

**SALE, OFFICIAL BID FORM
AND
PRELIMINARY OFFICIAL STATEMENT**

\$7,200,000*

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

<p>Designated by the District as “QUALIFIED TAX-EXEMPT OBLIGATIONS”</p>
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**WATER AND SEWER SYSTEM REVENUE BONDS,
SERIES 2019**

**Bids due
Monday, March 18, 2019
at
11:00 A.M. Central Standard Time**

*Preliminary, subject to change. See “THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS” IN THE OFFICIAL NOTICE OF SALE.

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This Official Notice of Sale does not alone constitute an invitation for bids but is merely notice of sale of the Bonds described herein. The invitation for bids on such Bonds is being made by means of this Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement.

OFFICIAL NOTICE OF SALE

\$7,200,000*

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
(A Political Subdivision of the State of Texas Located in Denton and Tarrant Counties)
WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2019**

Dated: March 11, 2019

BONDS OFFERED FOR SALE AT COMPETITIVE BID: The Board of Directors (the "Board") of Trophy Club Municipal Utility District No. 1 (the "District" or "Issuer") is offering for sale at competitive bid \$7,200,000* Water and Sewer System Revenue Bonds, Series 2019 (the "Bonds").

Bidders must submit bids for the Bonds electronically by internet as described below in "BIDS BY INTERNET".

BIDS BY INTERNET: Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 11:00 A.M., Central time, on March 18, 2019. Bidders submitting a bid by internet **shall not be required to submit signed Official Bid Forms prior to the award**. Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the i-Deal, LLC Parity System ("PARITY") and should, as a courtesy, register with PARITY by 9:00 A.M., Central time, on March 18, 2019 indicating their intent to submit a bid by internet.

Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of PARITY. In the event of a malfunction in the electronic bidding process, bidders may submit their bids by email to Afriedman@samcocapital.com. **Bids received after the scheduled time for their receipt will not be accepted.**

The official time for the receipt of bids shall be the time maintained by PARITY. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale, the Official Bid Form, and the Preliminary Official Statement. To the extent that any instructions or directions set forth in PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about the PARITY System, potential bidders may contact i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018. Telephone 212-849-5021.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in this Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the Issuer. The Issuer shall not be responsible for any malfunction or mistake made by, or as a result of the use of PARITY, the use of such facilities being the sole risk of the prospective bidder.

BIDS BY FACSIMILE: **BIDS BY FACSIMILE WILL NOT BE ACCEPTED.**

BIDS BY TELEPHONE: **BIDS BY TELEPHONE WILL NOT BE ACCEPTED.**

PLACE AND TIME OF BID OPENING: The bids for the Bonds will be publicly opened and reviewed at the Dallas offices of SAMCO Capital Markets, Inc., 1700 Pacific Ave., Suite 2000, Dallas, Texas 75201, at 11:00 A.M., Central time, on Monday, March 18, 2019.

AWARD AND SALE OF THE BONDS: At a regular meeting to commence at 6:30 P.M., Central time, on Monday, March 18, 2019, the Board of Directors will take action to reject all bids or award the sale of the Bonds pursuant to an order (the "Order" or "Bond Order"). The Issuer reserves the right to reject any or all bids and to waive any irregularities, except time of filing.

* Preliminary, subject to change. See "ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS" herein.

THE BONDS

DESCRIPTION OF CERTAIN TERMS OF THE BONDS: The Bonds will be dated March 15, 2019 (the "Dated Date") and interest on the Bonds shall accrue from the Dated Date and will be payable on March 1, 2020, and on each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds will be issued as fully-registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof within a stated maturity. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by the Paying Agent/Registrar, initially BOKF, NA, Dallas, Texas, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.)

MATURITY SCHEDULE

The Bonds will be stated to mature on September 1 in each of the following years in the following amounts:

<u>Stated Maturity</u>	<u>Principal Amount*</u>		<u>Stated Maturity</u>	<u>Principal Amount*</u>
2021	\$105,000		2036*	\$ 235,000
2022	115,000		2037*	250,000
2023	120,000		2038*	265,000
2024	125,000		2039*	280,000
2025	130,000		2040*	295,000
2026	140,000		2041*	310,000
2027	145,000		2042*	325,000
2028	155,000		2043*	345,000
2029*	165,000		2044*	365,000
2030*	175,000		2045*	385,000
2031*	180,000		2046*	405,000
2032*	190,000		2047*	430,000
2033*	200,000		2048*	450,000
2034*	215,000		2049*	475,000
2035*	225,000			

OPTIONAL REDEMPTION: The Issuer reserves the right to redeem the Bonds maturing on and after September 1, 2029, on September 1, 2028, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. (See "THE BONDS – Optional Redemption Provisions" in the Preliminary Official Statement.)

SERIAL BONDS AND/OR TERM BONDS: Bidders may provide that all of the Bonds be issued as serial maturities or may provide that any two or more consecutive annual principal amounts for maturities 2029 through 2049 be combined into one or more term Bonds ("Term Bonds").

MANDATORY SINKING FUND REDEMPTION: If the successful bidder designates principal amounts to be combined into one or more Term Bonds, each such Term Bond will be subject to mandatory sinking fund redemption commencing on September 1 of the first year which has been combined to form such Term Bond and continuing on September 1 in each year thereafter until the stated maturity date of that Term Bond. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table under the caption "MATURITY SCHEDULE" on page ii of the Notice of Sale. Bonds to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Bonds then subject to such mandatory sinking fund redemption.

The principal amount of the Term Bonds of a stated maturity required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the District, by the principal amount of Term Bonds of like stated maturity which, at least 45 days prior to a mandatory redemption date, (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

The Final Official Statement will incorporate the mandatory redemption provisions for the Bonds in the event the successful bidder elects to convert serial maturities into one or more Term Bonds.

* Preliminary, subject to change. See "ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS" herein.

AUTHORITY FOR ISSUANCE: The Bonds are being issued pursuant to the terms and provisions of an order of the Board of Directors of the District and in accordance with the Constitution and general laws of the State of Texas (the "State"), including particularly Article XVI, Section 59 of the Texas Constitution and Texas Water Code, Chapters 49 and 54, as amended, and an approving order of the Texas Commission on Environmental Quality issued on November 6, 2018. (See "THE BONDS - Authority for Issuance" in the Preliminary Official Statement.)

PAYING AGENT/REGISTRAR: The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas, Texas. In the Bond Order, the District covenants to provide a Paying Agent/Registrar at all times while the Bonds are outstanding, and any Paying Agent/Registrar selected by the District shall be a commercial bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. The Paying Agent/Registrar will maintain the Security Register containing the names and addresses of the registered owners of the Bonds. In the Bond Order the District retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, such Paying Agent/Registrar, promptly upon the appointment of a successor, is required to deliver the Security Register to the successor Paying Agent/Registrar.

In the event there is a change in the Paying Agent/Registrar, the District has agreed to notify each registered owner of the Bonds then outstanding by United States mail, first-class postage prepaid, at the address in the Security Register, stating the effective date of the change and the mailing address of the successor Paying Agent/Registrar.

BOOK-ENTRY-ONLY SYSTEM: The District intends to utilize the Book-Entry-Only System of DTC, with respect to the issuance of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.)

PRELIMINARY OFFICIAL STATEMENT AND OTHER TERMS AND COVENANTS IN THE ORDER: Further details regarding the Bonds and certain covenants of the District contained in the Bond Order are set forth in the Preliminary Official Statement to which reference is made for all purposes.

CONDITIONS OF SALE

TYPES OF BIDS AND INTEREST RATES: The Bonds will be sold in one block, on an "All or None" basis, and at a price that produces a dollar price not less than 97% of their par value, plus a bidders premium not to exceed \$5,000, plus accrued interest from the Dated Date (defined herein) of the Bonds. Bidders are invited to name the rate(s) of interest to be borne by the Bonds, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest for the Bonds (calculated in the manner required by Chapter 1204, as amended, Texas Government Code) must not exceed 15%. **The highest rate bid may not exceed the lowest rate bid by more than 300 basis points (or 3% in rate). No limitation is imposed upon bidders as to the number of rates or changes which may be used.** All Bonds of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

BASIS OF AWARD: For the purpose of awarding the sale of the Bonds, the interest cost of each bid will be computed by determining, at the interest rate or rates specified therein, the total dollar value of all interest on the Bonds from the date thereof to their respective maturities and adding thereto the dollar amount of the discount bid, if any, or subtracting therefrom the dollar amount of the premium bid, if any. Subject to the District's right to reject any or all bids, the Bonds will be awarded to the bidder whose bid, under the above computation, produces the lowest net effective interest rate to the District subject to compliance with Texas Government Code § 2252.908. In the event of mathematical discrepancies between the interest rate or rates and the interest cost determined therefrom, as both appear on the OFFICIAL BID FORM, the bid will be solely governed by the interest rates shown in the OFFICIAL BID FORM.

ESTABLISHING THE ISSUE PRICE FOR THE BONDS

The Issuer intends to rely on Treasury Regulation section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of municipal bonds), which require, among other things, that the Issuer receives bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds (the "Competitive Sale Requirement").

If the Competitive Sale Requirement is satisfied, the winning bidder must complete, execute, and deliver the Issue Price Certificate described below to the Issuer or SAMCO Capital Markets, Inc. (the "Issuer's Municipal Advisor") at least five (5) business days before the closing date. If the Competitive Sale Requirement is not satisfied, the winning bidder will be required to complete, execute, and deliver the Issue Price Certificate to the Issuer or the Issuer's Municipal Advisor within five (5) business days of the date on which the 10% Test (as defined below) is satisfied with respect to each of the maturities of the Bonds, other than Hold-the-Price Maturities (as described below).

In the event that the bidding process does not satisfy the Competitive Sale Requirement, each bidder shall designate whether any maturity is a "Hold-the-Price Maturity" by checking the appropriate column in the attached Official Bid Form. Such designation shall be provided to the Issuer's Municipal Advisor not later than 3 p.m. CDT on the date of the bid opening. Such designation shall in no way change the prices bid for the Bonds. With respect to each maturity so designated as a Hold-the-Price Maturity, the winning bidder agrees, on behalf of each Underwriter participating in the purchase of the Bonds, that each Underwriter will neither offer nor sell any Hold-the-Price Maturity to any person at a price that is higher than the initial offering price to the Public during the period starting on the Sale Date and ending on the earlier of (1) the close of the fifth (5th)

business day after the Sale Date, or (2) the date on which the Underwriters have sold at least 10% of that maturity of the Bonds to the Public at a price that is no higher than the initial offering price to the Public. The winning bidder shall promptly advise the Issuer when the Underwriters have sold 10% of a Hold-the-Price Maturity to the Public at a price that is no higher than the initial offering price to the Public, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

In the event that the bidding process does not satisfy the Competitive Sale Requirement, the winning bidder agrees to promptly report to the Issuer the prices at which at least 10% of each maturity of the Bonds other than a Hold-the-Price Maturity have been sold to the Public. That reporting obligation shall continue until 10% of each such maturity is sold to the Public, whether or not the Closing Date has occurred. By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, (A) to report the prices at which it sells to the Public the unsold Bonds of each maturity allotted to it until either all Bonds have been sold or it is notified by the winning bidder that the 10% Test has been satisfied as to the Bonds of that maturity, (B) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a Related Party to an Underwriter, and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder will assume that based on such agreement each order submitted by the underwriter, dealer or broker-dealer is a sale to the Public; and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the Public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the Public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the Public, if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wire.

In order to provide the Issuer with information that enables it to comply with certain requirements of the Internal Revenue Code of 1986, as amended relating to the exclusion of interest on the Bonds from the gross income of their owners, the winning bidder will be required to complete, execute, and deliver to the Issuer or to the Issuer's Municipal Advisor, within the required period (provided below), a certification as to the Bonds' "issue price" substantially in the form and to the effect as the applicable form attached hereto or accompanying this Notice of Sale (the "Issue Price Certificate"). In the event the winning bidder will not reoffer any maturity of the Bonds for sale to the Public (as defined herein) by the Closing Date, the Issue Price Certificate may be modified in a manner approved by the Issuer. Each bidder, by submitting its bid, agrees to complete, execute, and timely deliver the applicable Issue Price Certificate, if its bid is accepted by the Issuer. It will be the responsibility of the winning bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain such facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel (identified in the Preliminary Official Statement).

For purposes of this section of this Notice of Sale:

- (i) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter,
- (ii) "Underwriter" means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public),
- (iii) "Related Party" means any two or more persons (including an individual, trust, estate, partnership, association, company, or corporation) that are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "Sale Date" means the date that the Bonds are awarded by the Issuer to the winning bidder.

All actions to be taken by the Issuer under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the Issuer by the Issuer's Municipal Advisor, and any notice or report to be provided to the Issuer may be provided to the Issuer's Municipal Advisor.

The Issuer will consider any bid submitted pursuant to this Notice of Sale to be a firm offer for the purchase of the Bonds, as specified in the bid and, if so stated, in the Official Bid Form.

GOOD FAITH DEPOSIT: A bank cashier's check payable to the order of "Trophy Club Municipal Utility District No. 1" in the amount of **\$144,000 which is 2% of the par value of the Bonds** (the "Good Faith Deposit") is required. The Good Faith Deposit of the Purchaser will be retained uncashed by the Issuer until the Bonds are delivered, and at that time it will be returned to the Purchaser of the Bonds. The above mentioned Good Faith Deposit may accompany the bid, or it may be submitted separately; however, if submitted separately, it shall be made available to the Issuer prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn which will authorize its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. No interest will be paid or allowed on any Good Faith Deposit. The checks accompanying all other bids will be returned immediately after the bids are opened and the award of the sale of the Bonds has been made.

ADDITIONAL CONDITION OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM: Described hereinafter is a new obligation of the District to receive information from the winning bidder if the bidder is not a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity (a "Privately Held Bidder"). Effective January 1, 2018, pursuant to Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the District may not award the Bonds to a winning bidder which is a Privately Held Bidder unless such party submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the District as prescribed by the Texas Ethics Commission ("TEC"). In the event that a Privately Held Bidder's bid for the Bonds is the best bid received, the District, acting through its financial advisor, will promptly notify the winning Privately Held Bidder. That notification will serve as the District's conditional verbal acceptance of the bid, and will obligate the winning Privately Held Bidder to establish (unless such winning Privately Held Bidder has previously so established) an account with the TEC, and promptly file a completed Disclosure Form, as described below, in order to allow the District to complete the award.

Compliance with Law Prohibiting Contracts with Companies that Boycott Israel and Certain Companies Engaged in Business with Iran, Sudan, or Foreign Terrorist Organizations. Pursuant to Chapter 2270, Texas Government Code, the District will not award the Bonds to a bidder unless the bidder verifies that, at the time of execution and delivery of its bid and, except to the extent otherwise required by applicable federal law, to the date of the delivery of the Bonds, neither the bidder nor any syndicate member listed on the Official Bid Form, nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the same, boycotts or will boycott Israel. The terms "boycotts Israel" and "boycott Israel" as used in this paragraph have the meanings assigned to the term "boycott Israel" in Section 808.001 of the Texas Government Code, as amended. Such verification is included in the Official Bid Form attached to this Notice of Sale. Further, by submission of a bid, and as a condition of the award and delivery of the Bonds, the bidder must represent that, pursuant to Section 2252.152 of the Texas Government Code, and except to the extent otherwise required or permitted by or under federal law, neither the bidder, nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the bidder (i) engages in business with Iran, Sudan, or foreign terrorist organization as defined in Section 2252.151(2), Texas Government Code or (ii) is a company listed by the Texas Comptroller of Public Accounts under Sections 2270.0201 or 2252.153 of the Texas Government Code. At the request of the District, the bidder agrees to execute further written certification as may be necessary or convenient for the District to establish compliance with these laws.

Process for completing the Disclosure Form. Reference should be made to the Disclosure Form, the rules of the TEC with respect to the Disclosure Form (the "Disclosure Rules") and the Interested Party Disclosure Act. Instructional information regarding such matters are set forth at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm. For purposes of completing the Disclosure Form a Privately Held Bidder will need the following information: (a) item 2 – name of governmental entity: Trophy Club Municipal Utility District No. 1 and (b) item 3 – the identification number assigned to this contract by the Trophy Club Municipal Utility District No. 1: "Water and Sewer System Revenue Bonds, Series 2019", and a description of the services to be provided under the contract: "Purchase Trophy Club Municipal Utility District No. 1 Revenue Bonds, Series 2019". The Interested Party Disclosure Act and the Disclosure Rules require a non-publicly traded business entity contracting with the District to complete the form at the TEC Internet "portal" that may be accessed at the url set forth above. The executed Disclosure Form must be sent by email, to the District's financial advisor at Afriedman@samcocapital.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award. Upon receipt of the final written award, the winning bidder must submit a PDF version of the Disclosure Form to Bond Counsel at tcorbett@mcleanhowardlaw.com. Following the award of the Bonds, the District will acknowledge receipt of the completed Disclosure Form through the TEC website, as required by the law.

Preparations for completion, and the significance of, the reported information. In accordance with the Interested Party Disclosure Act, the information reported by the winning Privately Held Bidder must be declared by an authorized agent of the Privately Held Winning Bidder. No exceptions may be made to that requirement. The Interested Party Disclosure Act and the Disclosure Form provides that such acknowledgment is made "under penalty of perjury." Consequently, a winning Privately Held Bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. Time will be of the essence in submitting the form to the District, and no final award will be made by the District regarding the sale of the Bonds until a completed Disclosure Form is received. If applicable, the District reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein. Neither the District nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to (1) the bidder's obligation to submit the Disclosure Form or (2) the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form, if required, promptly upon notification from the District that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC's website at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

ADDITIONAL CONDITION OF AWARD – COMPLIANCE WITH H.B. 89 AND S.B 252, 85TH TEXAS LEGISLATURE:. To the extent the sale of the Bonds that is the subject of this Notice of Sale constitutes a contract for goods or services within the meaning

of Section 2270.002 of the Texas Government Code, each bidder, through submittal of an executed Official Bid Form, verifies that it does not boycott Israel and will not boycott Israel through the term of the agreement set forth in the Official Bid Form. For purposes of this verification, "boycott Israel" has the meaning ascribed to such term by Chapter 808 of the Texas Government Code.

Each bidder, through submittal of the executed Official Bid Form, acknowledges that it is not a company (as defined in Section 2270.0001(2), Texas Government Code) which is on a list prepared and maintained by the Comptroller of Public Accounts of the State of Texas under Sections 2270.0201 or 2252.153, Texas Government Code.

IMPACT OF BIDDING SYNDICATE ON AWARD: For purposes of contracting for the sale of the Bonds, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the District is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

OFFICIAL STATEMENT

To assist the Initial Purchaser in complying with Rule 15c2-12 (the "Rule") of the United States Securities and Exchange Commission ("SEC"), the Issuer and the Initial Purchaser contract and agree, by the submission and acceptance of the winning bid, as follows:

COMPLIANCE WITH THE RULE: The Issuer has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Bonds, but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the Issuer deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of the Rule, except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Purchaser and other similar information, terms and provisions to be specified in the competitive bidding process. The Initial Purchaser shall be responsible for promptly informing the Issuer of the initial offering yields of the Bonds.

Thereafter, the Issuer will complete and authorize distribution of the Final Official Statement identifying the Initial Purchaser and containing such omitted information. The Issuer does not intend to amend or supplement the Preliminary Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the Final Official Statement or any amendment or supplement thereto in the requested quantity to the Initial Purchaser on or after the sale date, the Issuer intends the same to be final as of such date, within the meaning of the Rule. Notwithstanding the foregoing, the Issuer makes no representation concerning the absence of material misstatements or omissions from the Preliminary Official Statement, except only as and to the extent under "CERTIFICATION OF THE OFFICIAL STATEMENT" as described below. To the best knowledge and belief of the Issuer, the Preliminary Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Bonds.

CONTINUING DISCLOSURE AGREEMENT: The District will agree in the Bond Order to provide certain periodic information and notices of material events in accordance with the Rule, as described in the Preliminary Official Statement under "CONTINUING DISCLOSURE OF INFORMATION." The Initial Purchaser's obligation to accept and pay for the Bonds is conditioned upon delivery to the Initial Purchaser or its agent of a certified copy of the Bond Order containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS: During the last five years, the Issuer has complied in all material respects with its previous continuing disclosure agreements made pursuant to the Rule.

FINAL OFFICIAL STATEMENT: The Issuer will furnish to the Purchaser, within seven (7) business days after the sale date, an aggregate maximum of fifty (50) copies of the Final Official Statement (and 50 copies of any addenda, supplement or amendment thereto), together with information regarding interest rates and other terms relating to the reoffering of the Bonds, in accordance with the Rule. The Issuer agrees to provide, or cause to be provided, to the Purchaser the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in such printed or electronic format as may be required for the Purchaser to comply with the Rule and the rules of the Municipal Securities Rulemaking Board (the "MSRB"). The Issuer consents to the distribution of such documents in electronic format. The Purchaser may arrange at its own expense to have the Final Official Statement reproduced and printed if it requires more than 50 copies and may also arrange, at its own expense and responsibility, for completion and perfection of the first or cover page of the Final Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Bonds. The Purchaser will be responsible for providing information concerning the Issuer and the Bonds to subsequent purchasers of the Bonds, and the Issuer will undertake no responsibility for providing such information other than to make the Final Official Statement available to the Purchaser as provided herein. The Issuer's obligation to supplement the Final Official Statement to correct representations determined to be materially misleading, after the date of the Final Official Statement, shall terminate upon 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. The Purchaser by submitting a bid for the Bonds agrees to promptly file the Official Statement with the MSRB. Unless otherwise notified in writing by the Purchaser, the Issuer can assume that the "end of the underwriting period" for purposes of the Rule is the date of the initial delivery of the Bonds to the Purchaser.

