the Trophy Club Municipal Utility District No. 1 (the "Issuer") at competitive sale.

2. The undersigned and/or one or more members of the underwriting syndicate, if any, has made a bona fide offering of all of the Bonds of each maturity to the public at the initial offering prices set forth in the Issuer's Official Statement with respect to the Bonds, dated January 20, 2015 (the "Official Statement").

3. The initial offering price (expressed as a dollar amount, yield percentage, or percentage of principal amount and exclusive of accrued interest) at which a substantial amount (at least 10%) of the Bonds of each maturity was sold to the public (as defined in paragraph 5) is as set forth on page ii of the Official Statement, except for the Bonds maturing in the years 2019 through 2025, 2027 through 2029 and 2035 (collectively, the "Unsold Maturities").

4. In the case of each of the Unsold Maturities, the undersigned reasonably expected, as of the sale date of the Bonds, to sell a substantial amount (at least 10%) of each of the Unsold Maturities to the public at the initial offering prices set forth in the Official Statement.

5. The term "public," as used herein, means persons other than bondhouses, brokers, dealers, and similar persons or organizations acting in the capacity of underwriters or wholesalers.

6. The initial offering prices described above reflect current market prices at the time of such sales.

7. The undersigned understands that the statements made herein will be relied upon by the Issuer in its effort to comply with the conditions imposed by the Internal Revenue Code of 1986 on the exclusion of interest on the Bonds from the gross income of their owners. Norton Rose Fulbright US LLP may also rely on this Issue Price Certificate for purposes of its opinion regarding the treatment of interest on the Bonds as excludable from gross income for federal income tax purposes. Except as expressly set forth above, the certification set forth herein may not be relied upon or used by any third party or for any other purpose. Notwithstanding anything set forth herein, the undersigned is not engaged in the practice of law. Accordingly, the undersigned makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED this 2/4/15.

RAYMOND JAMES & ASSOCIATES, INC.

By: [signature]

Title: Managing Director

41474958.1/11411680

Form **8038-G** (Rev. September 2011) Department of the Treasury Internal Revenue Service

Information Return for Tax-Exempt Governmental Obligations

▶ Under Internal Revenue Code section 149(e)
▶ See separate instructions.
Caution: *If the issue price is under $100,000, use Form 8038-GC.*

OMB No. 1545-0720

Part I Reporting Authority

If Amended Return, check here ▶ ☐

1 Issuer's name: Trophy Club Municipal Utility District No. 1	2 Issuer's employer identification number (EIN): 75-1502727
3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions)	3b Telephone number of other person shown on 3a
4 Number and street (or P.O. box if mail is not delivered to street address): 100 Municipal Drive — Room/suite	5 Report number (For IRS Use Only): 3
6 City, town, or post office, state, and ZIP code: Trophy Club, Texas 76262	7 Date of issue: 02/17/2015
8 Name of issue: Water and Sewer System Revenue Bonds, Series 2015	9 CUSIP number: 897061 AV9
10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions): Jennifer McKnight, General Manager	10b Telephone number of officer or other employee shown on 10a: (682) 831-4610

Part II Type of Issue (enter the issue price). See the instructions and attach schedule.

11	Education	11		
12	Health and hospital	12		
13	Transportation	13		
14	Public safety	14		
15	Environment (including sewage bonds)	15		
16	Housing	16		
17	Utilities	17	9,328,177	90
18	Other. Describe ▶	18		
19	If obligations are TANs or RANs, check only box 19a ▶ ☐			
	If obligations are BANs, check only box 19b ▶ ☐			
20	If obligations are in the form of a lease or installment sale, check box ▶ ☐			

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	09/01/2035	$ 9,328,177.90	$ 9,230,000.00	12.1293 years	2.6231 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22	Proceeds used for accrued interest				22	10,437	22
23	Issue price of entire issue (enter amount from line 21, column (b))				23	9,328,177	90
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	283,831	90			
25	Proceeds used for credit enhancement	25	--				
26	Proceeds allocated to reasonably required reserve or replacement fund	26	--				
27	Proceeds used to currently refund prior issues	27	--				
28	Proceeds used to advance refund prior issues	28	--				
29	Total (add lines 24 through 28)				29	283,831	90
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)				30	9,044,346	00

Part V Description of Refunded Bonds. Complete this part only for refunding bonds.

31	Enter the remaining weighted average maturity of the bonds to be currently refunded ▶	-- years
32	Enter the remaining weighted average maturity of the bonds to be advance refunded ▶	-- years
33	Enter the last date on which the refunded bonds will be called (MM/DD/YYYY) ▶	--
34	Enter the date(s) the refunded bonds were issued ▶ (MM/DD/YYYY)	--

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 63773S Form **8038-G** (Rev. 9-2011)

41483423/11411680

TCMUD006245

Part VI Miscellaneous

35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) (see instructions)	36a	
b	Enter the final maturity date of the GIC ▶		
c	Enter the name of the GIC provider ▶		
37	Pooled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units	37	

38a If this issue is a loan made from the proceeds of another tax-exempt issue, check box ▶ ☐ and enter the following information:
b Enter the date of the master pool obligation ▶
c Enter the EIN of the issuer of the master pool obligation ▶
d Enter the name of the issuer of the master pool obligation ▶
39 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box ▶ ☑
40 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ▶ ☐
41a If the issuer has identified a hedge, check here ▶ ☐ and enter the following information:
b Name of hedge provider ▶
c Type of hedge ▶
d Term of hedge ▶
42 If the issuer has superintegrated the hedge, check box ▶ ☐
43 If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box ▶ ☑
44 If the issuer has established written procedures to monitor the requirements of section 148, check box ▶ ☑
45a If some portion of the proceeds was used to reimburse expenditures, check here ▶ ☐ and enter the amount of reimbursement ▶
b Enter the date the official intent was adopted ▶

Signature and Consent

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.

Jennifer McKnight — 02/17/2015 — Jennifer McKnight, General Manager
Signature of issuer's authorized representative — Date — Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Joyce Ellis	J Ellis	02/17/2015		PO1077082
Firm's name ▶ Fulbright & Jaworski LLP			Firm's EIN ▶	74-1201087
Firm's address ▶ 2200 Ross Avenue, Suite 3600, Dallas, Texas 75201-7932			Phone no.	(214) 855-8007

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February 18, 2015

CERTIFIED MAIL No. 7196 9008 9111 9207 4963
RETURN RECEIPT REQUESTED

Certified Article Number
7196 9008 9111 9207 4963
SENDERS RECORD

Internal Revenue Service
Ogden, Utah 84201

Re: $9,230,000 "Trophy Club Municipal Utility District No. 1 Water and Sewer System Revenue Bonds, Series 2015", dated February 1, 2015

Ladies and Gentlemen:

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

Very truly yours,

Diane Callahan
Senior Paralegal

DC/ler
Enclosure

41505348.1/11411680