CHANGES TO OFFICIAL STATEMENT: If, subsequent to the date of the Final Official Statement, the Issuer learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser of any adverse event which causes the Final Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS - CONDITIONS TO DELIVERY," the Issuer will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Final Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the Issuer to do so will terminate on the date specified under "FINAL OFFICIAL STATEMENT" above.

CERTIFICATION OF THE OFFICIAL STATEMENT: At the time of payment for and delivery of the Initial Bonds, the Initial Purchaser will be furnished a certificate, executed by proper officials of the Issuer, acting in their official capacity, in the form specified in the Official Statement under the heading "OTHER PERTINENT INFORMATION – Certification of the Official Statement." The Preliminary Official Statement and Official Notice of Sale will be approved as to form and content and the use thereof in the offering of the Bonds will be authorized, ratified and approved by the District on the date of sale, and the Initial Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of such approval, duly executed by the proper officials of the Issuer.

DELIVERY AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL BOND: Initial Delivery will be accomplished by the issuance of one fully registered Bond, in the aggregate principal amount of \$7,200,000*, payable to the Purchaser (the "Initial Bond"), signed by the President and Secretary of the Board, by their manual or facsimile signatures, approved by the Attorney General, and registered and manually signed by the Comptroller of Public Accounts. Initial Delivery will be at the designated office of the Paying Agent/Registrar. Upon delivery of the Initial Bond, it shall be immediately canceled and one definitive certificate for each maturity in the aggregate principal amount of \$7,200,000* payable to Cede & Co. will be delivered to DTC in connection with DTC's Book-Entry-Only System. Payment for the Bonds must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The Purchaser will be given six business days' notice of the time fixed for delivery of the Bonds. It is anticipated that the delivery of the Initial Bond can be made on or about April 23, 2019, but if for any reason the District is unable to make delivery by May 23, 2019, then the District shall immediately contact the Purchaser and offer to allow the Purchaser to extend his obligation to take up and pay for the Bonds an additional 30 days. If the Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit will be returned, and both the District and the Purchaser shall be relieved of any further obligation. In no event shall the District be liable for any damages by reason of its failure to deliver the Bonds, provided that such failure is due to circumstances beyond the District's reasonable control.

DTC DEFINITIVE BONDS: The Bonds will be issued in book-entry-only form. Cede & Co. is the nominee for DTC. All references herein and in the Official Statement to the holders or registered owners of the Bonds shall mean Cede & Co. and not the beneficial owners of the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry form in the denomination of \$5,000 principal amounts or any integral multiple thereof. Under certain limited circumstances, there may be a cessation of the immobilization of the Bonds at DTC, or another securities depository, in which case, such beneficial interests would become exchangeable for definitive printed obligations of like principal amount.

CUSIP NUMBERS: It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Certificate nor any error with respect thereto shall constitute cause for a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of the Official Bid Form and this Official Notice of Sale. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the Issuer; however, the CUSIP Service Bureau's charge for the assignment of the numbers shall be paid by the Initial Purchaser.

CONDITIONS TO DELIVERY: The obligation to take up and pay for the Bonds is subject to the following conditions: the issuance of an approving opinion of the Attorney General of Texas, the Initial Purchaser's receipt of the legal opinion of Bond Counsel and the no-litigation certificate, and the non-occurrence of the events described below under the caption "NO MATERIAL ADVERSE CHANGE," all as described below. In addition, if the Issuer fails to comply with its obligations described under "OFFICIAL STATEMENT" above, the Initial Purchaser may terminate its contract to purchase the Bonds by delivering written notice to the Issuer within five (5) days thereafter.

NO MATERIAL ADVERSE CHANGE: The obligations of the Initial Purchaser to take up and pay for the Bonds, and of the Issuer to deliver the Bonds to the Initial Purchaser, 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 affairs of the Issuer subsequent to the date of sale from that set forth in the Official Statement, as it may have been finalized, supplemented or amended through the date of delivery.

LEGAL OPINIONS: The Bonds are offered when, as and if issued, subject to the approval of certain legal matters by the Attorney General of the State of Texas and Bond Counsel (see discussion "OTHER PERTINENT INFORMATION - Legal Opinions and No-Litigation Certificate" in the Official Statement).

* Preliminary, subject to change.

CHANGE IN TAX-EXEMPT STATUS: At any time before the Bonds are tendered for initial delivery to the Initial Purchaser, the Initial Purchaser may withdraw its bid if the interest on obligations such as the Bonds shall be declared to be includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, either by Treasury regulations, by ruling or administrative guidance of the Internal Revenue Service, by a decision of any federal court, or by the terms of any federal income tax legislation enacted subsequent to the date of this Official Notice of Sale.

GENERAL CONSIDERATIONS

RATING: A bond rating application has been made to S&P Global Ratings, a division of S&P Global Inc. ("S&P"). Currently the District has an S&P underlying rating of "AA" on its outstanding general obligation debt. An explanation of the significance of such rating, when received, may be obtained from S&P. A rating reflects only the view of such company at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that such a rating will continue for any given period of time, or that it will not be revised downward or withdrawn entirely by the company assigning such rating if, in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

SALE OF ADDITIONAL DEBT: The District does not anticipate the issuance of additional debt within the next twelve months.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE: No registration statement relating to the Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act. The Bonds have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. Any representation to the contrary is a criminal offense. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions contained therein, nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated 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.

It is the obligation of the Purchaser to register or qualify sale of the Bonds under the securities laws of any jurisdiction which so requires. The Issuer agrees to cooperate, at the Purchaser's written request and expense and within reasonable limits, in registering or qualifying the Bonds, or in obtaining an exemption from registration or qualification in any state where such action is necessary, but in no instance will the District be required to execute a special or general consent to service of process in any state that the Bonds are offered for sale.

ADDITIONAL COPIES: Subject to the limitations described under "OFFICIAL STATEMENT" herein, additional copies of this Official Notice of Sale, the Official Bid Form, and the Preliminary Official Statement may be obtained from SAMCO Capital Markets, Inc., 1700 Pacific Ave., Suite 2000, Dallas, Texas 75201, Attention: Peggy Kilborn (214-765-1440, pkilborn@samcocapital.com).

On the date of the sale, the District will, in the Order awarding the sale of the Bonds, approve the form and content of the Final Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Purchaser.

ATTEST:

Mr. Stephen J. Flynn
Secretary/Treasurer, Board of Directors
Trophy Club Municipal Utility District No. 1

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

CERTIFICATE OF INTERESTED PARTIES

FORM 1295

1 of 1

Complete Nos. 1 - 4 and 6 if there are interested parties.
Complete Nos. 1, 2, 3, 5, and 6 if there are no interested parties.

OFFICE USE ONLY CERTIFICATION OF FILING

1 Name of business entity filing form, and the city, state and country of the business entity's place of business.

2 Name of governmental entity or state agency that is a party to the contract for which the form is being filed.

Trophy Club Municipal Utility District No. 1

3 Provide the identification number used by the governmental entity or state agency to track or identify the contract, and provide a description of the services, goods, or other property to be provided under the contract.

Contract Number: TCMUD Bonds BPA

Purchase of the Trophy Club Municipal Utility District No. 1 Water and Sewer System and Revenue Bonds, Series 2019

4	Name of Interested Party	City, State, Country (place of business)	Nature of interest (check applicable)	
			Controlling	Intermediary

5 Check only if there is NO Interested Party.

☐

6 UNSWORN DECLARATION

My name is _____, and my date of birth is _____.

My address is _____, _____, _____, _____, _____.
(street) (city) (state) (zip code) (country)

I declare under penalty of perjury that the foregoing is true and correct.

Executed in _____ County, State of _____, on the _____ day of _____, 20____.
(month) (year)

Signature of authorized agent of contracting business entity
(Declarant)

(this page intentionally left blank)

OFFICIAL BID FORM

Honorable Board President and Board
Trophy Club Municipal Utility District No. 1
100 Municipal Dr.
Trophy Club, Texas 76262

March 11, 2019

Ladies and Gentlemen:

Reference is made to your Official Notice of Sale and Preliminary Official Statement dated March 11, 2019 of \$7,200,000 Trophy Club Municipal Utility District No. 1, Water and Sewer System Revenue Bonds, Series 2019, both of which constitute a part hereof.

For said legally issued Bonds, we will pay you \$_____ (a dollar price not less than 97% of par value) plus accrued interest from their Dated Date to the date of delivery to us, for Bonds maturing February 1 and bearing interest as follows:

<u>Stated Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Stated Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Stated Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2021	\$105,000	%	2031*	\$ 180,000	%	2041*	\$ 310,000	%
2022	115,000	%	2032*	190,000	%	2042*	325,000	%
2023	120,000	%	2033*	200,000	%	2043*	345,000	%
2024	125,000	%	2034*	215,000	%	2044*	365,000	%
2025	130,000	%	2035*	225,000	%	2045*	385,000	%
2026	140,000	%	2036*	235,000	%	2046*	405,000	%
2027	145,000	%	2037*	250,000	%	2047*	430,000	%
2028	155,000	%	2038*	265,000	%	2048*	450,000	%
2029*	165,000	%	2039*	280,000	%	2049*	475,000	%
2030*	175,000	%	2040*	295,000	%			

* *Maturities available for Term Bonds*

Of the principal maturities set forth in the table above, we have created term bonds as indicated in the following table (which may include multiple term bonds, one term bond or no term bonds if none is indicated). For those years which have been combined into a term bond, the principal amount shown in the table above will be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the term bond maturity date will mature in such year. The term bonds created are as follows:

<u>Term Bond Maturity Date September 1</u>	<u>Year of First Mandatory Redemption</u>	<u>Principal Amount of Term Bond</u>	<u>Interest Rate</u>

Our calculation (which is not part of this bid) of the Net Interest Cost in accordance with the above bid is:

NET INTEREST COST _____%

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: The District reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Bonds, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Bonds shall not exceed \$7,200,000. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Notice of Sale may be amended at the sole discretion of the District to reflect such increase or decrease. The District will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

By its acceptance of this bid, we understand the District will provide the copies of the Final Official Statement and of any amendments or supplements thereto in accordance with the Official Notice of Sale, and will cooperate to permit the undersigned to comply with Rule 15c2-12 of the United States Securities and Exchange Commission. The

Purchaser by submitting this bid for the Bonds agrees to promptly file the Official Statement when received from the District with the Municipal Securities Rulemaking Board.

The Initial Certificate shall be registered in the name of _____ (Syndicate Manager), which will upon payment for the Bonds, be canceled by the Paying Agent/Registrar. The Bonds will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the Book-Entry-Only System. We will advise DTC of registration instructions at least five business days prior to the date set for Initial Delivery.

Cashier's Check of the _____ Bank, _____, in the amount of \$144,000 which represents our Good Faith Deposit (is attached hereto) or (has been made available to you prior to the opening of this bid), and is submitted in accordance with the terms as set forth in the Official Notice of Sale. Upon delivery of the Bonds, said check shall be returned to the Initial Purchaser.

We agree to accept delivery of the Initial Bond(s) through DTC and make payment for the Initial Bond(s) in immediately available funds at BOKF, NA, Dallas, Texas, no later than 10:00 A.M., Central time, on April 23, 2019, or thereafter on the date the Initial Certificate(s) are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale.

Through submittal of this executed Official Bid Form, the undersigned verifies that it does not and will not "boycott Israel" and is not a company on the Texas Comptroller's list concerning the same prepared and maintained thereby under applicable Texas law, all as more fully provided in the Official Notice of Sale under the heading "CONDITIONS OF THE SALE – ADDITIONAL CONDITION OF AWARD - COMPLIANCE WITH H.B. 89 AND S.B. 252, 85TH TEXAS LEGISLATURE".

The undersigned agrees to the provisions of the Official Notice of Sale under the subcaption "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" and, as evidence thereof, agrees to complete, execute and deliver to the District by the date of delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to or required by the Bond Counsel for the Issuer (as provided under "CONDITIONS OF SALE- ESTABLISHMENT OF ISSUE PRICE" in the Official Notice of Sale.

For purposes of contracting for the sale of the Bonds, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the District is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

Upon notification of conditional verbal acceptance, the undersigned will complete an electronic form of the Certificate of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed, notarized and sent by email to the District's financial advisor at Afriedman@samcocapital.com and Bond Counsel at tcorbett@mcleanhowardlaw.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the District from providing final written award of the enclosed bid.

Respectfully submitted,

By: _____
Underwriter's Authorized Representative

ACCEPTANCE CLAUSE

THE ABOVE AND FOREGOING BID IS IN ALL THINGS HEREBY ACCEPTED this 18th day of March 2019, by the Trophy Club Municipal Utility District No. 1.

ATTEST:

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

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

ISSUE PRICE CERTIFICATE

(Form of Certificate if at least 3 bids are received from underwriters)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the Water and Sewer System Revenue Bonds, Series 2019 issued by the Trophy Club Municipal Utility District No. 1 ("Issuer") in the principal amount of \$7,200,000* ("Bonds"), hereby certifies and represents, based on its records and information, as follows:

(a) On the first day on which there was a binding contract in writing for the purchase of the Bonds by the Purchaser, the Purchaser's reasonably expected initial offering prices of each maturity of the Bonds with the same credit and payment terms (the "Expected Offering Prices") to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter are as set forth in the pricing wire or equivalent communication for the Bonds, as attached to this Certificate as Schedule A. The Expected Offering Prices are the prices for the Bonds used by the Purchaser in formulating its bid to purchase the Bonds.

(b) The Purchaser had an equal opportunity to bid to purchase the Bonds and it was not given the opportunity to review other bids that was not equally given to all other bidders (i.e., no last look).

(c) The bid submitted by the Purchaser constituted a firm bid to purchase the Bonds.

For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public) to participate in the initial sale of the Bonds to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, by McLean & Howard, L.L.P. in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes and by McCall, Parkhurst & Horton L.L.P. in connection with the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds. Notwithstanding anything set forth herein, the Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this [ISSUE DATE].

[NAME OF PURCHASER], as Purchaser

By: _____

Name: _____

* Preliminary, subject to change. See "ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS" herein.

ISSUE PRICE CERTIFICATE

(Form of Certificate if less than 3 bids are received from underwriters)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the Water and Sewer System Revenue Bonds, Series 2019 issued by the Trophy Club Municipal Utility District No. 1 ("Issuer") in the principal amount of \$7,200,000* ("Bonds"), hereby certifies and represents, based on its records and information, as follows:

(a) [Other than the Bonds maturing in ____ ("Hold-the-Price Maturities"), the][The first prices at which at least ten percent ("Substantial Amount") of the principal amount of each maturity of the Bonds having the same credit and payment terms ("Maturity") was sold to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter ("Public") are their respective initial offering prices, as listed in the pricing wire or equivalent communication for the Bonds that is attached to this Certificate as Schedule A.

(Add (b) and (c) only if winning bidder designates one or more maturities as Hold-the-Price Maturities)

(b) On or before the first day on which there is a binding contract in writing for the sale of the Bonds ("Sale Date"), the Purchaser offered to the Public each Maturity of the Hold-the-Price Maturities at their respective initial offering prices, as set forth in Schedule A hereto ("Initial Offering Price").

(c) As set forth in the Notice of Sale, the Purchaser agreed in writing to neither offer nor sell any of the Hold-the-Price Maturities to any person at any higher price than the Initial Offering Price for each such Maturity until the earlier of the close of the fifth business day after the Sale Date or the date on which the Purchaser sells at least ten percent of a Hold-the-Price-Maturity of the Bonds to the Public at no higher price than the Initial Offering Price for such Maturity.

For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public) to participate in the initial sale of the Bonds to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, by McLean & Howard, L.L.P. in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes and by McCall, Parkhurst & Horton L.L.P. in connection with the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds. Notwithstanding anything set forth herein, the Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this [ISSUE DATE].

[NAME OF PURCHASER], as Purchaser

By: _____

Name: _____

* Preliminary, subject to change. See "ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS" herein.

SCHEDULE A
PRICING WIRE OR EQUIVALENT COMMUNICATION
(Attached)

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PRELIMINARY OFFICIAL STATEMENT**Dated: March 11, 2019**

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

*The District will designate the Bonds as “Qualified Tax-Exempt Obligations”
See “TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions” herein.*

\$7,200,000*

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
(A Political Subdivision of the State of Texas Located in Denton and Tarrant Counties)
WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2019**

Dated Date: March 15, 2019**Due: September 1, as shown on Page ii**

The Trophy Club Municipal Utility District No. 1 (the “District” or “Issuer”) \$7,200,000* Water and Sewer System Revenue Bonds, Series 2019 (the “Bonds”) are being issued pursuant to the terms and provisions of an order (the “Order”) of the Board of Directors of the District (the “Board”) and in accordance with the Constitution and general laws of the State of Texas (the “State”), including particularly Article XVI, Section 59 of the Texas Constitution and Texas Water Code, Chapters 49 and 54, as amended, and an approving order of the Texas Commission on Environmental Quality issued on November 6, 2018. (See “THE BONDS - Authority for Issuance” herein.)

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

Interest on the Bonds will accrue from March 15, 2019 (the “Dated Date”) and is payable March 1, 2020, and each September 1 and March 1 thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. Purchasers of the Bonds (“Beneficial Owners”) will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as Cede & Co., as the paying agent to DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the Beneficial Owners of the Bonds. The initial paying agent/registrars for the Bonds shall be BOKF, NA, Dallas, Texas (the “Paying Agent”).

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

The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2029, in whole or from time to time in part, on September 1, 2028, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. (See “THE BONDS – Optional Redemption” herein.)

After requesting competitive bids for purchase of the Bonds, the District will accept the lowest bid to purchase the Bonds, bearing interest rates as shown on page ii herein, at a price of ____% of par plus a cash premium of \$_____ plus accrued interest to the date of delivery, resulting in a net interest cost rate to the District of ____%.

STATED MATURITY SCHEDULE**(See Page ii)**

The Bonds are offered for delivery, when, as and if issued and received by the initial purchaser (the “Purchaser”) and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McLean and Howard, L.L.P., Austin, Texas, Bond Counsel. Delivery of the Bonds through DTC in Dallas, Texas is expected on or about April 23, 2019.

Bids Due: Monday, March 18, 2019 at 11:00 A.M., Central Standard Time

* Preliminary, subject to change.

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

<u>Stated Maturity</u>	<u>Principal Amount*</u>	<u>Rate (%)</u>	<u>Yield (%)</u>	<u>CUSIP Suffix^(a)</u>
2021	\$ 105,000			
2022	115,000			
2023	120,000			
2024	125,000			
2025	130,000			
2026	140,000			
2027	145,000			
2028	155,000			
2029	165,000			
2030	175,000			
2031	180,000			
2032	190,000			
2033	200,000			
2034	215,000			
2035	225,000			
2036	235,000			
2037	250,000			
2038	265,000			
2039	280,000			
2040	295,000			
2041	310,000			
2042	325,000			
2043	345,000			
2044	365,000			
2045	385,000			
2046	405,000			
2047	430,000			
2048	450,000			
2049	475,000			

The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2029, in whole or from time to time in part, on September 1, 2028, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. (See "THE BONDS – Optional Redemption" herein.)

^(a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the District nor the Financial Advisor is responsible for the selection or the correctness of the CUSIP numbers set forth herein.

Preliminary; subject to change.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1

BOARD OF DIRECTORS

Name	Position	Two Year Term Expires May
Mr. Gregory Wilson	President	2020
Mr. Bill Rose	Vice President	2020
Mr. Steve Flynn	Secretary / Treasurer	2022
Ms. Kelly Castonguay	Director	2022
Mr. Mark Chapman	Director	2022

DISTRICT PERSONNEL AND ADVISORS

General Manager Mr. John Carman
..... Trophy Club, Texas

Finance Manager Mr. Steven Krolczyk
..... Trophy Club, Texas

Operations Manager Mr. Mike McMahon
..... Trophy Club, Texas

Attorneys for the District/Bond Counsel..... Tony Corbett
..... McLean and Howard, L.L.P.
..... Austin, Texas

Financial Advisor SAMCO Capital Markets, Inc.
..... Dallas, Texas

Independent Auditors Lafollett and Abbott PLLC
..... Tom Bean, Texas

Tax Assessor - Collector Denton County, Texas
..... Tarrant County, Texas

Chief Appraiser..... Denton County, Texas
..... Tarrant County, Texas

For Additional Information Please Contact:

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Finance Manager
Trophy Club Municipal Utility District
100 Municipal Drive
Trophy Club, Texas 76262
(682) 831-4600
skrolczyk@tcmud.org

Mr. Andrew Friedman
Managing Director
SAMCO Capital Markets, Inc.
1700 Pacific Avenue, Suite 2000
Dallas, Texas 75201
(214) 765-1413
afriedman@samcocapital.com

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

USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities Exchange Commission (the "Rule"), this document constitutes a preliminary official statement of the Issuer with respect to the Certificates that has been deemed "final" by the Issuer as of its date except for the omission of no more than the information permitted by the Rule.

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information must not be relied upon.

Certain information set forth herein has been provided by sources other than the District that the District believes to be reliable, but the District makes no representation as to the accuracy of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by _____ (the "Underwriter") bearing the interest rates shown on the cover page hereof, at a price of _____% of the par value thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of _____%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

Issue Prices and Marketability

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

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

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

INVESTMENT CONSIDERATIONS

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

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SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer	Trophy Club Municipal Utility District No. 1 (the "District" or "Issuer") is a political subdivision of the State of Texas located in Denton and Tarrant Counties, Texas. The District was created as a municipal utility district pursuant to Chapters 49 and 54 of the Texas Water Code and is a conservation and reclamation district in accordance with Article XVI, Section 59 of the Texas Constitution. The District has also adopted a fire protection plan under Section 50.055 of the Texas Water Code, now codified as Subchapter L of Chapter 49 of the Texas Water Code, pursuant to the Order of the Texas Water Commission of August 22, 1983. In July of 2009, documentation was submitted to the Texas Commission on Environmental Quality ("TCEQ") regarding the consolidation of Trophy Club Municipal Utility District Nos. 1 and 2 as of a May 9, 2009 election. (See "THE DISTRICT" herein.)
The Bonds	The Bonds are being issued pursuant to the terms and provisions of an order (the "Order") of the Board of Directors of the District (the "Board") and in accordance with the Constitution and general laws of the State of Texas (the "State"), including particularly Article XVI, Section 59 of the Texas Constitution and Texas Water Code, Chapters 49 and 54, as amended, and an approving order of the Texas Commission on Environmental Quality issued on November 6, 2018. (See "THE BONDS - Authority for Issuance" herein.)
Security for Payment	The Bonds, when issued, will constitute special obligations of the District, payable, both as to principal and interest, solely from and secured by a first lien on and pledge of the Net Revenues of the District's water and sewer system (the "System"). The Net Revenues consist of the gross revenues of the System, less maintenance and operation expenses of the System. Depreciation and payments into and out of funds for the Bonds and Additional Parity Obligations shall never be considered expenses of maintenance and operation. Additionally, the District has established a reserve fund (the "Reserve Fund") pledged to the payment of the Bonds and Additional Parity Obligations and is required to maintain an amount in the Reserve Fund equal to average annual debt service requirements on the Parity Revenue Obligations (see "SELECTED PROVISIONS OF THE ORDER"). The Bonds do not constitute a general obligation of the District, and the holders of the Bonds shall not have the right to demand payment thereof from any funds raised or to be raised by taxation. None of the State of Texas, Denton or Tarrant Counties, Texas nor any political subdivision or municipality, other than the District shall be obligated to pay the principal of or interest on the Bonds. (See "THE BONDS –Security for Payment" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas, Texas.
Description	The Bonds in the aggregate principal amount of \$7,200,000* mature on September 1 of each year in the amounts as set forth on page ii of this Official Statement. Interest accrues from March 15, 2019 (the "Dated Date") at the rates per annum set forth page ii hereof and is payable March 1, 2020 and each September 1 and March 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. (See "THE BONDS - General Description" herein.)
Optional Redemption	Bonds maturing on and after September 1, 2029 are subject to redemption in whole, or from time to time in part at the option of the District prior to their maturity dates on September 1, 2028, or on any date thereafter, at par plus accrued interest from the most recent interest payment date to the date of redemption. (See "THE BONDS - Optional Redemption" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing law subject to matters discussed herein under "TAX MATTERS" including the alternative minimum tax on corporations. (See "TAX MATTERS" and Appendix C - "Form of Legal Opinion of Bond Counsel" herein.)
Use of Proceeds	Proceeds from the sale of the Bonds will be used to (i) make improvements to the District's wastewater treatment facilities and to construct water transmission line improvements, and (ii) pay the costs related to the issuance of the Bonds. (See "THE BONDS – Use of Bond Proceeds" herein.)

**Preliminary; subject to change*

Ratings	An application has been made to S&P Global Ratings ("S&P") for a rating on the Bonds. (See "RATINGS" herein.)
Qualified Tax Exempt Obligations	The Issuer will designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions" herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York relating to the method and timing of payment and the method and transfer relating to the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Future Bond Issues	Currently the District has no plans to issue additional debt within the next twelve months.
Payment Record	The Issuer has never defaulted in the timely payment of principal of or interest on its revenue indebtedness.
Delivery	When issued, anticipated on or about April 23, 2019.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McLean and Howard, L.L.P., Bond Counsel, Austin, Texas.

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**OFFICIAL STATEMENT
relating to**

\$7,200,000*

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

WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2019

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by the Trophy Club Municipal Utility District No. 1 (the "District" or "Issuer") of its \$7,200,000* Water and Sewer System Revenue Bonds, Series 2019 (the "Bonds").

The Bonds are being issued pursuant to the terms and provisions of an order (the "Order") of the Board of Directors of the District (the "Board") and in accordance with the Constitution and general laws of the State of Texas (the "State"), including particularly Article XVI, Section 59 of the Texas Constitution and Texas Water Code, Chapters 49 and 54, as amended, and an approving order of the Texas Commission on Environmental Quality issued on November 6, 2018, and will constitute special obligations of the District, payable, both as to principal and interest, solely from and secured by a first lien on and pledge of the Net Revenues of the District's water and sewer system (the "System").

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

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

THE BONDS

General

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

Description of the Bonds

The \$7,200,000* Trophy Club Municipal Utility District No. 1 Water and Sewer System Revenue Bonds, Series 2019 will bear interest from March 15, 2019 (the "Dated Date") and will mature on September 1 of the years and in the principal amounts set forth on page ii hereof.

Interest on the Bonds is payable March 1, 2020, and each September 1 and March 1 thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof. The initial paying agent for the Bonds shall be BOKF, NA, Dallas, Texas ("Paying Agent"). The principal of and interest on the Bonds shall be payable without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debt due the United States of America.

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

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

Use of Bond Proceeds

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

I. Construction Costs		District's Share
a. Developer Contribution Items		
None		\$ 0
b. District Items		
1. Water Line Improvements		\$ 3,205,100
2. WWTP Improvements Supplemental Costs		591,728
3. Contingencies (20.13% of Item No. 1-2)		764,205 (1)
4. Engineering (37.61% of Item No. 1-2)		1,427,879 (2)
5. Geotechnical Testing for Item No. 2		50,000
6. Permit fees for Item No. 2		92,038
7. Right of Way and Easement Acquisition for Item No. 1		<u>567,950</u> (3)
Total District Items		\$ 6,698,900
TOTAL CONSTRUCTION COSTS (93.06% of BIR)		\$ 6,698,900
II. Non-Construction Costs		
a. Legal Fees		\$ 100,400 (4)
b. Fiscal Agent Fees		76,000 (5)
c. Bond Discount (3%)		216,000
d. Bond Issuance Expenses		58,500
e. Bond application Report		25,000
f. Attorney General Fee (0.1%)		7,200
g. TCEQ Bond Issuance Fee (0.25%)		<u>18,000</u>
Total Non-Construction Costs		<u><u>501,100</u></u>
TOTAL BOND ISSUE REQUIREMENT		\$ 7,200,000

- Notes: (1) Represents total of \$641,020 requested for Item No. 1, plus \$123,185 requested for Item No. 2.
- (2) Represents total of \$541,308 requested for Item No. 1, plus \$886,571 requested for Item No. 2 (\$327,577 for field observations, plus \$386,679 for construction administration, plus \$172,315 for additional inspection).
- (3) Represents total of \$105,950 for easement acquisition services (approximately 7 easements), plus \$462,000 for purchase of the easements (total easement area of approximately 46,200 SF at \$10/square foot).
- (4) Represents a total of \$100,400 requested including \$84,000 pursuant to the contract provided (2.5% of bond amount up to \$1,000,000, plus 2% of bond amount between \$1,000,000 and \$2,000,000; plus 0.75% of bond amount over \$2,000,000), plus \$14,400 for special tax counsel, plus \$2,000 for escrow release counsel.
- (5) Represents total of \$76,000 requested pursuant to the contract provided (1.5% of bond amount up to \$3,000,000, plus 1% of bond amount between \$3,000,000 and \$5,000,000, plus 0.5% of bond amount over \$5,000,000).

Authority for Issuance

The Bonds are issued pursuant to the terms and provisions of an order (the "Order") of the Board of Directors of the District (the "Board") and in accordance with the Constitution and general laws of the State of Texas (the "State"), including particularly Article XVI, Section 59 of the Texas Constitution and Texas Water Code, Chapters 49 and 54, as amended, and an approving order of the Texas Commission on Environmental Quality issued on November 6, 2018.

Texas Commission on Environmental Quality Approval

On November 6, 2018, the Texas Commission on Environmental Quality ("TCEQ") issued a Commission Order ("TCEQ Order") approving the project and the issuance of the Bonds. The approval order included the following information:

Pursuant to TEX. WATER CODE Section 49.181, the engineering project for Trophy Club Municipal Utility District No. 1 of Denton and Tarrant Counties is hereby approved together with the issuance of \$7,200,000* in bonds at a maximum net effective interest rate of 5.16%. The District should be directed to properly escrow a total of \$3,846,120 (\$3,205,100 in construction plus \$641,020 in contingencies) for the water line extensions pending TCEQ approval, which is contingent upon the TCEQ District Section's receipt of plans and specifications approved by all authorities having jurisdiction and recorded easements evidencing District ownership/access

to the site; or if only evidence of recorded easements evidencing District ownership/access to the site are provided to the TCEQ, then use of the funds will be subject to District board receipt of plans and specifications approved by all entities with jurisdiction. The District should further be directed to place these funds in one or more authorized financial institutions of the District's choice and provide the TCEQ with a certified copy of the executed escrow agreement(s) between the District and the financial institution(s) stating that the funds, excluding interest earnings, cannot be withdrawn for District use except by written authorization from the TCEQ. The District should be allowed, from time to time, in accordance with good money management practices, to transfer these funds, or parts thereof, from one financial institution to another, provided the funds are not released to the District until the stated conditions are met and the District maintains current agreements with financial institutions in which funds are held stating the conditions for release. The District is advised that the legal, fiscal agent, and engineering fees have not been evaluated to determine whether these fees are reasonable or competitive. These fees are included as presented in the engineering report. The District is directed that any surplus bond proceeds resulting from the sale of bonds at a lower interest rate than that proposed shall be shown as a contingency line item in the Official Statement and the use of such funds shall be subject to approval pursuant to TCEQ rules on surplus funds. The approval of the sale of these bonds herein shall be valid for one year from the date of this Order unless extended by written authorization of the TCEQ.

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

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

Payment Record

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

Redemption Provisions

Optional Redemption: The Bonds maturing on or after September 1, 2029, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2028, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

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

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bonds or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Issuer will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of

such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Order and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Termination of Book-Entry-Only System

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

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

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

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

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

Defeasance of Outstanding Bonds

The Order provides for the defeasance of the Bonds when payment of the principal of and premium, if any, on Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or an authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The Order provides that "Government Securities" means (1) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (2) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (3) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated

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

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

Paying Agent/Registrar

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

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

Record Date

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

Tax Covenants

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

SOURCES AND USES OF FUNDS

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

Sources of Funds

Par Amount
Accrued Interest
Original Issue Premium

Total Sources of Funds

The Bonds

Uses of Funds

Deposit to the Construction Fund
Cost of Issuance
Accrued Interest Deposit to Interest & Sinking Fund
Underwriter's Discount

Total Uses of Funds

SECURITY FOR THE BONDS

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

Net Revenues

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

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

<u>Dated Date</u>	<u>Outstanding Amount</u>	<u>Issue Description</u>
02-01-15	\$8,280,000	Water & Sewer System Revenue Bonds, Series 2015
10-01-16	\$4,230,000	Water & Sewer System Revenue Bonds, Series 2016

Reserve Fund

In the Order, the District covenants to accumulate and maintain a reserve for the payment of the Bonds and Additional Parity Obligations (the *Required Reserve*) equal to the lesser of (i) the Average Annual Debt Service Requirements (calculated on a Fiscal Year basis and determined as of the date of issuance of the Bonds or the most recently issued series of Additional Parity Obligations then Outstanding, or at the option of the District, at the end of each fiscal year) for the Bonds and Additional Parity Obligations or (ii) the maximum amount in a reasonably required reserve fund for the Bonds and Additional Parity Obligations from time to time that can be invested without restriction as to yield pursuant to section 148 of the Internal Revenue Code of 1986, as amended (the *Reserve Fund*), which Fund or account shall be maintained at an official depository of the District. All funds deposited into the Reserve Fund (excluding surplus funds which include earnings and income derived or received from deposits or investments which will be transferred to the Revenue Fund during such period as there is on deposit in the Reserve Fund the Required Reserve) shall be used solely for the payment of the principal of and interest on the Parity Revenue 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 \$398,763* (the Required Reserve), which is equal to not less than the Average Annual Debt Service for the Bonds, and on or before the 1st day of the month next following the month the Bonds are delivered to the Purchasers and on or before the 1st day of each following month, the District shall cause to be deposited to the Reserve Fund from the Pledged Revenues an amount equal to at least one-sixtieth (1/60th) of the Required Reserve. After the Required Reserve has been fully accumulated and while the total amount on deposit in the Reserve Fund is in excess of the Required Reserve, no monthly deposits shall be required to be made to the Reserve Fund.

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

*Preliminary; subject to change.

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

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

In the event an insurance policy issued to satisfy all or part of the District's obligation with respect to the Reserve Fund causes the amount then on deposit in the Reserve Fund to exceed the Required Reserve, the District may transfer such excess amount to any fund or account established for the payment of or security for the 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.

Rate Covenant

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

Issuance of Additional Bonds

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

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

- (1) Additional Bonds. The District expressly reserves the right to issue Additional Bonds payable solely from the Net Revenues of the System, for the purpose of completing, repairing, improving, extending, enlarging, or replacing the System, or refund bonds or other obligations issued in connection with the System, and such bonds may be payable from and equally secured by a first lien on and pledge of said Net Revenues on a parity with the pledge thereof for these Bonds. Provided, however, that before the District can issue Additional Bonds payable solely from the Net Revenues of the System, an independent certified public accountant shall certify that the Net Earnings of the System for the last completed fiscal year or a 12 consecutive calendar month period ending no more than 90 days preceding the adoption of the order authorizing the Additional Bonds shall have been not less than 1.20 times the average annual debt service requirements of the Outstanding Obligations, the Bonds and any Additional Parity Obligations. Additionally, in connection with the issuance of Additional Parity Obligations, the President of the Board and the General Manager shall sign a written certificate to the effect that the District is not in default as to any covenant, condition or obligation in connection with the Outstanding Obligations, the Bonds and Additional Parity Obligations and the bond orders authorizing the same and the Interest and Sinking Fund and the Reserve Fund each contain the amount then required to be therein.

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

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

Bondholders' Remedies

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

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

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

RATING

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

BOOK-ENTRY-ONLY SYSTEM

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation", within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificated securities. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P Global Ratings rating of "AA+". The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of

Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed certificates representing the Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE – Future Registration".

INVESTMENT CONSIDERATIONS

General

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

Approval of the Bonds

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

Consolidation

A district (such as the District) has the legal authority to consolidate with other municipal utility districts and, in connection therewith, to provide for the consolidation of its assets, such as its water and wastewater systems with the assets of the district(s) with which it is consolidating, as well as its liabilities (which would include the Bonds and other outstanding obligations of the District). The District

is the resulting entity from a consolidation in May 2009 of Prior MUD 1 and Prior MUD 2 (see "THE DISTRICT"). No representation is made whether the District will consolidate again in the future with any other district.

Abolition

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

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

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

Alteration of Boundaries

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

Registered Owners' Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, the District could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning District relief from its creditors. While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owner could potentially and adversely impair the value of the Registered Owner's claim.

Continuing Compliance with Certain Covenants

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

Future Debt

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

Future and Proposed Legislation

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

THE DISTRICT

Creation of the District

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

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

Governance

The District is governed by a board of directors which has control over and management supervision of all affairs of the District. There are five elected directors that serve four-year staggered terms. The District and all similar districts are subject to the continuing supervision and filing requirements of the TCEQ, including the preparation and filing of an annual independent audit report. All District facility plans are submitted to the TCEQ for review and approval.

Employees

The District has seventeen (17) full-time employees for water and wastewater services. The District is required to pay 50% of the costs incurred by the Town (hereinafter defined) for salary, benefits and other compensation of employees who provide firefighting and emergency medical services to both the District and the Town. The District's liabilities under the Agreement for Fire Personnel, including pension benefits, do not have a substantial impact on the District's finances.

General

The area in the District is locally known as "Trophy Club." It is a residential and mixed-use development consisting of approximately 2,283.5 acres in the Town of Trophy Club, and approximately 468 acres in Town of Westlake (Solana). Of the developed acres within the District, there are approximately 3046 existing households, 136 apartment units, 42 townhouses and 1,444 homes in the Trophy Club PID (the Trophy Club Development").

Location

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

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

Population

According to District officials, the current population of the District is estimated to be approximately 8,529 (3,046 occupied homes times 2.8 persons per household) and the current population of the entire Town of Trophy Club, the District and the Trophy Club PID No. 1 (the "Trophy Club Development") is estimated at 12,572 (4,490 occupied homes times 2.8 persons per household).

Topography and Drainage

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

Shopping and Commercial Facilities

A shopping center within the District has a major grocery store chain, a bank, a major drug store chain, several service businesses, multiple food outlets, beauty shop, and a dry-cleaners. Additionally, there are several more businesses and professional offices located in the District, at the primary entrance to the Town of Trophy Club, and a few restaurants and hotels sitting off the 114 Highway. There are additional shopping facilities in Roanoke, about two (2) miles west of the District and numerous shopping facilities in Southlake about five (5) miles east of the District and in Grapevine about eleven (11) miles east of the District. Full metropolitan shopping facilities are available in Dallas and Fort Worth, Texas which have their central business districts approximately 27 miles and 25 miles, respectively from the District.

Fire Protection

The District operates its Fire Department (the "Department") with an engine, a Quint, a brush truck and two support vehicles. Currently the Department is staffed with fifteen (15) full-time professional firefighter/paramedic, fourteen (14) part-time professional Firefighter/EMTs and 4 certified volunteers. Operations under the Department include fire suppression, fire prevention, emergency management, investigation/enforcement and emergency medical response.

Police Protection

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

Schools

The Town is served by the Northwest Independent School District (the "School District" or "Northwest ISD"). Northwest ISD covers approximately 234 square miles in Denton, Wise and Tarrant Counties. In addition to serving the Town, the School District also serves the communities of Aurora, Fairview, Haslet, Justin, Newark, Northlake, Rhome, Roanoke, Trophy Club, Avondale, Drop, Fairview, Marshall Creek and Northlake. Northwest ISD is comprised of 17 elementary schools, 5 middle schools 4 high schools and 2 special schools. The School District serves a 2018-19 estimated enrollment of 24,271.

Recreational Opportunities

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

Status of Development of the District

The District is a mature district with approximately 10 acres undeveloped throughout the Town of Trophy Club besides a new development, PD 30, started in 2018. PD 30 has approximately 26.5 acres in the development and is comprised of 36 townhomes, 236 apartments, and various commercial establishments. There is substantial land left for commercial development in the Solana complex, which is located within the Town of Westlake.

Status of Business / Commercial Development

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

Multiple other commercial developments are under construction from restaurant row, retail corner, and others in the undeveloped property in Solana which were approved by the Town of Westlake in 2013.

The District cannot predict the impact that any future development may have on the District's financial condition.

Public Improvement District Description

Trophy Club PID No. 1 (the "PID") consists of approximately 609.683 acres of land generally to the north of Oakmont Drive, Oak Hill Drive and the Quorum Condominiums, east of the Lakes Subdivision and Parkview Drive, south of the Corps of Engineer's property, and west of the Town's eastern limit. The PID is located entirely within the Town limits but outside the District. A master-planned residential community (the "Property") is under construction in the PID and has reached buildout with 1,444 residential connections. located within the Property, which Property is zoned to permit such use pursuant to the PID Zoning. As of September 30, 2014, 1,173 homes have been completed and are occupied and an additional 63 homes have been permitted and are currently under construction. The PID is projected to build out as early as 2017. The District provides emergency and fire protection services to the PID, and the PID pays the District an assessment for such services through a calculated tax rate. The District also provides water and sewer service for the PID. The total billed for PID water and sewer at the end of fiscal year 2018 was \$1,578,783.

THE DISTRICT'S SYSTEM

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

Description of the Water System

Sources of Water Supply: The present water supply is provided from two sources: (i) four ground wells which provide approximately 800,000 gallons per day, and (ii) a 21-inch water line which can deliver 10,000,000 gallons per day of treated water from the City of Fort Worth facilities. Currently the District has a contract with the City of Fort Worth, which expires September 30, 2031, for unlimited water services. Current maximum usage is approximately 7,310,000 gallons per day (of which 6,510,000 is Fort Worth water). These sources, when combined, provide water which complies with the quality requirements of the TCEQ and needs only chlorination at the District's water plant facility.

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

Description of the Wastewater System

Wastewater Treatment Plant Facility: The wastewater treatment plant system has a permitted treatment/discharge capacity of 1,750,000 gallons per day from the TCEQ under TPDES Permit No. 11593-001. The District's discharge permit was renewed in December 2017. Although the permit authorizes the discharge of wastewater to the adjacent tributary leading to Lake Grapevine, the plant effluent is mostly pumped to various holding ponds within the community of Trophy Club and is re-used for irrigating the golf course.

The District had previously issued GO and Rev Bonds for a combined \$14,995,000 approved by the Texas Commission on Environmental Quality ("TCEQ"). Even though the WWTP project is behind the original construction schedule due to various delays, the project is nearly 99% completion by the end of January 2019. The WWTP project is anticipated to run approximately \$1,900,000 over budget, and the District is seeking to finance the overrun as part of the \$7,200,000 revenue bond issuance in addition to the water system improvements.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT

Available District funds are invested as authorized by Texas law and in accordance with investment policies approved by the Board of Directors. Both State law and the District's investment policies are subject to change. Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations

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

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its 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 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 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, 2018 (Audited) 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.

Prosperity Bank Account- General Fund	\$ 1,641,684.00
Prosperity Bank Money Market Account- Improvement Reserves	983,515.00
TexPool - General Fund	4,368,107.00
(Includes Operating Fund/Fire Dept./Reserves for Future Asset Replacement)	
TexPool - Debt Service	682,345.00
Escrow- Capital Projects Fund	767,358.00
	<u>\$ 8,443,009.00</u>

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 McLean and Howard, L.L.P., ("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, McLean and Howard, L.L.P. has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Order.

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

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 will designate 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 2019.

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 provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The Issuer will provide notice of any of the following events with respect to the Bonds: (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 Beneficial Owners 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 or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the Issuer or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the Issuer or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties. The terms "financial obligation" and "material" when used in this paragraph shall have the meanings ascribed to them under federal securities laws.

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

SAMCO Capital Markets, Inc. is employed as a Financial Advisor to the Issuer in connection with the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds and has assisted in drafting 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 Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for the Financial Advisor are contingent upon the issuance, sale and delivery of the Bonds.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to the Issuer and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

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.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as the Financial Advisor to the Issuer in connection with the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds and has assisted in drafting 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 Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for Financial Advisor are contingent upon the issuance, sale and delivery of the Bonds.

Winning Bidder

On March 18, 2019, it is expected that the Bonds will be awarded to an underwriter or group of underwriters managed by _____ (the "Purchaser") through a competitive bid process, or the District will reject all bids in accordance with the provisions of the Official Notice of Sale. The initial reoffering yields will be supplied to the District by the Purchaser. The initial reoffering yields shown on page ii of the Official Statement will produce compensation to the Purchaser of approximately \$_____.

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, 2018, the date of the last audited financial statements of the Issuer provided in the Preliminary Official Statement for the Bonds.

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

Concluding Statement

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

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

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

Secretary/Treasurer, 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 September 30, 2018)

Waterworks and Sewer System Revenue Bonds, Series 2015	\$ 8,280,000
Waterworks and Sewer System Revenue Bonds, Series 2016	4,230,000
Water and Sewer System Revenue Bonds, Series 2019 (the "Bonds")	<u>7,200,000</u> *
Total Revenue Debt Principal Outstanding	\$ 19,710,000

*Preliminary; subject to change.

CONDENSED WATER AND SEWER SYSTEM OPERATING STATEMENT

TABLE 2

	Fiscal Year Ending September 30				
	2018	2017	2016	2015	2014
Operating Revenues^(a)					
Water and Wastewater Charges	\$ 9,286,714 ^(b)	\$ 8,632,747	\$ 6,729,926	\$ 6,138,766	\$ 5,730,872
Investment Income	61,283	18,940	12,652	6,117	6,071
Other Revenues and Fees	57,864	136,863	120,867	211,321	203,206
Total Operating Revenues	<u>\$ 9,405,861</u>	<u>\$ 8,788,550</u>	<u>\$ 6,863,445</u>	<u>\$ 6,356,204</u>	<u>\$ 5,940,149</u>
Operating Expenses^(c)					
Operating and Maintenance Expenses	\$ 5,284,818	\$ 5,056,094	\$ 5,176,084	\$ 5,163,671	\$ 4,840,819
Total Operating Expenses	<u>\$ 5,284,818</u>	<u>\$ 5,056,094</u>	<u>\$ 5,176,084</u>	<u>\$ 5,163,671</u>	<u>\$ 4,840,819</u>
Net Revenues Available for Debt Service	<u>\$ 4,121,043</u>	<u>\$ 3,732,456</u>	<u>\$ 1,687,361</u>	<u>\$ 1,192,533</u>	<u>\$ 1,099,330</u>
Supplemental Utility Fees	\$ -	\$ -	\$ 55,200 ^(d)	\$ 239,200 ^(d)	\$ 331,200 ^(d)
Active Customer Count :					
Water	4,723 ^(e)	4,683	4,779	4,704	4,339
Sewer	4,728 ^(e)	4,688	4,784	4,710	4,344

^(a) Includes water and sewer revenues and excludes ad valorem property tax revenues.

^(b) Audited 2018 Operating Revenues reflect an increase in water & sewer rates, effective April 1, 2018.
(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 total of 1,407 Utility Fees collected was completed in January 2016.

^(e) Customer count includes 1,444 wholesale connections served by the District through a wholesale agreement with 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, 2018 (Audited) Net Revenues Available for Debt Service	\$ 4,121,043
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Following the Issuance of the Bonds:

Average Annual Principal and Interest Requirements (2019-2049)	\$ 989,171.26
Coverage of Average Requirements from FY 2018 Net System Revenues	4.17 X
Maximum Principal and Interest Requirements (2020)	1,451,962.50
Coverage of Maximum Requirements from FY 2018 Net System Revenues	2.84 X

OTHER OBLIGATIONS**TABLE 4**

<u>Description</u>	<u>Year of Issue</u>	<u>Interest Rate Payable</u>	<u>Final Maturity</u>	<u>Average Annual Payment</u>	<u>Original Amount</u>	<u>Principal Outstanding Unaudited as of 9-30-18</u>
Capital Lease						
Fire Truck	2014	2.50%	2022	\$ 127,149	\$ 1,057,316	\$ 463,561 ^(a)

Notes Payable:

Total Other Obligations \$ 463,561

^(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. The Capital Lease/Fire Truck is paid from Fire Tax Revenue.

FUND BALANCES**TABLE 5****(As of September 30, 2018 Audited)**

Water and Sewer Operating Fund (Unassigned)	\$ 7,254,013
Water and Sewer Operating Fund (Assigned / Non-Spendable Prepaids)	1,510,481
Water and Sewer Capital Projects Fund	(1,091,510)
Revenue Bond Interest and Sinking Fund	22,145
Revenue Bond Reserve Fund	606,910
Reserve Fund for Replacement of Infrastructure	596,426
Total	\$ 8,898,465

Source: The Issuer

REVENUE BOND DEBT SERVICE REQUIREMENTS

TABLE 6

Fiscal Year Ending 9-30	Revenue Debt Service Outstanding	The Bonds*			Combined Debt Service*
		Principal	Interest	Total	
2019	\$ 872,338.50	\$ -	\$ -	\$ -	\$ 872,338.50
2020	873,362.50	-	578,600.00	578,600.00	1,451,962.50
2021	874,036.00	105,000.00	396,000.00	501,000.00	1,375,036.00
2022	879,402.00	115,000.00	390,225.00	505,225.00	1,384,627.00
2023	879,376.00	120,000.00	383,900.00	503,900.00	1,383,276.00
2024	883,952.00	125,000.00	377,300.00	502,300.00	1,386,252.00
2025	893,030.00	130,000.00	370,425.00	500,425.00	1,393,455.00
2026	890,475.00	140,000.00	363,275.00	503,275.00	1,393,750.00
2027	896,387.50	145,000.00	355,575.00	500,575.00	1,396,962.50
2028	896,499.50	155,000.00	347,600.00	502,600.00	1,399,099.50
2029	904,781.50	165,000.00	339,075.00	504,075.00	1,408,856.50
2030	906,808.50	175,000.00	330,000.00	505,000.00	1,411,808.50
2031	911,690.50	180,000.00	320,375.00	500,375.00	1,412,065.50
2032	915,661.00	190,000.00	310,475.00	500,475.00	1,416,136.00
2033	913,836.00	200,000.00	300,025.00	500,025.00	1,413,861.00
2034	926,286.00	215,000.00	289,025.00	504,025.00	1,430,311.00
2035	926,737.50	225,000.00	277,200.00	502,200.00	1,428,937.50
2036	275,724.00	235,000.00	264,825.00	499,825.00	775,549.00
2037	-	250,000.00	251,900.00	501,900.00	501,900.00
2038	-	265,000.00	238,150.00	503,150.00	503,150.00
2039	-	280,000.00	223,575.00	503,575.00	503,575.00
2040	-	295,000.00	208,175.00	503,175.00	503,175.00
2041	-	310,000.00	191,950.00	501,950.00	501,950.00
2042	-	325,000.00	174,900.00	499,900.00	499,900.00
2043	-	345,000.00	157,025.00	502,025.00	502,025.00
2044	-	365,000.00	138,050.00	503,050.00	503,050.00
2045	-	385,000.00	117,975.00	502,975.00	502,975.00
2046	-	405,000.00	96,800.00	501,800.00	501,800.00
2047	-	430,000.00	74,525.00	504,525.00	504,525.00
2048	-	450,000.00	50,875.00	500,875.00	500,875.00
2049	-	475,000.00	26,125.00	501,125.00	501,125.00
	<u>\$15,520,384.00</u>	<u>\$ 7,200,000.00</u>	<u>\$ 7,943,925.00</u>	<u>\$15,143,925.00</u>	<u>\$ 30,664,309.00</u>

* Preliminary; subject to change.

PRINCIPAL REPAYMENT SCHEDULE
TABLE 7

Fiscal Year Ending 9-30	Outstanding Revenue Debt	The Bonds	Total Debt	Bonds Unpaid at End of Year	Percent of Principal Retired (%)
2019	\$ 595,000	\$ -	\$ 595,000	\$ 19,115,000	3.02%
2020	605,000	-	605,000	18,510,000	6.09%
2021	615,000	105,000	720,000	17,790,000	9.74%
2022	630,000	115,000	745,000	17,045,000	13.52%
2023	640,000	120,000	760,000	16,285,000	17.38%
2024	655,000	125,000	780,000	15,505,000	21.33%
2025	675,000	130,000	805,000	14,700,000	25.42%
2026	685,000	140,000	825,000	13,875,000	29.60%
2027	705,000	145,000	850,000	13,025,000	33.92%
2028	720,000	155,000	875,000	12,150,000	38.36%
2029	745,000	165,000	910,000	11,240,000	42.97%
2030	765,000	175,000	940,000	10,300,000	47.74%
2031	790,000	180,000	970,000	9,330,000	52.66%
2032	815,000	190,000	1,005,000	8,325,000	57.76%
2033	835,000	200,000	1,035,000	7,290,000	63.01%
2034	870,000	215,000	1,085,000	6,205,000	68.52%
2035	895,000	225,000	1,120,000	5,085,000	74.20%
2036	270,000	235,000	505,000	4,580,000	76.76%
2037	-	250,000	250,000	4,330,000	78.03%
2038	-	265,000	265,000	4,065,000	79.38%
2039	-	280,000	280,000	3,785,000	80.80%
2040	-	295,000	295,000	3,490,000	82.29%
2041	-	310,000	310,000	3,180,000	83.87%
2042	-	325,000	325,000	2,855,000	85.51%
2043	-	345,000	345,000	2,510,000	87.27%
2044	-	365,000	365,000	2,145,000	89.12%
2045	-	385,000	385,000	1,760,000	91.07%
2046	-	405,000	405,000	1,355,000	93.13%
2047	-	430,000	430,000	925,000	95.31%
2048	-	450,000	450,000	475,000	97.59%
2049	-	475,000	475,000	-	100.00%
	\$ 12,510,000	\$ 7,200,000	\$ 19,710,000	\$251,230,000	

* Preliminary; subject to change.

	Fiscal Year Ended September 30				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Production:					
Gallons pumped into System (in 000 gallons)	955,151	940,027	894,859	902,398	937,819
Usage:					
Water Active Meter Count	4,723	4,683	4,779	4,704	4,339
Total Gallons Billed (in 000 gallons)	884,662	855,792	830,653	818,827	888,962
Water Accountability Ratio	92.62%	91.04%	92.83%	90.74%	94.79%
Total Water Sales (\$\$)	\$ 6,009,610	\$ 5,822,785	\$ 4,210,866	\$ 3,781,229	\$ 3,461,337
Average Monthly Usage Per User in Gallons	15,867	15,283	17,000	17,000	17,000
Average Monthly Bill Per User (\$\$)	\$ 106.33	\$ 103.44	\$ 73.43	\$ 66.99	\$ 66.47
Percentage Water Loss in System	7.38%	8.52%	7.17%	9.26%	5.21%

Source: The Issuer's annual audit reports (statistical information section) and the Issuer.

PRINCIPAL WATER/SEWER CUSTOMERS

TABLE 9

(As of September 30, 2018)

<u>Name of Customer</u>	<u>Average Monthly Consumption In Gallons</u>	<u>Average Monthly Bill</u>
Maguire Thomas/BRE Solana LLC	5,055,417	\$ 35,645
Town of Trophy Club	2,453,667	18,762
Marriott-Solana	1,868,333	12,510
HMC Solana LLC	1,693,750	11,998
The Vineyards at Trophy Club	1,302,667	8,543
Byron Nelson High School	958,417	7,706
Clubcorp Golf of Texas, LP	948,000	6,292
Value Place Hotel	894,333	5,966
Armored II-Quorum, LLC	642,667	4,584
Trophy Club Lodging LTD	660,750	4,418
Total	<u>16,478,001</u>	<u>\$ 116,424</u>

Principal water/sewer customers for 2018 represent 14.85% of the District's total annual revenue.

Source: Issuer

Current Rates
Effective October 1, 2018

Water Base Rates

<u>Meter Size</u>	<u>Monthly Base Rate</u>
5/8" & 3/4"	\$ 17.15
1"	32.23
1.5"	56.94
2"	86.58
3"	155.76
4"	254.59
6"	501.64

Water Volumetric Rates

<u>Gallons</u>	<u>Rates per 1,000 Gallons Over Base</u>
0 to 6,000	\$ 3.96
6,001 to 17,000	4.61
17,001 to 25,000	5.34
25,001 to 50,000	6.20
50,001 and Over	7.21

Sewer Base and Volumetric Rates

Residential	\$ 20.60	0 to 4,000	\$ 3.24
		4,001 to 8,000	4.60
		8,001 to 12,000	6.56
		12,000 plus	9.32
Commercial	\$ 20.60	All	\$ 6.30

Previous Rates
Effective April 1, 2017

Water Base Rates

<u>Meter Size</u>	<u>Monthly Base Rate</u>
5/8" & 3/4"	\$ 17.15
1"	32.23
1.5"	56.94
2"	86.58
3"	155.76
4"	254.59
6"	501.64

Water Volumetric Rates

<u>Gallons</u>	<u>Rates per 1,000 Gallons Over Base</u>
0 to 6,000	\$ 3.96
6,001 to 17,000	4.61
17,001 to 25,000	5.34
25,001 to 50,000	6.20
50,001 and Over	7.21

Sewer Base and Volumetric Rates

Residential	\$ 17.50	0 to 4,000	\$ 2.84
		4,001 to 8,000	4.03
		8,001 to 12,000	5.74
		12,000 plus	8.16
Commercial	\$ 17.50	\$4.89/1,000 gallons	

APPENDIX B

SELECTED PROVISIONS OF THE ORDER

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EXCERPTS FROM THE BOND ORDER

The following are excerpts of certain provisions of the Order to be adopted by the Board of Directors authorizing the issuance of the Bonds. Such excerpts do not purport to be complete and reference should be made to the Resolution for the entirety thereof. Copies of the Order are available upon request to the District or the District's Bond Counsel.

Section 2.1 Definitions. For all purposes of this Order, unless the context requires a different meaning or except as otherwise expressly provided, the following terms shall have the meanings assigned to them below:

“Additional Parity Obligations” means revenue bonds or other evidences of indebtedness which the District reserves the right to issue or enter into, as the case may be, in the future in accordance with the terms and conditions provided in Section 10.1 hereof and which are equally and ratably secured by a lien on and pledge of the Pledged Revenues.

“Authorized Investments” shall mean all direct or indirect obligations of the United States or one of its agencies, the State, any county, city, school district or other political subdivision of the State and certificates of deposit of state or national banks or savings and loan associations within the State; provided that any such certificates of deposit are secured by direct or indirect obligations of the United States or one of its agencies having a market value equal to the face amount of such certificate of deposit to the extent any portion of the face amount is not insured by the Federal Deposit Insurance Corporation.

“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.

“Bonds” shall mean the Trophy Club Municipal Utility District No. 1 Water and Sewer System Revenue Bonds, Series 2019 issued and delivered pursuant to this Order and all substitute Bonds and Bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term “Bond” shall mean any of the Bonds.

“Bond Date” shall mean March 15, 2019.

“Bondholder” or “Holder” when used with respect to any Bond shall mean the Person in whose name such Bond is registered on the Register.

“Business Day” means any day which is not a Saturday, Sunday or a day on which the Paying Agent/Registrar is authorized by law or executive order to remain closed or a legal holiday.

“Closing Date” shall mean the date on which the Bonds are initially authenticated and delivered to the Purchaser against payment therefor which shall also be the date the Definitive Bonds are delivered in exchange for the Initial Bond.

“Code” shall mean the Internal Revenue Code of 1986, as amended by any amendments thereto enacted prior to the Closing Date.

“Commission” means the Texas Commission on Environmental Quality.

“Construction Fund” means the Trophy Club Municipal Utility District No. 1 Water and Sewer

System Revenue Bonds, Series 2019, Construction Fund established by Section 9.1 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.

“Definitive Bonds” shall mean the Initial Bond, as may be transferred and converted into or exchanged for fully registered Bonds in the denomination of \$5,000 or any integral multiple of \$5,000 in excess thereof.

“Depository Bank” means any financial institution duly designated by the Board of Directors of the District to serve as a depository for funds controlled by the Board of Directors of the District.

“District” shall mean Trophy Club Municipal Utility District No. 1.

“Escrow Agent” shall have the meaning set forth in Section 8.1 hereof.

“Escrow Agreement” shall mean the agreement between the District and the Escrow Agent referred to in Section 8.1 hereof.

“Event of Default” means any event of default as provided in Section 15.1 hereof.

“Existing Obligations” means the Outstanding Series 2015 Bonds and the Series 2016 Bonds.

“Fiscal Year” means the twelve month accounting period used by the District in connection with the operation of the System which may be any twelve consecutive month period established by the District.

“Governmental Obligations” (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.

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

“Gross Revenues” means all income, receipts and revenues of every nature derived or received from the operation and ownership (excluding refundable meter deposits, restricted gifts and grants in aid of construction) of the System, including earnings and income derived from the investment or deposit of moneys in any special funds or accounts created and established for the payment and security of the Parity Revenue Obligations.

“Initial Bond” shall mean the Bond authorized to be issued hereunder which has the registration certificate, executed on behalf of the Comptroller of Public Accounts of the State of Texas, as contemplated by Section 3.5(d) hereof.

“Interest and Sinking Fund” means the fund created or affirmed by Section 9.1 of this Order.

“Interest Payment Date” shall mean with respect to any installment of interest on any Bond the date specified in such Bond as the fixed date on which any such installment of interest is due and payable.

“Maintenance and Operating Expenses” means all current expenses of operating and maintaining the System, including all 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 of Directors, reasonably and fairly exercised, are necessary to maintain the operations 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 obligations payable from Net Revenues shall be deducted in determining “Net Revenues”. Depreciation charges shall not be considered Maintenance and Operating Expenses. Maintenance and Operating Expenses shall include payments under contracts for the purchase of water supply or other materials, goods, services, or facilities for the System to the extent authorized by law and the provisions of such contract.

“Maturity Date” or “Maturity” when used with respect to any Bond shall mean the date on which the principal of such Bond becomes due and payable as therein provided, whether at the Stated Maturity, by call for redemption or otherwise.

“Net Earnings” shall have the meaning assigned to such term in Section 10.1.

“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 Maintenance and Operating Expenses, 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”.

“Order” shall mean this order authorizing the issuance of the Bonds.

“Outstanding” shall mean, 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 17.1 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 3.10 hereof or similar provisions with respect to Parity Revenue Obligations.

“Parity Revenue Obligations” means, collectively, the Bonds, the Existing Obligations, and any Additional Parity Obligations.

“Paying Agent/Registrar Agreement” shall mean the agreement between the District and the Paying Agent/Registrar referred to in Section 5.2 pursuant to which the Paying Agent/Registrar will perform the duties required hereunder.

“Paying Agent/Registrar” shall mean BOKF, NA, Dallas, Texas, until a successor Paying Agent/Registrar shall have been appointed pursuant to the applicable provisions of this Order, and thereafter “Paying Agent/Registrar” shall mean such successor Paying Agent/Registrar.

“Person” shall mean any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

“Place of Payment” shall mean the designated office of the Paying Agent/Registrar in Dallas, Texas.

“Pledged Revenues” shall mean the Net Revenues of the District’s System.

“Predecessor Bonds” of any particular Bond shall mean every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond, and, for purposes of this definition, any Bond registered and delivered under Section 3.10 in lieu of a mutilated, lost, destroyed or stolen Bond shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Bond.

“Project” shall mean the design and construction of water transmission line improvements and acquisition of related real property interests, and the design and construction of improvements to the District’s wastewater treatment facilities.

“Purchaser” shall mean _____.

“Record Date” for the interest payable on any Interest Payment Date shall mean the close of business on the fifteenth day of the month preceding such Interest Payment Date.

“Redemption Date” when used with respect to any Bond to be redeemed shall mean the date fixed for such redemption pursuant to the terms of this Order.

“Redemption Price” when used with respect to any Bond to be redeemed shall mean the price at which such Bond is to be redeemed pursuant to the terms of this Order, excluding installments of interest, the Interest Payment Date for which is on or before the Redemption Date.

“Register” shall have the meaning stated in Section 3.7 hereof.

“Regulations” shall mean the temporary or final Income Tax Regulations applicable to the Bonds issued pursuant to sections 103 and 141 through 150 of the Code. Any reference to a section of the Regulations shall also refer to any successor provision to such section hereafter promulgated by the Internal Revenue Service pursuant to sections 103 and 141 through 150 of the Code and applicable to the Bonds.

“Representation Letter” shall mean the Letter of Representations between the District and the DTC.

“Required Reserve” shall mean the amount which is equal to the Average Annual Debt Service of the Outstanding Parity Revenue Obligations.

“Reserve Fund” means the fund created or affirmed by Section 9.1 of this Order.

“Revenue Fund” means the Trophy Club Municipal Utility District No. 1 Revenue Fund heretofore created and affirmed by Section 9.1 of this Order.

“Rule” shall mean SEC Rule 15c2-12, as amended from time to time.

“Series 2015 Bonds” shall mean the \$9,230,000 Trophy Club Municipal Utility District No. 1 Water and Sewer System Revenue Bonds, Series 2015.

“Series 2015 Order” shall mean the order of the District that authorized the issuance of the Series 2015 Bonds.

“Series 2016 Bonds” shall mean the \$4,635,000 Trophy Club Municipal Utility District No. 1 Water and Sewer System Revenue Bonds, Series 2016.

“Series 2016 Order” shall mean the order of the District that authorized the issuance of the Series 2016 Bonds.

“Special Payment Date” shall have the meaning stated in Section 3.4 hereof.

“Special Record Date” shall have the meaning stated in Section 3.4 hereof.

“Stated Maturity” when used with respect to any Bond shall mean the date specified in such Bond as the fixed date on which the principal of such Bond is due and payable.

“Subordinate Lien Obligations” means the bonds permitted to be issued by the District pursuant to Section 10.3 of this Order.

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

Section 9.1 Creation of Funds.

The following funds are hereby created or affirmed:

(i) “Trophy Club Municipal Utility District No. 1 Water and Sewer System Revenue Bonds, Series 2019, Revenue Fund” (herein called the “Revenue Fund”) is hereby affirmed;

(ii) “Trophy Club Municipal Utility District No. 1 Water and Sewer System Revenue Bonds, Series 2019, Reserve Fund” (herein called the “Reserve Fund”) is hereby created; and

(iii) “Trophy Club Municipal Utility District No. 1 Water and Sewer System Revenue Bonds, Series 2019, Interest and Sinking Fund” (herein called the “Interest and Sinking Fund”) is hereby created for the purpose of providing funds to pay the principal of, premium, if any, and interest on the Parity Revenue Obligations as the same become due and payable; and

(iv) “Trophy Club Municipal Utility District No. 1 Water and Sewer System Revenue Bonds, Series 2019, Construction Fund” (herein called the “Construction Fund”) is hereby created.

The District covenants and agrees that all revenues derived from the operation of the System shall be kept separate from other funds of the District.

Section 9.2 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 Maintenance and Operation Expenses 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. 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 9.3 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 9.4 Reserve Fund.

(a) 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 13.1), 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.

(b) Upon issuance of the Bonds, the total amount required to be accumulated and maintained in the Reserve Fund is hereby determined to be \$_____ (the "Required Reserve"), which is equal to not less than the Average Annual Debt Service for the Bonds and the Existing Obligations, and on or before the 1st day of the month next following the month the Bonds are delivered to the Purchaser 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.

(c) 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.

(d) 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.

(e) 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.

Section 9.5 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 9.6 Deficiencies; Excess Revenues.

(a) If on any occasion there shall not be sufficient Gross Revenues to make the required deposits into the Interest and Sinking Fund or Reserve Fund, then such deficiency shall be cured as soon as possible from the next available Gross Revenues, or from any other sources available for such purpose.

(b) Subject to making the required deposits to the Interest and Sinking Fund and the Reserve Fund when and as required by any order or resolution relating to authorizing the issuance of Parity Revenue Obligations, the excess Gross Revenues may be used by the District for any lawful purpose related to the System.

Section 9.7 Investments- Security of Funds.

(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 9.8 Contributions in Aid of Construction Any moneys that may be received by the District that shall represent contributions in aid of construction shall be deposited in a separate account at the Depository Bank. Such contributions shall not be considered as part of the Gross Revenues of the System. Payments from such bank account shall be made only for the purposes for which the contributions were made, including any refunds that may become due to any contributor.

Section 10.1 Additional Prior Lien Obligations.

(a) 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:

(b) 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;

(c) 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; and

(d) 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 1.25 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.

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 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 10.2 Refunding Bonds. The District reserves the right to issue refunding bonds to refund all or any part of the Parity Revenue Obligations (pursuant to any law then available) upon such terms and conditions as the Board of Directors of the District may deem to be in the best interest of the District and its inhabitants, and if less than all such Parity Revenue Obligations then outstanding are refunded, the conditions precedent prescribed (for the issuance of Additional Parity Obligations) in Section 10.1 shall be satisfied and the accountant's certificate or opinion required in Section 10.1 shall give effect to the Debt

Service of the proposed refunding bonds (and shall not give effect to the Debt Service of the Parity Revenue Obligations being refunded following their cancellation or provision being made for their payment).

Section 10.3 Obligations of Inferior Lien and Pledge. The District hereby reserves the right to issue Subordinate Lien Obligations payable from and secured by a lien on and pledge of the System revenues, junior and subordinate in rank and dignity to the lien and pledge securing the payment of the Parity Revenue Obligations, as may be authorized by the laws of the State of Texas.

Section 11.1 Pledge of Revenues.

(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 11.1(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 11.1(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 Bonds 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 11.2 Payment of Bonds and Performance of Obligations. The District covenants to pay promptly the principal of and interest on the Bonds as the same become due and payable, whether at maturity or by prior redemption, in accordance with the terms of the Bonds and this Order, and to keep and perform faithfully all of its covenants, undertakings and agreements contained in this Order, or in any Bond executed, authenticated and delivered hereunder.

Section 12.1 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 Maintenance and Operation Expenses, 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 hereof.

Section 15.1 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:

(a) the failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable;

(b) default in the performance or observance of any other covenant, agreement, or obligation of the District and the continuation thereof for a period of 30 days after notice of such default is given by any Bondholder to the District; or

(c) the District files for protection under the federal Bankruptcy Code or other similar state or federal statute.

Section 15.2 Remedies for Default.

(a) Upon the happening of any Event of Default or the default in the performance or observance of any other covenant, agreement, or obligation of the District, then any Bondholder 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 Bondholders 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 Bondholders hereunder or any combination of such remedies.

(b) All such proceedings shall be instituted and maintained for the equal benefit of all Bondholders.

Section 15.3 Remedies Not Exclusive.

(a) 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.

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

Section 17.1 Defeasance.

(a) If the District shall pay or cause to be paid, or there shall otherwise be paid to the Bondholders, the principal of and interest on the Bonds, at the times and in the manner stipulated in this Order, then the pledge of Pledged Revenues under this Order and all covenants, agreements, and other obligations of the District to the Bondholders shall thereupon cease, terminate, and become void and be discharged and satisfied, and the Paying Agent/Registrar shall pay over or deliver all money held by it under this Order to the District.

(b) Bonds or interest installments for the payment of which money shall have been set aside and shall be held in trust by the Paying Agent/Registrar or with any other bank or trust company which has agreed to hold the same for such purpose (through deposit by the District of funds for such payment or otherwise) at the Stated Maturity thereof shall be deemed to have been paid within the meaning and with the effect expressed above in this Section. All Existing Obligations shall be deemed to have been paid, prior to their Stated Maturity, within the meaning and with the effect expressed above in this Section, if there shall have been deposited with the Paying Agent/Registrar either (a) money in an amount which shall be sufficient to make such payment, (b) Governmental Obligations certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (c) a combination of money and Governmental Obligations together so certified to be sufficient to make such payment, provided that all the expenses pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Paying Agent/ Registrar (and to such other bank or trust company).

Section 18.5 Amendments.

(a) This Order shall constitute a contract with the Bondholders entered into upon the initial purchase of the Bonds, shall be binding on the District and its successors and assigns whether or not so expressed, and shall not be amended or repealed by the District so long as any Bond remains outstanding except as permitted in this Section.

(b) The District may, without the consent of or notice to any Bondholder, from time to time and at any time amend this Order in any manner that the District determines is not detrimental to the interests of the Bondholders, for the purpose of the curing of any ambiguity, inconsistency, or formal defect or omission herein or therein. In addition, the District may amend, add to, or rescind any of the provisions of this Order; except that, notwithstanding the foregoing, without the consent of the Holders of all of the affected outstanding Bonds, no such amendment, addition, or rescission shall (1) change the Stated Maturity of the Bonds or any Interest Payment Date for an installment of interest thereon, reduce the principal amount thereof, the Redemption Price therefor, or the rate of interest thereon, change the place or places at, or the coin or currency in, which any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) modify any of the provisions of this Section, except to provide that certain other provisions of this Order cannot be modified or waived without the consent of the Holder of each Bond affected thereby.

(c) Any consent to any amendment hereof by the Bondholder shall bind every future Holder of the same Bond and the Holder of every Bond issued upon transfer or in lieu thereof or in exchange therefor, in respect of anything done or suffered to be done by the District in reliance thereon, whether or not notation of such action is made upon such Bond.

(d) Any rating agency rating the Bonds must receive notice of each amendment and a copy thereof at least 15 days in advance of its execution or adoption.

Section 18.6 Notice to Bondholders. Except as may be otherwise provided in this Order, where this Order provides for notice to Bondholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Bondholder, at the address of such Bondholder as it appears in the Register. Neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder of Bonds shall affect the sufficiency of such notice with respect to all other Bondholders. Wherever this Order provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event with respect to which such notice is given, and such waiver shall be the equivalent of such notice. Waivers of notice by Bondholders shall be filed with the District, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

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APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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MCLEAN & HOWARD, L.L.P.

**BARTON OAKS PLAZA, BUILDING II
901 SOUTH MO PAC EXPY., SUITE 225
AUSTIN, TEXAS 78746
(512) 328-2008**

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

April 23, 2019

We have acted as Bond Counsel for Trophy Club Municipal Utility District No. 1 (the “District”) in connection with the issuance of bonds (the “Bonds”) by the District described as follows:

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2019, dated March 15, 2019, in the aggregate principal amount of \$7,200,000, bearing interest at the rate set forth in the Order authorizing the issuance of the bonds (the “Bond Order”), with such interest payable on March 1 and September 1 of each year, commencing March 1, 2020 until maturity or prior redemption, and maturing serially on September 1 in each year from 2021 through 2049.

The Bonds are redeemable, in whole or in part, maturing on or after September 1, 2029 are subject to optional redemption prior to stated maturity on September 1, 2028 or on any date thereafter, at a price of the par value thereof plus accrued interest to the date of redemption, in the manner provided in the Bond Order. Additionally, the Bonds maturing on September 1, _____, _____, _____, and _____ are subject to mandatory redemption prior to maturity at the times and in the amounts provided in the Bond Order. The Bonds are registered as to both principal and interest and are transferable, registrable, and payable in the manner provided in the Bond Order.

The District has reserved the right in the Bond Order to issue additional bonds payable from the Pledged Revenues of the District's water and wastewater system with any such pledge being on a parity with the pledge to pay the Bonds. The District has also reserved the right to issue subordinate lien bonds, special project bonds and refunding bonds. Reference is made to the Bond Order for a complete description of the District's right to issue additional bonds.

The Bonds are obligations solely of the District and are not the obligations of the State of Texas or any other political subdivision or agency. The District's obligations with respect to the Bonds are subject to limitation by applicable federal bankruptcy laws and other laws which may from time to time affect the rights of creditors of political subdivisions.

IN OUR CAPACITY AS BOND COUNSEL, we have examined a transcript of certified proceedings pertaining to the Bonds which contains certified copies of certain proceedings of the Board of Directors of the District, customary certificates of officers, agents and representatives of the District and other certified showings related to the authorization and issuance of the Bonds. We have also examined the executed Initial Bond No. T-1. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon certificates

executed by officers, directors, agents and representatives of the District. We have assumed no responsibility with respect to the financial condition of the District or the reporting or disclosure thereof in connection with the sale of the Bonds.

BASED ON SAID EXAMINATION, 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 Bond 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 Bond Order), are payable solely from and equally and ratably secured by a first lien on and pledge of the certain net revenues of the District's water and wastewater system (the "Pledged Revenues") as provided in the Bond Order.

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 Bond 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 or 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

Page 3

that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully yours,

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APPENDIX D

EXCERPTS FROM THE DISTRICT'S AUDITED FINANCIAL STATEMENTS

(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, 2018

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }
COUNTY OF DENTON }

I, Gregory Wilson
(Name of Duly Authorized District Representative)

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

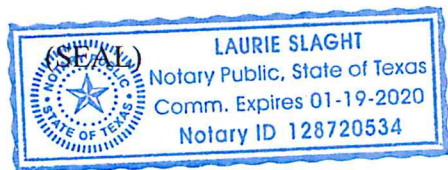
Hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 21st day of January, 2019, its annual audit report for the fiscal year or period ended September 30, 2018 and that copies of the annual audit report have been 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: January 21, 2019 By: [Signature]
(Signature of District Representative)

Gregory Wilson, President, Board of Directors
(Typed Name & Title of above District Representative)

Sworn to and subscribed to before me this 21st day of January, 2020.



[Signature]
(Signature of Notary)

My Commission Expires On: January 19, 2020
Notary Public in the State of Texas



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, 2018, 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.

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, 2018, 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 42-46 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 on pages 47-59 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying individual schedules and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying individual schedules and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2019, 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.

In Fallett and Abbott PLLC

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT’S DISCUSSION AND ANALYSIS
September 30, 2018

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, 2018.

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 and deferred outflows of the District exceeded its liabilities and deferred inflows by \$27,028,375. Of this amount, \$7,688,389 is unrestricted net position and may be used to meet the District’s ongoing commitments.

The District’s net position increased by \$4,118,127 during 2018 (page 12). A significant contributor to this result was actual General Fund expenditures being \$2,478,357 less than budgeted, with the most favorable budget variances being for water department, capital outlays, and fire protection expenditures (page 42).

At the end of the fiscal year, the District’s governmental type funds reported a combined fund balance of \$8,355,328. As of September 30, 2018, the unassigned fund balance of the General Fund was \$7,254,013.

Long-term debt activity for the District included debt principal repayments totaling \$1,427,381.

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. 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, deferred inflows, deferred outflows, liabilities, and net position. The net position is the difference between assets plus deferred outflows less deferred inflows plus liabilities. 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.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

Overview of the Financial Statements – continued

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 17-41.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

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 and deferred outflows exceeded liabilities and deferred inflows by \$27,028,375. Of this amount, \$18,657,642 (69%) 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 and \$682,344 (2.5%) restricted for debt service.

Table 1
Condensed Statements of Net Position

	Governmental Activities 2018	Governmental Activities 2017
Current and other	\$ 10,096,851	\$ 13,619,882
Capital assets	40,816,044	35,396,802
Total assets	50,912,895	49,016,684
Deferred outflows	71,774	126,894
Total deferred outflows	71,774	126,894
Long-term liabilities	20,465,047	21,816,627
Other liabilities	3,452,401	4,384,519
Total liabilities	23,917,448	26,201,146
Deferred inflows	38,846	21,292
Total deferred inflows	38,846	21,292
Net Position:		
Net investment in capital assets	18,657,642	12,152,794
Restricted for capital projects	-	5,178,262
Restricted for debt service	682,344	476,082
Restricted for other	-	35,316
Unrestricted	7,688,389	5,078,686
Total Net Position	\$ 27,028,375	\$ 22,921,140

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

Government-wide Financial Analysis - continued

District operational analysis – The following table provides a summary analysis of the District's consolidated operations for the fiscal years ended September 30, 2018 and 2017. Governmental activities have increased the District's net position by \$4,118,127 which amounts to a 18% increase in net position for the year ended September 30, 2018.

Table 2
Changes in Net Position

	Governmental Activities 2018	Governmental Activities 2017
Revenue:		
Program revenue		
Charges for services	\$ 9,308,951	\$ 8,743,566
Grants and Contributions	-	-
General Revenue		
Ad valorem taxes	1,878,557	1,785,407
Unrestricted investment earnings	112,040	20,864
Contributions not restricted to specific programs	195,528	54,791
Gain on sale of asset	9,477	1,906
Miscellaneous	80,627	108,799
Total Revenue	<u>11,585,180</u>	<u>10,715,333</u>
Expenses:		
Water & Wastewater operations	4,602,955	4,494,439
General government and other	1,595,960	1,637,102
Fire	698,845	702,943
Interest charges	569,293	584,186
Total Expenses	<u>7,467,053</u>	<u>7,418,670</u>
Increase in net position	<u><u>\$ 4,118,127</u></u>	<u><u>\$ 3,296,663</u></u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

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 District'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 \$8,355,328, of which 73.8%, or \$6,162,503, is unassigned and available to the District for future spending.

General Fund budgetary highlights

Revenue: Revenues were \$292,522 (2.6%) less than budgeted

- Water charges were \$393,758 (5.9%) less than budgeted.

Expenditures: Expenditures were \$1,991,731 (22.4%) less than budgeted

- Water operations expenditures were \$718,241 (18.5%) less than budgeted.
- Capital Outlay expenditures were \$979,566 (59.5%) less than budgeted.

Capital Asset and Debt Administration

The District's investment in capital assets for its governmental activities as of September 30, 2018 amounted to \$40,816,042, net of accumulated depreciation. This represents a broad range of capital assets including, but not limited to land, buildings, improvements, machinery and equipment, vehicles, water, wastewater treatment, and wastewater collection systems.

Capital assets increased 15.3% during 2018 primarily due to \$5.9 million of new construction in progress for the water and wastewater system. Additional information about capital assets may be found in Note 5 in the notes to financial statements.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

Debt administration

Long-Term Liabilities – at the end of the current fiscal year, the District had \$22,102,537 of general obligation bonds, revenue bonds, notes payable, capital leases, and accrued compensated absences, which is a decrease of 4.6% from the previous fiscal year. Of this amount, \$22,073,430 is backed by the full faith and credit of the District.

Table 3
 Outstanding Debt at Year-end

	Governmental Activities 2018	Governmental Activities 2017
Revenue bonds	\$ 12,510,000	\$ 13,100,000
General obligation bonds	8,725,000	9,450,000
Capital lease obligations	838,430	590,710
Compensated absences	29,107	32,306
Total	<u>\$ 22,102,537</u>	<u>\$ 23,173,016</u>

Economic factors and next year's budgets and rates:

General Fund fiscal year 2019 budgetary highlights:

Revenue: The District's 2019 operational revenue budget reflects a decrease of \$485,669 from the amended 2018 budget, and a decrease of \$284,675 when compared to actual accrued in 2018.

- Water revenue is budgeted to increase from \$6,035,804 for actual accrued in fiscal year 2018 to \$6,599,484 for budgeted fiscal year 2019 for a total projected increase of \$563,680.
- Sewer revenue is budgeted to increase from \$3,035,824 for actual accrued in fiscal year 2018 to \$3,412,665 for budgeted fiscal year 2019 for a total projected increase of \$376,841.
- Property tax revenue is budgeted to increase by \$42,208 for Fire and decrease by \$13,717 for the MUD netting an overall increase for tax revenue by \$28,491 due to property value, even though the District's overall tax rate decreased for fiscal year 2019 from the overall tax rate for fiscal year 2018.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

Expenses: The District's 2019 operational expense budget reflects a decrease of \$289,353 from the amended 2018 budget, and an increase of \$2,847,305 compared to the actual spending fiscal 2018.

- The primary reason for the difference in actual spending in 2018 to 2019 budget is attributable to reduced or deferred expenses. The most significant factors when comparing actual spending to projected budget are; wholesale water purchases increasing expenses by \$755,901 due to above average rainfall in 2018, capital outlay increase by \$397,227 due to capital improvement projects deferred or overlapping in 2018, short-term debt increase \$153,685 due to new assets being added in fiscal year 2019, and overall salary increase by \$197,929 due to unfilled budgeted positions that are budgeted to be filled in 2019.

Overall: The District's 2019 operational budget is anticipated to have expenses of \$10,271,365 and revenues of \$10,613,202.

Debt Service Fund 2019 budgetary highlights:

- The District's Debt Service Fund is budgeted to decrease from \$2,093,741 in actual fiscal year 2018 to \$2,089,126 budgeted for fiscal year 2019. This is a total decrease of \$4,615.
- Property tax revenues for the Debt Service Fund are budgeted to increase from \$681,687 in actual fiscal year 2018 to \$690,975 budgeted for fiscal year 2019. This is a total increase of \$9,288 due to an increase in valuations and a reduction in the debt service tax rate.

Overall: The District's consolidated budgeted revenue decreased from \$14,718,243 in fiscal year 2018 to \$14,495,168 in fiscal year 2019. Resulting in a total decrease of 1.52%. The District's consolidated budgeted expenses decreased from \$14,000,357 in fiscal year 2018 to \$13,960,551 in fiscal year 2019. Resulting in a total decrease of 0.28%.

Water and Sewer rates were both increased by the Board on October 1, 2017 to start fiscal year 2018. Sewer base and volumetric rates were both increased for residential and commercial customers by the District's Board of Directors, with an effective date of October 1, 2018. The sewer charges are calculated based on the average water consumption for three months, December, January, and February billing. Water base and volumetric rates were not changed.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

There are two legal matters that were not completed in fiscal year 2018. The first is potential litigation with the contractor constructing the upgrade to the wastewater treatment facility. This project is substantially complete, and the District has a potential claim for liquidated damages to be settled through negotiation at the end of the project, or if that fails, binding arbitration. The second legal matter relates to an unauthorized easement encroachment. The technical aspects of this case are settled. The remaining dispute is related to legal representation expenses incurred by the plaintiff.

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, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,993,981
Pooled investments	4,368,107
Restricted pooled investments	1,442,546
Receivables	
Accounts receivable, net	1,131,679
Taxes	26,454
Due from other governments	2,072
Prepays	70,512
Net pension asset	61,500
Non-depreciable capital assets:	
Land	648,178
Construction in progress	20,002,236
Water rights	796,145
Depreciable capital assets: (net)	
Buildings and other improvements	2,930,259
Machinery, vehicles, and other equipment	2,025,579
Water system	14,393,913
Organization costs	19,734
TOTAL ASSETS	50,912,895
DEFERRED OUTFLOWS OF RESOURCES	
Pension and other post employment benefits	71,774
TOTAL DEFERRED OUTFLOWS OF RESOURCES	71,774
LIABILITIES	
Accounts payable	1,295,338
Accrued liabilities	45,741
Accrued interest payable	59,415
Customer deposits	312,490
Net OPEB liability	16,955
Noncurrent liabilities:	
Debt due within one year	1,564,224
Debt due in more than one year	20,623,285
TOTAL LIABILITIES	23,917,448
DEFERRED INFLOWS OF RESOURCES	
Pension and other post employment benefits	38,846
TOTAL DEFERRED INFLOWS OF RESOURCES	38,846
NET POSITION	
Net investment in capital assets	18,657,642
Restricted for debt service	682,344
Unrestricted	7,688,389
TOTAL NET POSITION	\$ 27,028,375

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, 2018

Governmental Activities					Net (Expenses) Revenue and Changes in Net Assets
Program Activities	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Water operations	\$ 3,385,244	\$ 6,169,279	\$ -	\$ -	\$ 2,784,035
General government	1,395,655	22,237	-	-	(1,373,418)
Wastewater operations	1,149,853	3,117,435	-	-	1,967,582
Fire	698,845	-	-	-	(698,845)
Interest on long term debt	569,293	-	-	-	(569,293)
Non-Departmental	190,494	-	-	-	(190,494)
Wastewater collection system	67,858	-	-	-	(67,858)
Directors	9,811	-	-	-	(9,811)
Total governmental activities	\$ 7,467,053	\$ 9,308,951	\$ -	\$ -	\$ 1,841,898
General Revenues:					
Ad valorem taxes					1,878,557
Miscellaneous					80,627
Contributions not restricted to specific programs					195,528
Investment income					112,040
Gain on sale of assets					9,477
Total general revenues					2,276,229
Change in net position					4,118,127
Net Position - beginning of year					22,921,140
Prior period adjustments					(10,892)
Net Position - end of year					\$ 27,028,375

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, 2018

	General Fund	Debt Fund	Capital Fund	Total Funds
	ASSETS			
Assets				
Cash and cash equivalents	\$ 2,986,825	\$ 7,156	\$ -	\$ 2,993,981
Pooled investments	4,368,107	-	-	4,368,107
Restricted investments	-	675,188	767,358	1,442,546
Receivables:				
Accounts receivables, net	1,131,679	-	-	1,131,679
Taxes	16,952	9,502	-	26,454
Due from other governments	2,072	-	-	2,072
Due from other funds	1,051,130	-	-	1,051,130
Prepays	70,512	-	-	70,512
TOTAL ASSETS	\$ 9,627,277	\$ 691,846	\$ 767,358	\$ 11,086,481
	LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
Liabilities				
Accounts payable	\$ 487,600	\$ -	\$ 807,738	\$ 1,295,338
Accrued liabilities	45,741	-	-	45,741
Customer deposits	312,490	-	-	312,490
Due to other funds	-	-	1,051,130	1,051,130
Total liabilities	845,831	-	1,858,868	2,704,699
Deferred Inflows of Resources				
Unavailable revenues - property taxes	16,952	9,502	-	26,454
Total deferred inflows of resources	16,952	9,502	-	26,454
Fund Balances				
Non-spendable prepaids	70,512	-	-	70,512
Restricted-Debt service	-	682,344	-	682,344
Assigned-Capital outlays	1,439,969	-	-	1,439,969
Unassigned	7,254,013	-	(1,091,510)	6,162,503
Total fund balances	8,764,494	682,344	(1,091,510)	8,355,328
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 9,627,277	\$ 691,846	\$ 767,358	\$ 11,086,481

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, 2018**

Total fund balances - governmental funds	\$ 8,355,328
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.	40,816,044
Net pension asset is not a financial resource; therefore, it is not reported in the governmental funds.	61,500
Net OPEB liability is not a financial resource; therefore, it is not reported in the governmental funds.	(16,955)
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.	26,454
TCDRS contributions are not current financial resources/burden; therefore they are not reported in the governmental funds. The net of these amounts is:	71,774
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.	(59,415)
Unamortized pension investment gains/losses are not current financial resources/burden; therefore they are not reported in the governmental funds. The net of these amounts is:	(38,846)
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.	(29,107)
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	<u>(22,158,402)</u>
Net position of governmental activities	<u><u>\$ 27,028,375</u></u>

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues:				
Water and wastewater charges	\$ 9,286,714	\$ -	\$ -	\$ 9,286,714
Taxes	1,197,949	681,688	-	1,879,637
Miscellaneous	35,627	-	45,000	80,627
Intergovernmental revenues	195,528	-	-	195,528
Investment income	61,283	21,903	28,854	112,040
Oversize meter reimbursements	14,237	-	-	14,237
Inspection and tap fees	8,000	-	-	8,000
Total Revenues:	10,799,338	703,591	73,854	11,576,783
Expenditures				
Water	3,173,225	-	-	3,173,225
Wastewater	1,026,693	-	-	1,026,693
Adminstration	1,075,089	-	-	1,075,089
Fire	625,637	-	-	625,637
Non-Departmental	190,494	-	-	190,494
Board of directors	9,811	-	-	9,811
Capital outlay	665,773	-	5,545,792	6,211,565
Debt Service				
Principal	112,381	1,315,000	-	1,427,381
Interest and fiscal charges	20,050	569,530	-	589,580
Bond administrative fees	-	2,950	-	2,950
Total Expenditures:	6,899,153	1,887,480	5,545,792	14,332,425
Excess (deficiency) of revenues over (under) expenditures	3,900,185	(1,183,889)	(5,471,938)	(2,755,642)
Other Financing Sources (Uses)				
Transfers in	797,834	1,390,151	-	2,187,985
Proceeds from sale of assets	15,400	-	-	15,400
Capital lease issuance cost	(1,500)	-	-	(1,500)
Capital lease issuance	360,100	-	-	360,100
Transfers out	(1,390,151)	-	(797,834)	(2,187,985)
Total Other Financing Sources (Uses):	(218,317)	1,390,151	(797,834)	374,000
Net change in fund balance	3,681,868	206,262	(6,269,772)	(2,381,642)
Fund Balances - beginning of year	5,082,626	476,082	5,178,262	10,736,970
Fund Balances - end of year	<u>\$ 8,764,494</u>	<u>\$ 682,344</u>	<u>\$ (1,091,510)</u>	<u>\$ 8,355,328</u>

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

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018**

Net change in fund balances - total governmental funds	\$ (2,381,642)
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*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.	(786,400)
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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.	6,211,565
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Debt principal payments reduces long-term liabilities in the Statement of Net Position, but it is recorded as an expenditure in the governmental funds.	1,427,381
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Governmental funds report new debt issuances as other financing sources. However, these amounts are removed and recognized as new long term debt on the Statement of Net Position.	(360,100)
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Governmental funds report the effects of debt premiums, and debt discounts, when debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.	18,325
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Governmental funds recognize the full amount of proceeds received for sale of disposed assets, but net book values of the assets are factored in to calculating a gain on sold assets for the government-wide financial statements.	(5,923)
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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 unavailable revenues, pension and OPEB expense, and other items. The net effect of these reclassifications is to decrease net position.	(7,041)
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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.	1,962
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Change in net position of governmental activities	\$ 4,118,127
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The notes to the financial statements are an integral part of this statement.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

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

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

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

B. Financial Reporting Entity

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

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

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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 2018, the major funds are the General Fund, Capital Projects Fund, and the 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.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Projects Fund

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

E. Cash and Investments

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

F. Capital Assets

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

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

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – 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 District'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, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and non-pooled savings accounts) was \$2,632,956 and the bank balance was \$3,224,980. The District's cash deposits at September 30, 2018, 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.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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, and (9) 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:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
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, 2018 are classified in the accompanying financial statements as follows:

Primary Government:	
Cash and cash equivalents	\$ 2,993,981
Pooled Investments	4,368,107
Restricted pooled investments	<u>1,442,546</u>
Total cash and investments	<u><u>\$ 8,804,634</u></u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Cash and investments as of September 30, 2018 consist of the following:

Petty Cash	\$ 600
Deposits with financial institutions	2,632,356
Restricted Pooled Investments	1,803,571
Unrestricted Texpool Investments	4,368,107
Total cash, certificate of deposit, and pooled investments	<u>\$ 8,804,634</u>

Disclosures Relating to Interest Rate Risk

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

As of September 30, 2018, the District had the following investment:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>
TexPool	<u>\$ 6,171,678</u>	30 days
Total Investments	<u>\$ 6,171,678</u>	

As of September 30, 2018, the District did not invest in any securities which are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 2. CASH AND INVESTMENTS – CONTINUED

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
TexPool	<u>\$ 6,171,678</u>	AAAm	AAAm
Total Investments	<u><u>\$ 6,171,678</u></u>		

Concentration of Credit Risk

As of September 30, 2018, 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 have the following provision for deposits: They require that a financial institution secure deposits made by state or local governmental units by either 1) pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit), or 2) an irrevocable standby letter of credit with the District named as the beneficiary. The market value of pledged securities in the collateral pool or the value of the letter of credit must equal at least the bank balance less FDIC insurance at all times.

Investment in State Investment Pools

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 3. ACCOUNTS RECEIVABLE

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

Accounts Receivable:	
MUD water	\$ 570,746
MUD sewer	277,334
Unbilled receivables	143,997
Refuse (as agent for Town of Trophy Club)	73,081
Storm drainage (as agent for Town of Trophy Club)	51,411
Refuse tax (as agent for Town of Trophy Club)	6,281
Miscellaneous	2,993
PID Surcharge (as agent for Town of Trophy Club)	17,887
	<u>1,143,730</u>
Allowance for uncollectible accounts	(12,051)
Total (net)	<u><u>\$ 1,131,679</u></u>
Due from Other Governments:	
Town of Trophy Club	<u><u>\$ 2,072</u></u>

NOTE 4. INTERFUND TRANSFERS

Transfers between funds during the year are as follows:

Transfer In	Transfer Out	Amount	Purpose
General Fund	Capital Projects	\$ 797,834	Reimburse GF for Phase 1 of the Fort Worth Water Main Project
Debt Service	General Fund	218,954	Transfer for the fire station bond payment
Debt Service	General Fund	122,043	Transfer of PID surcharge
Debt Service	General Fund	925,818	Assist with revenue bond payments
Debt Service	General Fund	123,336	Transfer to assist with the bond reserve payment.
	Total	<u><u>\$ 2,187,985</u></u>	

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018, was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Ending Balance</u>
Capital assets - Non-Depreciable				
Land	\$ 648,178	\$ -	\$ -	\$ 648,178
Construction in progress	14,127,488	5,932,219	(57,472)	20,002,235
Water rights	796,145	-	-	796,145
Total capital assets not being depreciated	<u>15,571,811</u>	<u>5,932,219</u>	<u>(57,472)</u>	<u>21,446,558</u>
Capital assets - Depreciable				
Buildings	3,479,008	-	-	3,479,008
Improvements other than buildings	324,334	-	-	324,334
Machinery and equipment	1,809,967	-	57,900	1,867,867
Organization costs	2,331,300	-	-	2,331,300
Vehicles	2,384,649	60,390	(42,110)	2,402,929
Water system	12,218,223	144,765	24,768	12,387,756
Wastewater treatment system	5,663,320	16,037	5,415	5,684,772
Wastewater collection system	4,410,351	58,154	(30,611)	4,437,894
Total capital assets being depreciated	<u>32,621,152</u>	<u>279,346</u>	<u>15,362</u>	<u>32,915,860</u>
Less accumulated depreciation for:				
Buildings	(529,537)	(75,277)	-	(604,814)
Improvements other than buildings	(256,787)	(11,482)	-	(268,269)
Machinery and equipment	(886,789)	(116,694)	-	(1,003,483)
Organization costs	(2,304,293)	(7,273)	-	(2,311,566)
Vehicles	(1,128,731)	(149,191)	36,187	(1,241,735)
Water system	(3,828,100)	(214,968)	-	(4,043,068)
Wastewater treatment system	(2,333,243)	(138,444)	-	(2,471,687)
Wastewater collection system	(1,528,683)	(73,071)	-	(1,601,754)
Total accumulated depreciation	<u>(12,796,163)</u>	<u>(786,400)</u>	<u>36,187</u>	<u>(13,546,376)</u>
Governmental activities capital assets, net	<u>\$ 35,396,800</u>	<u>\$ 5,425,165</u>	<u>\$ (5,923)</u>	<u>\$ 40,816,042</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 5. CAPITAL ASSETS - CONTINUED

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

General government	\$ 314,121
Water operations	210,380
Wastewater operations	120,833
Fire department	73,208
Wastewater collection systems	67,858
Total depreciation expense	<u>\$ 786,400</u>

NOTE 6. LONG-TERM DEBT

At September 30, 2018, 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 9/30/2018
Tax and revenue bonds:						
Improvements	3.50-5.00%	2010	2031	\$ 148,205	\$2,000,000	\$ 1,490,000
Refunding	2.00-3.00%	2012	2023	251,373	2,355,000	1,170,000
Refunding	2.00-3.50%	2013	2023	224,734	1,905,000	1,020,000
Improvements	1.50-3.50%	2015	2034	199,898	5,765,000	5,045,000
Improvements	2.00-3.25%	2015	2035	305,174	9,230,000	8,280,000
Improvements	0.53-2.12%	2016	2036	275,259	4,635,000	4,230,000
						<u>\$21,235,000</u>
Capital lease payable:						
Capital lease obligations	2.50%	2015	2022	\$ 127,149	\$1,057,316	\$ 478,330
Capital lease obligations	2.95%	2018	2023	78,456	360,100	360,100
						<u>\$ 838,430</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Tax, revenue, and refunding bonds	\$ 22,550,000	\$ -	\$ (1,315,000)	\$ 21,235,000	\$ 1,350,000
Deferred loss on refunding	(5,197)	-	866	(4,331)	-
Premium on bonding	108,496	-	(19,192)	89,304	-
	<u>22,653,299</u>	<u>-</u>	<u>(1,333,326)</u>	<u>21,319,973</u>	<u>1,350,000</u>
Capital lease obligations	<u>590,711</u>	<u>360,100</u>	<u>(112,381)</u>	<u>838,430</u>	<u>185,117</u>
	590,711	360,100	(112,381)	838,430	185,117
Compensated absences	<u>32,306</u>	<u>-</u>	<u>(3,199)</u>	<u>29,107</u>	<u>29,107</u>
	32,306	-	(3,199)	29,107	29,107
Total Governmental Activities					
Long-term Liabilities	<u>\$ 23,276,316</u>	<u>\$ 360,100</u>	<u>\$ (1,448,906)</u>	<u>\$ 22,187,510</u>	<u>\$ 1,564,224</u>

The annual requirements to amortize all debt outstanding as of September 30, 2018, are as follows:

Year Ending September 30,	Principal	Interest	Total
2019	\$ 1,350,000	\$ 543,397	\$ 1,893,397
2020	1,370,000	516,220	1,886,220
2021	1,410,000	486,681	1,896,681
2022	1,450,000	455,372	1,905,372
2023	1,490,000	421,446	1,911,446
2024-2028	5,565,000	1,672,427	7,237,427
2029-2033	6,165,000	891,885	7,056,885
2034-2036	2,435,000	107,748	2,542,748
Total	<u>\$ 21,235,000</u>	<u>\$ 5,095,176</u>	<u>\$ 26,330,176</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 6. LONG-TERM DEBT – CONTINUED

Capital lease obligations:

Year Ending September 30,	Principal	Interest	Total
2019	\$ 185,117	\$ 21,550	\$ 206,667
2020	189,028	16,592	205,620
2021	193,027	11,532	204,558
2022	197,114	6,366	203,480
2023	74,144	1,094	75,238
Total	<u>\$ 838,430</u>	<u>\$ 57,133</u>	<u>\$ 895,563</u>

Tax and Revenue Bonds

Tax and 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 callable prior to their stated maturity.

Series 2014 – All maturities from 2024 to 2034 are callable in principal increments of \$5,000 on or after September 1, 2025 at par plus unpaid accrued interest to the fixed date for redemptions.

Series 2015 – All maturities from 2025 to 2035 are callable in principal increments of \$5,000 on or after September 1, 2025 at par plus unpaid accrued interest to the fixed date for redemptions.

Series 2016 – All maturities from 2028 to 2036 are callable in principal increments of \$5,000 on or after September 1, 2027 at par plus unpaid interest to the fixed date for redemptions.

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, 2018.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 7. PROPERTY TAXES

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

Property taxes are recorded as receivables when levied. Following is information regarding the 2018 tax levies:

Adjusted taxable values		<u>\$ 1,555,617,669</u>
O & M and Fire tax levy	\$0.076580/\$100	1,191,292
I & S tax levy	\$0.043630/\$100	<u>678,716</u>
Total tax levy	\$0.120210/\$100	<u>\$ 1,870,008</u>

NOTE 8. FUND BALANCE CLASSIFICATIONS

The District authorized the District Manager to designate certain fund balances as assigned. Excluding unassigned fund balances, the following describes the District's fund balance classifications at September 30, 2018:

Non-Spendable Fund Balances

The District's \$70,512 non-spendable fund balance represents expenses prepaid at fiscal year-end.

Assigned Fund Balances

The District assigned a total of \$1,439,969 of General Fund balances for the following future capital outlays: \$963,543 for wastewater system improvements, \$408,621 for vehicles, and \$67,805 for other improvements.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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.

Due from:	Due to:		Total
	General Fund	Capital Projects Fund	
General Fund	\$ -	\$ 45,000	\$ 45,000
Capital Projects Fund	1,096,130	-	1,096,130
Total	\$ 1,096,130	\$ 45,000	\$ 1,141,130

NOTE 11. RETIREMENT PLAN

Introduction

The funding policy governs how the Texas County & District Retirement System (TCDRS) determines the employer contributions required to ensure that benefits provided to TCDRS members are funded in a reasonable and equitable manner. The goals of TCDRS' funding policy are to fully fund benefits over the course of employees' careers to ensure intergenerational equity, and to balance rate and benefit stability with the need for the plan funding to be reflective of current plan conditions.

This policy documents the current funding policies in effect for the Dec. 31, 2017 actuarial valuation as established by state law, administrative rule and action by the TCDRS Board of Trustees (the board). The policy serves as a comprehensive funding overview and complies with the GASB reporting requirements for an agent multiple-employer plan.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 11. RETIREMENT PLAN (CONTINUED)

TCDRS Funding Overview

TCDRS is a model for responsible, disciplined funding. TCDRS does not receive any state funding. As an agent, multiple-employer plan, each participating employer in the system funds its plan independently. A combination of three elements funds each employer's plan: employee deposits, employer contributions and investment income.

- The deposit rate for employees is 7% of compensation, as adopted by the employer's governing body.
- Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees.
- Investment income funds a large part of the benefits employees earn.

Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis.

Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience.

In addition, employers annually review their plans and may adjust benefits and costs based on their local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs.

Methodology for Determining Employer Contribution Rates

The board hires independent outside consulting actuaries to conduct an annual valuation to measure the funding status and to determine the required employer contribution rate for each employer plan. In order to calculate the employer contribution rate, the actuary does the following:

- Studies each employer's adopted plan of benefits and the profile of its plan participants, and uses assumptions established by the board to estimate future benefit payments.
- Discounts the estimate of future benefit payments to the present based on the long-term rate of investment return to determine the present value of future benefits.
- Compares the present value of future benefits with the plan's assets to determine the difference that needs to be funded based on the funding policy.

The valuation of each employer plan is based on the system funding policy and the assets, benefits and participant profile of each participating employer plan. The four key components in the determination of employer contribution rates are: the actuarial cost method, amortization policy, the asset valuation method and the actuarial assumptions.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 11. RETIREMENT PLAN (CONTINUED)

Actuarial Cost Method

TCDRS has adopted the replacement life entry age cost method, a conservative cost method and an industry standard. The goal of this cost method is to fund benefits in an orderly manner for each participant over his or her career so that sufficient funds are accumulated by the time benefit payments begin. Under this approach, benefits are funded in advance as a level percentage of pay. This portion of the contribution rate is called the normal cost rate and generally remains stable from year to year.

Amortization Policy

The portion of the contribution rate that funds any remaining unfunded amounts for benefits that are not covered by the normal cost is called the unfunded actuarial accrued liability (UAAL) rate. UAAL amounts occur when benefit enhancements are adopted that have not been funded in advance, or when actual investment or demographic experience varies from the actuarial assumptions (actuarial gains and losses). UAAL amounts are amortized on a level-percentage-of-covered-payroll basis over a closed period with a layered approach. The closed periods ensure all unfunded liabilities are financed over no more than 20 years from the time they occur. Each year new layers are established to amortize changes in the UAAL due to actuarial gains or losses, as well as any plan benefit changes elected by an employer for that year.

Benefit enhancements are amortized over a 15-year closed period. All other changes in the UAAL are amortized over 20-year closed periods. These amortization periods are generally more conservative than those of most other public retirement plans and are stricter than the minimum amortization period required under state law.

For newly participating districts that have five or fewer employees who are all within five years of retirement eligibility, any initial UAAL and any subsequent adoption of prior service credits are amortized over a five-year closed amortization period. This ensures that benefits are appropriately funded over the current generation of employees.

Notwithstanding the layered approach, the total UAAL payment may not be less than the required payment obtained by amortizing the entire UAAL over a 20-year period.

If a plan is overfunded, the overfunded actuarial accrued liability (OAAL) is calculated annually using a 30-year open amortization period.

Asset Valuation Method

When determining the actuarial value of assets used for measuring a plan's funded status, TCDRS smooths each year's actuarial investment gains and losses and recognizes them over a five-year period to better reflect the system's long-term investment horizons and to keep employer contribution rates more stable. As actuarial asset investment gains and losses are recognized, they become part of the actuarial gains and losses for the year and are funded according to the amortization policy. The five-year period helps stabilize employer rates while still ensuring that rates are reflective of current market conditions.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 11. RETIREMENT PLAN (CONTINUED)

In addition, the board has the ability to set aside reserves from investment earnings that are used to help offset future negative economic cycles. These reserves are held separately and are not counted as part of a participating employer's plan assets until they are passed through to employers when determined necessary by the board. Reserves help maintain rate stability for employers. In addition, reserves ensure that employers do not adopt benefit increases based on a temporarily lower plan cost at a high point in a market cycle and, conversely, are not as pressured to immediately reduce benefit levels during a low point in a market cycle.

Actuarial Assumptions

Demographic and economic assumptions are used to estimate employer liabilities and to determine the amount of funding required from employer contributions as opposed to investment earnings. These assumptions reflect a long-term perspective of 30 years or more. Examples of key economic assumptions include long-term investment return, long-term inflation and annual payroll increase.

Demographic assumptions are the actuary's best estimate of what will happen to TCDRS members and retirees. Examples of demographic assumptions are employment termination rates, retirement rates and retiree mortality rates. A complete listing of all actuarial assumptions can be found in the annual system-wide valuation report.

Oversight

The board has established review policies to ensure that actuarial assumptions are appropriate and that the methodology for determining employer contribution rates is being correctly applied.

Review of Actuarial Assumptions

TCDRS' actuarial assumptions are periodically reviewed and revised as deemed necessary to reflect best estimates of future experience. Every four years, the TCDRS consulting actuary conducts an investigation of experience. TCDRS assumptions are compared to plan experience and future expectations, and changes to the assumptions are recommended as needed. The board adopts actuarial assumptions to be used in the valuation based on the results of this study.

An actuarial audit of every investigation of experience is required and must be performed by an independent auditing actuary to review the consulting actuary's analysis, conclusions and recommendations for accuracy, appropriateness and reasonableness. These audits alternate between a peer review and a full replication audit of the investigation of experience. In a peer review audit of the investigation, the reviewing actuary uses the raw results of the investigation for demographic assumptions as calculated by the consulting actuary to test the conclusions and recommendations. In addition, the reviewing actuary independently analyzes economic assumptions to test the results and recommendations of the consulting actuary. The reviewing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency. In a full replication audit of the investigation, in addition to performing all of the steps of a peer review, the auditing actuary fully replicates the calculation of the investigation's raw results.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 11. RETIREMENT PLAN (CONTINUED)

Review of Employer Contribution Rates

In order to test accuracy and ensure that the actuarial methods and assumptions are being correctly applied, an audit of the valuation is required every four years. These audits are conducted by an independent reviewing actuary and alternate between a peer review and a full replication audit of the valuation. In the peer review audit of the valuation, the actuary uses a sample of participant data and TCDRS plans to test the results of the valuation. The reviewing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency. In a full replication audit of the valuation, the auditing actuary performs all the steps of a peer review audit but instead of analyzing sample data and plans, the auditing actuary fully replicates the original actuarial valuation.

Review and Modification of Funding Policy

The board will review this policy on a regular basis and may modify this policy at its discretion. Modifications to the policy may be submitted for consideration to the board by staff and/or outside consulting actuaries as circumstances warrant.

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2017 information for a 7-10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2009 – December 31, 2012 for more details.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 11. RETIREMENT PLAN (CONTINUED)

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
International Equities- Developed	MSCI World Ex USA (net)	11.00%	4.55%
International Equities- Emerging	MSCI EM Emerging Markets (net) Index	8.00%	5.55%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	0.75%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index	2.00%	4.05%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.10%
Total		100.00%	

Contributions

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1

SCHEDULE OF CONTRIBUTIONS

Last 10 Calendar Years (will ultimately be displayed)

	2017	2016	2015	2014	2013
Actuarially Determined Contribution	\$ 102,802	97,875	97,043	93,694	84,476
Contributions in relation to the actuarially determined contribution	\$ 102,802	97,875	97,043	93,694	198,219
Contribution deficiency (excess)	\$ -	-	-	-	(113,743)
Covered employee payroll	\$ 1,140,976	1,119,822	1,116,721	1,068,342	963,243
Contributions as a percentage of covered employee payroll	9.0%	8.5%	8.7%	8.8%	20.6%

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 11. RETIREMENT PLAN (CONTINUED)

Deferred Inflows/Outflows of Resources

At September 30, 2018, the District reported deferred inflows and outflows of resources are as follows:

Deferred Inflows/Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 38,571	\$ -
Changes of assumptions	-	9,779
Net difference between projected and actual earnings	8,670	-
Contributions made subsequent to measurement date	N/A	73,343

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

	Net deferred outflows (inflows) of resources
2018	\$ (181)
2019	(2,187)
2020	(13,966)
2021	(16,075)
2022	(5,053)
Thereafter	-
Total	\$ (37,462)

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 11. RETIREMENT PLAN (CONTINUED)

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Timing:	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	5 Year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation
Investment Rate of Return	8.00%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Trophy Club Municipal Utility District No 1 are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustment is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Turnover	The rates vary by length of service, entry-age group (age at hire) and sex.
Mortality:	
Depositing members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table with the projection scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and a two-year set-forward for females.
Other Information:	
Notes	There were no benefit changes during the year.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 12. OTHER POST EMPLOYMENT BENEFITS

Trophy Club Municipal Utility District No 1 participates in the retiree Group Term Life program for the Texas County & District Retirement System (TCDRS), which is a statewide, multiple-employer, public employee retirement system.

A brief description of benefit terms:

All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year and are eligible for the TCDRS pension plan. Only employers that have elected participation in the retiree Group Term Life program are included in the OPEB plan.

The plan provides a \$5,000 post-retirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the retiree GTL program.

The OPEB benefit is a fixed \$5,000 lump-sum benefit.

No future increases are assumed in the \$5,000 benefit amount.

Benefit terms are established under the TCDRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of Jan. 1 each year.

Membership information is shown in the chart below.

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	5
Active employees	18
Total:	24

Contributions made to the retiree GTL Program are held in the GTL Fund. The GTL fund does not meet the requirements of a trust under Paragraph 4b of GASB 75, as the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan.

Benefit terms are established under the TCDRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of Jan. 1 each year. The district's contribution rate for the retiree GTL program is calculated annually on an actuarial basis, and is equal to the cost of providing a one-year death benefit equal to \$5,000.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 12. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Deferred Inflows/Outflows of Resources

At September 30, 2018, the District reported deferred inflows and outflows of resources are as follows:

Deferred Inflows/Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 275	\$ -
Changes of assumptions	-	811
Contributions made subsequent to measurement date	N/A	\$ 1,888

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB benefits, excluding contributions made subsequent to the measurement date, will be recognized in OPEB expense as follows:

	Net deferred outflows (inflows) of resources
2018	\$ 89
2019	89
2020	89
2021	89
2022	90
Thereafter	90
Total	\$ 536

NOTE 13. PRIOR PERIOD RESTATEMENTS

<u><i>Governmental Fund Types</i></u>	<u>Governmental Activities</u>
Net Position - beginning	\$ 22,921,140
Implementation of GASB Statement 75	(10,892)
Net position - beginning as adjusted	<u>\$ 22,910,248</u>

NOTE 14. SUBSEQUENT EVENTS

The District has evaluated all events and transactions that occurred after September 30, 2018 up through audit report date, which is the date the financial statements were issued. The District has no subsequent events to disclose.

REQUIRED SUPPLEMENTARY INFORMATION

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
YEAR ENDED SEPTEMBER 30, 2018

	Budgeted amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Water charges	\$ 6,651,648	\$ 6,644,648	\$ 6,250,890	\$ (393,758)
Wastewater charges	2,976,365	2,976,365	3,035,824	59,459
Taxes	1,175,783	1,175,783	1,197,949	22,166
Miscellaneous	23,046	33,046	35,627	2,581
Intergovernmental revenues	187,839	187,839	195,528	7,689
Oversize meter reimbursements	18,179	18,179	14,237	(3,942)
Investment income	12,000	50,000	61,283	11,283
Inspection and tap fees	6,000	6,000	8,000	2,000
Total revenues	11,050,860	11,091,860	10,799,338	(292,522)
Expenditures:				
Water operations	4,200,897	3,891,767	3,173,225	718,542
Wastewater operations	1,300,782	1,195,782	1,026,693	169,089
Administration	1,214,111	1,204,111	1,075,089	129,022
Fire	637,010	637,010	625,637	11,373
Non-Departmental	176,746	176,746	190,494	(13,748)
Directors	12,980	12,980	9,811	3,169
Capital Outlay	1,370,339	1,645,339	665,773	979,566
Debt Service	127,149	127,149	132,431	(5,282)
Total expenditures	9,040,014	8,890,884	6,899,153	1,991,731
Excess of revenues over expenditures	2,010,847	2,200,977	3,900,185	1,699,208
Other financing sources (uses):				
Transfers out	(1,790,150)	(2,534,662)	(1,390,151)	1,144,511
Transfers in	-	796,145	797,834	1,689
Capital Lease Issuance Cost	-	-	(1,500)	(1,500)
Capital Lease Issuance	-	-	360,100	360,100
Proceeds from Sale of Assets	2,000	15,400	15,400	-
Total other financing sources (uses)	(1,788,150)	(1,723,117)	(218,317)	1,504,800
Net change in fund balance	222,697	477,860	3,681,868	3,204,008
Fund Balances - beginning of year	5,082,626	5,082,626	5,082,626	-
Fund Balances - end of year	\$ 5,305,323	\$ 5,560,486	\$ 8,764,494	\$ 3,204,008

Notes to Required Supplementary Information:

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)

		<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>
Total pension liability								
Service Cost	\$	176,975	\$	200,990	\$	150,689	\$	170,600
Interest (on the Total Pension Liability)		83,553		57,230		41,351		27,449
Changes of benefit terms		-		-		(22,086)		-
Difference between expected and actual experience		(25,170)		(9,790)		(11,320)		(7,057)
Change of assumptions		5,971		-		7,686		-
Benefit payments		(1,695)		(2,091)		(1,902)		(3,156)
Net Change in Total Pension Liability		239,634		246,339		164,418		187,836
Total Pension Liability - Beginning		855,377		609,038		444,620		256,784
Total Pension Liability - Ending (a)	\$	1,095,011	\$	855,377	\$	609,038	\$	444,620
Plan Fiduciary Net Position								
Contributions - Employer	\$	102,802	\$	95,185	\$	97,043	\$	93,694
Contributions - Employee		79,868		78,388		78,171		74,784
Net Investment Income		126,587		46,440		(15,011)		18,561
Benefit payments		(1,695)		(2,091)		(1,902)		(3,156)
Administrative Expense		(769)		(505)		(394)		(285)
Other		2,418		19,889		(47)		(21)
Net Change in Plan Fiduciary Net Position		309,211		237,306		157,860		183,577
Plan Fiduciary Net Position - Beginning		847,300		609,994		452,134		268,557
Plan Fiduciary Net Position - Ending (b)	\$	1,156,511	\$	847,300	\$	609,994	\$	452,134
Net Pension Liability - Ending (a) - (b)	\$	(61,500)	\$	8,077	\$	(956)	\$	(7,514)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability		105.62%		99.06%		100.16%		101.69%
Covered Employee Payroll	\$	1,140,976	\$	1,119,822	\$	1,116,721		1,068,342
Net Pension Liability as a Percentage of Covered Employee Payroll		-5.39%		0.72%		-0.09%		-0.70%

Notes to Schedule:

GASB 68 requires 10 fiscal years of data to be provided in this schedule. The employer will be required to build this schedule over the next 10 year period.

Last 10 Calendar Years (will ultimately be displayed)

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1

SCHEDULE OF OPEB CONTRIBUTIONS

Last 10 Calendar Years (will ultimately be displayed)

	2017
Actuarially Determined Contribution	\$ 2,673
Contributions in relation to the actuarially determined contribution	<u>2,673</u>
Contribution deficiency (excess)	-
Covered employee payroll	\$ 1,140,976
Contributions as a percentage of covered employee payroll	0.2%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Timing:

Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Inflation	Does not apply
Salary Increases	Does not apply
Investment Rate of Return	3.44%
Cost-of-Living Adjustments	Does not apply.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.

Mortality:

Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014

Other Information:

Notes	There were no benefit changes during the year.
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TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
SCHEDULES OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)

	<u>2017</u>
Total OPEB liability	
Service Cost	\$ 2,889
Interest (on the Total OPEB Liability)	595
Effect of plan changes	-
Effect of assumption changes or inputs	946
Effect of economic/demographic (gains) or losses	(321)
Benefit payments	-
Net Change in Total OPEB Liability	<u>4,109</u>
Total OPEB Liability - Beginning	<u>12,846</u>
Total OPEB Liability - Ending (a)	<u>\$ 16,955</u>
Pensionable Covered Payroll	<u>\$ 1,140,976</u>

Net OPEB Liability as a Percentage
of Covered Employee Payroll 1.49%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not reported in accordance with the standards of GASB 74/75, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-1 SERVICES AND RATES
SEPTEMBER 30, 2018

1. Services provided by the District:
 - a) Retail Water
 - b) Retail Wastewater
 - c) Wholesale Water
 - d) Wholesale Wastewater Treatment
 - e) Fire Protection
 - f) Irrigation
 - g) Participates in regional system and/or wastewater service (other than emergency interconnect)

2. Retail service providers: Current Rates

<u>Water Base Rates</u>		<u>Water Volumetric Rates</u>	
Residential and Commercial			
Meter Size	Base Rate	Rates per 1,000	Gallons
5/8"	\$17.15		
1"	\$32.23	\$3.96	0 to 6,000
1.5"	\$56.94	\$4.61	6,001 to 17,000
2"	\$86.58	\$5.34	17,001 to 25,000
3"	\$155.76	\$6.20	25,001 to 50,000
4"	\$254.59	\$7.21	50,001 +
6"	\$501.64		

<u>Sewer Base Fee</u>		<u>Sewer Volumetric Rates</u>	
	Base Rate	Rates per 1,000	Gallons
Residential*	\$19.60	\$3.18	0 to 4,000
		\$4.51	4,001 to 8,000
		\$6.43	8,001 to 12,000
		\$9.14	12,000 +
Commercial**	\$19.60	\$5.92	1,000 +

*Effective October 1, 2016 Winter Averaging for Sewer Rates were adopted for Residential Customers. Residential sewer rates each year are based on average water usage for the months of December, January, and February. Effective April 1, 2018 the above rates were adopted for all residential sewer customers.

**Commercial sewer usage is billed based on actual water usage per month

NOTE: all rates noted above were amended effective April 1, 2018.

District employs winter averaging for wastewater usage? Yes

***Total water and wastewater charges per 10,000 gallons usage (including surcharges) effective April 1, 2018 (based on 5/8" & 3/4")

First 10,000 gallons used	10,000	\$	122.57
Next 10,000 gallons used	20,000	\$	170.86
Next 10,000 gallons used	30,000	\$	228.56
Next 10,000 gallons used	40,000	\$	290.56
Next 10,000 gallons used	50,000	\$	352.56
Next 10,000 gallons used and subsequent	60,000	\$	424.66

*** The above sewer calculations are based on a Winter Average of 10,000 gallons per month.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-1 SERVICES AND RATES
SEPTEMBER 30, 2018

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

Meter Size	Connections		ESFC Factor	Active ESFC's
	Total	Active		
Unmetered	-	-	1.0	-
Less than 3/4"	2,499.0	2,491.0	1.0	2,491.0
1"	623.0	622.0	2.5	1,555.0
1 1/2"	28.0	27.0	5.0	135.0
2"	92.0	84.0	8.0	672.0
3"	37.0	37.0	15.0	555.0
4"	15.0	15.0	25.0	375.0
6"	3.0	3.0	50.0	150.0
8"	-	-	80.0	-
10"	-	-	115.0	-
Total Water	<u>3,297.0</u>	<u>3,279.0</u>		<u>5,933.0</u>
Total Wastewater	<u>3,304.0</u>	<u>3,284.0</u>	<u>1.0</u>	<u>3,284.0</u>

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

Note: Total water connections does not include Fire Lines or Portable meters

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

Note: District provides wholesale services to the Town of Trophy Club through 1,444 connections

3. Total water consumption (in thousands) during the fiscal year:
- | | |
|--------------------------------|---------|
| Gallons pumped into the system | 955,151 |
| Gallons billed to customers | 884,662 |
| Water accountability ratio | 92.62% |

4. Standby Fees:
- Does the District assess standby fees? No

For the most recent fiscal year, FY2018:

	Total Levy	Total Collected	Percentage Collected
Debt Service	\$ 678,716	\$ 677,052	99.8%
Operations and Maintenance	\$ 1,191,292	\$ 1,188,371	99.8%

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

5. Location of District:
- Counties in which District is located: Denton
Tarrant

Is the District located entirely in one county? No

Is the District located within a city? Partially

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

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

ETJ's in which District is located: Unknown

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI - 2
General Fund Expenditures and Other Financing Uses
Year End September 30, 2018

	<u>Current Year</u> 2018	<u>Prior Year</u> 2017
Administrative	\$ 1,275,394	\$ 1,150,421
Water Operations	\$ 3,173,225	\$ 2,994,623
Wastewater Operations	\$ 1,026,693	\$ 1,061,896
Wastewater Collection Systems	* 0	* 0
Contribution to Trophy Club Fire Dept	\$ 625,637	\$ 625,083
Capital Outlay	\$ 665,773	\$ 744,828
Transfers Out and Debt Service	\$ 1,524,082	\$ 1,529,319
Total Expenditures	<u>\$ 8,290,804</u>	<u>\$ 8,106,170</u>

* In FY 2015 Wastewater Operations and Wastewater Collection Systems were merged together.

Number of employees employed by the District:

Full time Equivalents (FTEs)	17	17
Part time	0	0

** The Town of Trophy Club handles the operations of the Fire Department based on an Interlocal Agreement with Trophy Club Municipal Utility District No.1 effective 10/1/16. The MUD reimburses the annual Town's Fire Budget in equal monthly payments.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 CONSOLIDATED
TSI-3 TEMPORARY INVESTMENTS
September 30, 2018

<u>Funds</u>	<u>Identification Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance End of Year</u>	<u>Accrued Interest End of Year</u>
General Fund Bank of the West	Closed	0.250	Demand (Money Market)	\$ -	Paid monthly
General Fund TexPool	613300002	2.1244	Demand	\$ 4,368,107	Paid daily
Debt Service Fund TexPool	613300003	2.1244	Demand	\$ 48,716	Paid daily
Debt Service-Revenue Bond Texpool	613300013	2.1244	Demand	\$ 19,562	Paid daily
Revenue Bond Reserve Texpool	613300014	2.1244	Demand	\$ 606,910	Paid daily
Capital Projects Tax Bond Construction Texpool	613300011	2.1244	Demand	\$ -	Paid daily
Capital Projects Revenue Bond Construction Texpool	Closed 613300012	2.1244	Demand	\$ -	Paid daily
Capital Projects SWIFT Revenue Bond Construction Texpool	613300015	2.1244	Demand		Paid daily
SWIFT Revenue Bond Debt Service Texpool	613300017	2.1244	Demand	\$ 2,584	Paid daily
SWIFT Revenue Bond Escrow Account Bank of Texas BOKF	82-1747-01-1	1.560	Demand	\$ 767,358	Paid daily
Vaccon Capital Lease-8076 Escrow Account UMB	147404.1	1.700	Demand	\$ 361,026	Paid daily
Total - All Funds				<u>\$ 6,174,262</u>	

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-4 TAXES LEVIED AND RECEIVABLE
SEPTEMBER 30, 2018

	General Fund			Debt	
	Operations	Fire	Total	Service	Total
Taxes receivable beginning of year	\$ 1,662	\$ 15,752	\$ 17,414	\$ 10,120	\$ 27,534
2017 tax levy	116,591	1,017,196	1,133,787	645,946	1,779,733
Total to be accounted for	118,253	1,032,948	1,151,201	656,066	1,807,267
Less collections and adjustments:					
Current year	(116,364)	(1,014,497)	(1,130,862)	(644,287)	(1,775,149)
Prior years	(244)	(3,142)	(3,387)	(2,278)	(5,665)
Total to be accounted for	(116,609)	(1,017,640)	(1,134,248)	(646,565)	(1,780,813)
Taxes receivable, end of year	\$ 1,644	\$ 15,308	\$ 16,952	\$ 9,501	\$ 26,454
Taxes receivable by year					
1996 and prior	\$ -	\$ -	\$ -	\$ -	\$ -
1997	\$ 2	\$ 15	\$ 17	\$ 54	\$ 71
1998	\$ 2	\$ 16	\$ 18	\$ 50	\$ 69
1999	\$ 2	\$ 17	\$ 20	\$ 39	\$ 59
2000	\$ 2	\$ 12	\$ 15	\$ 44	\$ 59
2001	\$ 2	\$ 13	\$ 16	\$ 43	\$ 59
2002	\$ 2	\$ 22	\$ 25	\$ 49	\$ 74
2003	\$ 24	\$ 42	\$ 66	\$ 44	\$ 110
2004	\$ 5	\$ 43	\$ 48	\$ 62	\$ 110
2005	\$ 12	\$ 40	\$ 52	\$ 58	\$ 110
2006	\$ 50	\$ 233	\$ 284	\$ 360	\$ 644
2007	\$ 42	\$ 404	\$ 446	\$ 494	\$ 940
2008	\$ 72	\$ 564	\$ 635	\$ 458	\$ 1,093
2009	\$ 184	\$ 740	\$ 924	\$ 466	\$ 1,390
2010	\$ 136	\$ 1,693	\$ 1,829	\$ 1,192	\$ 3,021
2011	\$ 138	\$ 1,525	\$ 1,663	\$ 780	\$ 2,443
2012	\$ 146	\$ 1,533	\$ 1,679	\$ 287	\$ 1,967
2013	\$ 150	\$ 1,398	\$ 1,548	\$ 587	\$ 2,135
2014	\$ 263	\$ 1,369	\$ 1,632	\$ 731	\$ 2,363
2015	\$ 91	\$ 1,387	\$ 1,478	\$ 1,041	\$ 2,519
2016	\$ 91	\$ 1,542	\$ 1,633	\$ 1,002	\$ 2,635
2017	\$ 301	\$ 2,620	\$ 2,921	\$ 1,664	\$ 4,585
	\$ 1,718	\$ 15,230	\$ 16,948	\$ 9,507	\$ 26,454
Property valuations (in 000's)					
	F/Y 17/18	F/Y 16/17	F/Y 15/16	F/Y 14/15	F/Y 13/14
Land	\$ 620,210	\$ 562,280	\$ 497,482	\$ 474,068	\$ 439,499
Improvements	908,581	798,401	719,295	630,249	573,454
Personal property	105,783	99,772	71,096	80,605	95,598
Exemptions	(82,556)	(57,745)	(57,305)	(52,617)	(45,150)
	\$ 1,552,018	\$ 1,402,708	\$ 1,230,568	\$ 1,132,305	\$ 1,063,401
Tax rate per \$100 valuation					
Operations	0.007880	0.004380	0.004720	0.014860	0.009350
Fire department	0.068700	0.074450	0.072220	0.077270	0.087380
Debt service	0.043630	0.048390	0.054200	0.041260	0.036660
Tax rate per \$100 valuation	0.120210	0.127220	0.131140	0.133390	0.133390
Tax levy:	\$ 1,870,008	\$ 1,779,098	\$ 2,000,874	\$ 1,870,728	\$ 1,726,648
Percent of taxes collected to taxes levied	99.75%	99.60%	99.70%	98.91%	99.42%

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2018

All Bonded Debt Series

Due During Fiscal Years Ending	Principal Due 1-Sep	Interest Due Mar 1/ Sep 1	Total
2019	1,350,000	543,398	1,893,398
2020	1,370,000	516,221	1,886,221
2021	1,410,000	486,682	1,896,682
2022	1,450,000	455,373	1,905,373
2023	1,490,000	421,447	1,911,447
2024	1,055,000	384,448	1,439,448
2025	1,085,000	360,776	1,445,776
2026	1,105,000	336,246	1,441,246
2027	1,145,000	309,818	1,454,818
2028	1,175,000	281,143	1,456,143
2029	1,215,000	250,027	1,465,027
2030	1,250,000	216,334	1,466,334
2031	1,295,000	179,054	1,474,054
2032	1,185,000	140,162	1,325,162
2033	1,220,000	106,312	1,326,312
2034	1,270,000	70,287	1,340,287
2035	895,000	31,737	926,737
2036	270,000	5,724	275,724
	<u>\$ 21,235,000</u>	<u>\$ 5,095,186</u>	<u>\$ 26,330,186</u>

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

Due During Fiscal Years Ending	Principal Due 1-Sep	Interest Due Mar 1/ Sep 1	Total
2019	85,000	62,883	147,883
2020	90,000	59,908	149,908
2021	95,000	56,758	151,758
2022	100,000	53,433	153,433
2023	105,000	48,433	153,433
2024	110,000	43,183	153,183
2025	115,000	37,683	152,683
2026	115,000	33,083	148,083
2027	125,000	28,368	153,368
2028	130,000	23,243	153,243
2029	135,000	17,783	152,783
2030	140,000	12,113	152,113
2031	145,000	6,163	151,163
	<u>\$ 1,490,000</u>	<u>\$ 483,034</u>	<u>\$ 1,973,034</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2018

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

Due During Fiscal Years Ending	Principal Due 1-Sep	Interest Due Mar 1/ Sep 1	Total
2019	225,000	33,976	258,976
2020	225,000	28,350	253,350
2021	230,000	21,600	251,600
2022	240,000	14,700	254,700
2023	250,000	7,500	257,500
	<u>\$ 1,170,000</u>	<u>\$ 106,126</u>	<u>\$ 1,276,126</u>

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

Due During Fiscal Years Ending	Principal Due 1-Sep	Interest Due Mar 1/ Sep 1	Total
2019	195,000	31,675	226,675
2020	195,000	25,825	220,825
2021	205,000	19,975	224,975
2022	210,000	13,825	223,825
2023	215,000	7,525	222,525
	<u>\$ 1,020,000</u>	<u>\$ 98,825</u>	<u>\$ 1,118,825</u>

General Obligation Bonds - Series 2014
(5,765,000)

Due During Fiscal Years Ending	Principal Due 1-Sep	Interest Due Mar 1/ Sep 1	Total
2019	250,000	137,525	387,525
2020	255,000	133,775	388,775
2021	265,000	129,313	394,313
2022	270,000	124,013	394,013
2023	280,000	118,613	398,613
2024	290,000	112,313	402,313
2025	295,000	105,063	400,063
2026	305,000	97,688	402,688
2027	315,000	90,063	405,063
2028	325,000	81,400	406,400
2029	335,000	72,463	407,463
2030	345,000	62,413	407,413
2031	360,000	51,200	411,200
2032	370,000	39,500	409,500
2033	385,000	27,475	412,475
2034	400,000	14,000	414,000
	<u>\$ 5,045,000</u>	<u>\$ 1,396,813</u>	<u>\$ 6,441,813</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2018

Revenue Bonds - Series 2015
(9,230,000)

Due During Fiscal Years Ending	Principal Due 1-Sep	Interest Due Mar 1/ Sep 1	Total
2019	380,000	215,838	595,838
2020	390,000	208,238	598,238
2021	400,000	200,438	600,438
2022	410,000	192,438	602,438
2023	420,000	184,238	604,238
2024	435,000	175,838	610,838
2025	450,000	167,138	617,138
2026	460,000	157,013	617,013
2027	475,000	145,513	620,513
2028	490,000	133,638	623,638
2029	510,000	120,163	630,163
2030	525,000	106,138	631,138
2031	545,000	90,388	635,388
2032	565,000	74,038	639,038
2033	585,000	57,088	642,088
2034	610,000	39,538	649,538
2035	630,000	20,475	650,475
	<u>\$ 8,280,000</u>	<u>\$ 2,288,150</u>	<u>\$ 10,568,150</u>

Revenue Bonds - Series 2016
(4,635,000)

Due During Fiscal Years Ending	Principal Due 1-Sep	Interest Due Mar 1/ Sep 1	Total
2019	215,000	61,501	276,501
2020	215,000	60,125	275,125
2021	215,000	58,599	273,599
2022	220,000	56,965	276,965
2023	220,000	55,139	275,139
2024	220,000	53,115	273,115
2025	225,000	50,893	275,893
2026	225,000	48,463	273,463
2027	230,000	45,875	275,875
2028	230,000	42,862	272,862
2029	235,000	39,619	274,619
2030	240,000	35,671	275,671
2031	245,000	31,303	276,303
2032	250,000	26,624	276,624
2033	250,000	21,749	271,749
2034	260,000	16,749	276,749
2035	265,000	11,262	276,262
2036	270,000	5,724	275,724
	<u>\$ 4,230,000</u>	<u>\$ 722,238</u>	<u>\$ 4,952,238</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-6 CHANGES IN LONG-TERM BONDED DEBT
SEPTEMBER 30, 2018

	Series 2010 GO Bonds	Series 2012 GO Bonds	Series 2013 GO Bonds	Series 2014 GO Bonds	Series 2015 Revenue Bonds	Series 2016 Revenue Bonds	Total
Interest rate	3.50-5.00%	2.00-3.00%	2.00-3.50%	1.50-3.50%	2.0-3.25%	0.53-2.12%	
Date interest payable	3/1 & 9/1	3/1 & 9/1	3/1 & 9/1	3/1 & 9/1	3/1 & 9/1	3/1 & 9/1	
Maturity date	9/1/2031	9/1/2023	9/1/2023	9/1/2034	9/1/2035	9/1/2036	
Bonds outstanding at beginning of year	\$ 1,575,000	\$ 1,380,000	\$ 1,205,000	\$ 5,290,000	\$ 8,655,000	\$ 4,445,000	\$ 22,550,000
Retirements of principal	\$ 85,000	\$ 210,000	\$ 185,000	\$ 245,000	\$ 375,000	\$ 215,000	\$ 1,315,000
Bonds outstanding at end of fiscal year	<u>\$ 1,490,000</u>	<u>\$ 1,170,000</u>	<u>\$ 1,020,000</u>	<u>\$ 5,045,000</u>	<u>\$ 8,280,000</u>	<u>\$ 4,230,000</u>	<u>\$ 21,235,000</u>
Retirements of interest	<u>\$ 65,858</u>	<u>\$ 39,225</u>	<u>\$ 37,225</u>	<u>\$ 141,200</u>	<u>\$ 223,338</u>	<u>\$ 62,685</u>	<u>\$ 569,530</u>

Paying agent's name & city:	The Bank of New York Mellon Newark, NJ	The Bank of New York Mellon Newark, NJ	The Bank of New York Mellon Newark, NJ	The Bank of TX Corporate Trust Austin, TX	The Bank of TX Corporate Trust Austin, TX	The Bank of TX Corporate Trust Austin, TX
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<u>Bond Authority</u>	<u>General Obligation Bonds</u>
Amount authorized by voters	\$ 29,094,217
Amount issued	\$ 29,090,000
Remaining to be issued	<u>\$ 4,217</u>

The general obligation bonds were authorized on October 7, 1975

Debt Service Fund cash and cash equivalents balance as of September 30, 2018: \$ 682,344

Average annual debt service payment (principal & interest) for remaining term of debt: \$ 1,893,397

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TS1-7 COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES-FIVE YEARS
GENERAL FUND
SEPTEMBER 30, 2018

REVENUE	Amounts					Percent of total revenue				
	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
Ad valorem property taxes	\$ 1,197,949	\$ 1,105,820	\$ 1,371,247	\$ 1,419,548	\$ 1,340,502	10.0%	11.1%	16.0%	14.2%	17.6%
Water and wastewater charges	9,286,714	8,632,747	6,729,926	6,138,766	5,730,872	77.6%	86.3%	78.8%	61.5%	75.2%
Utility Fees	-	-	55,200	239,200	331,200	0.0%	0.0%	0.6%	2.4%	4.3%
Inspection and tap fees	8,000	7,200	11,325	11,375	10,725	0.1%	0.1%	0.1%	0.1%	0.1%
Interest earned	61,283	18,940	12,652	6,117	6,071	0.5%	0.2%	0.1%	0.1%	0.1%
Debt proceeds	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
Transfers In	797,834	-	8,034	1,074,337	-	6.7%	0.0%	0.1%	10.8%	0.0%
Proceeds from Sale of Assets	15,400	3,550	90,935	46,750	-	0.1%	0.0%	1.1%	0.5%	0.0%
Capital Lease Financing	358,600	-	-	807,316	-	3.0%	0.0%	0.0%	8.1%	0.0%
Miscellaneous and other	245,392	233,282	265,667	240,591	202,481	2.0%	2.3%	3.1%	2.4%	2.7%
Total revenue	\$ 11,971,172	\$ 10,001,539	\$ 8,544,986	\$ 9,984,000	\$ 7,621,851	100.0%	100.0%	100.0%	100.0%	100.0%
EXPENDITURES										
Administrative	\$ 1,275,394	\$ 1,150,421	\$ 1,388,715	\$ 1,672,123	\$ 1,779,470	10.7%	11.5%	16.3%	16.7%	23.3%
Water operations	3,173,225	2,994,623	3,078,429	3,151,532	3,031,672	26.5%	29.9%	36.0%	31.6%	39.8%
Wastewater operations	1,026,693	1,061,896	1,089,257	864,305	621,108	8.6%	10.6%	12.7%	8.7%	8.1%
Wastewater collection system	-	-	-	-	185,561	0.0%	0.0%	0.0%	0.0%	2.4%
Information systems	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
Contribution to Trophy Club Fire Dept	625,637	625,083	1,010,938	928,610	879,830	5.2%	6.2%	11.8%	9.3%	11.5%
Capital outlay	665,773	744,828	1,713,885	1,755,603	990,311	5.6%	7.4%	20.1%	17.6%	13.0%
Transfers Out and Debt Service	1,522,582	1,529,319	1,182,760	656,984	993,450	12.7%	15.3%	13.8%	6.6%	13.0%
Total expenditures	\$ 8,289,304	\$ 8,106,170	\$ 9,463,984	\$ 9,029,157	\$ 8,481,402	69.2%	81.0%	110.8%	90.4%	111.3%
Excess (deficiency) of revenues over (under) expenditures	\$ 3,681,868	\$ 1,895,369	\$ (918,998)	\$ 954,843	\$ (859,551)	30.8%	19.0%	-10.8%	9.6%	-11.3%
Total active retail water and/or wastewater connections	3,284	3,244	3,422	3,376	3,140					

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-7 COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES-FIVE YEARS (Continued)
DEBT SERVICE FUND
SEPTEMBER 30, 2018

	Amounts					Percentage				
REVENUE	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
Ad valorem property taxes	\$ 679,678	\$ 675,944	\$ 666,225	\$ 468,194	\$ 386,992	32.5%	32.4%	42.3%	48.8%	62.4%
Penalties and interest	2,010	2,294	4,010	2,021	2,676	0.1%	0.1%	0.3%	0.2%	0.4%
Intergovernmental	1,390,151	1,402,170	902,259	465,409	230,804	66.4%	67.1%	57.3%	48.5%	37.2%
Interest earned	21,903	8,174	2,564	13,976	97	1.0%	0.4%	0.2%	1.5%	0.0%
Miscellaneous and other	-	-	-	9,573	-	0.0%	0.0%	0.0%	1.0%	0.0%
Total revenue	2,093,742	2,088,582	1,575,058	959,173	620,569	100.0%	100.0%	100.0%	100.0%	100.0%
EXPENDITURES										
Principal retirement	1,315,000	1,265,000	895,000	440,000	425,000	62.8%	60.6%	56.8%	45.9%	68.5%
Interest and fiscal charges	569,530	581,844	552,220	422,722	198,695	27.2%	27.9%	35.1%	44.1%	32.0%
Bond admin fees	2,950	2,548	2,150	-	-	0.1%	0.1%	0.0%	0.0%	0.0%
Total expenditures	1,887,480	1,849,392	1,449,370	862,722	623,695	90.1%	88.5%	91.9%	89.9%	100.5%
Excess (deficiency) of revenues over (under) expenditures	\$ 206,262	\$ 239,190	\$ 125,688	\$ 96,451	\$ (3,126)	9.9%	11.5%	8.1%	10.1%	-0.5%

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 CONSOLIDATED
TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
September 30, 2018

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

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

Limit of Fees of Office that a Director may receive during a fiscal year: \$0
(Set by Board Resolution)

<u>Name and Address</u>	<u>Term of Office Elected/Expires or Date Hired</u>	<u>Fees of Office Paid FY18</u>	<u>Expense Reimbursements FY18</u>	<u>Title at Year End</u>
Board Members:				
Gregory Wilson 2013 Churchill Downs Lane Trophy Club, TX 76262	05/16-05/20	\$ -	\$ 915	President
William Rose 219 Inverness Drive Trophy Club, TX 76262	05/16-05/20	\$ -	\$ 951	Vice-President
Steve Flynn 417 Ramsey Trail Trophy Club, TX 76262	05/18-05/22	\$ -	\$ 949	Secretary/Treasurer
Kelly Castonguay 402 Parkview Drive Trophy Club, TX 76262	05/18-5/22	\$ -	\$ 1,039	Director
Mark Chapman 197 Durango Dr Trophy Club, TX 76262	05/18-05/22	\$ -	\$ -	Director

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)
SEPTEMBER 30, 2018

Name and Address	Term of Office Elected/Expires or Date Hired	Fees of Office Paid FY18	Title at Year End
Key Personnel:			
Carman Consulting LLC. 2600 Museum Way Fort Worth, Texas	8/1/2017	\$ 147,857	General Manager
Consultants/Legal:			
Denton Central Appraisal District P.O. Box 2816 Denton, TX 76202	4/1/1981	\$ 8,047	Appraiser
Tarrant Appraisal District 2500 Handley-Ederville Rd. Fort Worth, TX 76262	10/1/2007	\$ 2,648	Appraiser
LaFollett & Abbott PLLC P.O. Box 717 Tom Bean, TX 75489	10/1/2010	\$ 25,659	Auditors
CP&Y/The Wallace Group P.O. Box 22007 Waco, TX 76702	5/1/2012	\$ 364,267	Engineers
Halff Associates, Inc. P.O. Box 678316 Dallas, TX 75267-8316	1/1/2017	\$ 215,794	Engineers
The AL Law Group 12400 W. Highway 71, Suite 350-150 Austin, TX 78738	9/4/2017	\$ 21,797	Legal Counsel
McLean & Howard, L.L.P. 901 S. Mopac Expressway Building 2, Suite 225 Austin, TX 78746	3/1/2017	\$ 70,044	Legal/Bond Counsel
DuBois Bryant Campbell LLP 303 Colorado, Suite 2300 Austin, TX 78701	5/18/2017	\$ 12,070	Legal Counsel
Whitaker Chalk Swindle & Schwartz PLLC 301 Commerce St, Suite 3500 Fort Worth, TX 76102-4186	4/30/2018	\$ 81,087	Legal Counsel
New Gen Strategies & Solutions 1300 E. Lookout Dr. Suite 100 Richardson, TX 75082	7/1/2013	\$ 5,825	Water Consultant

REPORTS REQUIRED BY
GOVERNMENTAL AUDITING STANDARDS



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 Standards* 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, 2018, 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 21, 2019.

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.

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*.

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.

A handwritten signature in black ink that reads "J. J. Fallett and Abbott PLLC". The signature is written in a cursive, flowing style.

Tom Bean, Texas
January 21, 2019

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Financial Advisory Services
Provided By:

