

## APPLICATION FOR FINANCIAL ASSISTANCE FOR WATER AND WASTEWATER INFRASTRUCTURE PROJECTS

This application is comprehensive, covering all loan and grant assistance applications for water and wastewater infrastructure financing through the various Texas Water Development Board (TWDB) programs. The format of the application is intended to expedite the review process for both the applicant and TWDB staff. This application can be used by political subdivisions, including water supply corporations.

Please submit one double-sided original and one indexed, electronic copy, via electronic storage media such as CD or flash drive using MS Word, Excel and/or Adobe Acrobat.

Please submit your application to:

Texas Water Development Board  
Water Supply and Infrastructure-Regional Water Planning and Development  
P O Box 13231  
1700 N. Congress Avenue, 5<sup>th</sup> Floor  
Austin, Texas 78711-3231  
(78701 for courier deliveries)

A complete application consists of all of the applicable information and forms requested in this document. When preparing this application please review the Application and all Guidance and Forms, listed at the end.

For more information, please contact your Regional Project Implementation Team at:

[http://www.twdb.texas.gov/financial/programs/swift/regional\\_project\\_teams.asp](http://www.twdb.texas.gov/financial/programs/swift/regional_project_teams.asp)

Thank you.

### TWDB Use Only

Name of Applicant: \_\_\_\_\_

Date application received: \_\_\_\_\_

Date administratively complete: \_\_\_\_\_



Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

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Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part A: General Information**

1. The legal authority under which the applicant was created and operates.
  - a)  TYPE A GENERAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.001)
  - b)  TYPE B GENERAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.002)
  - c)  TYPE C GENERAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.003)
  - d)  HOME-RULE MUNICIPALITY (Texas Local Gov't Code Sec. 5.004)
  - e)  SPECIAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.005)
  - f)  NONPROFIT ORGANIZATION (Business Organization Code Chapter 22)
  - g)  NONPROFIT WATER SUPPLY OR SEWER SERVICE CORP. (Texas Water Code Chapter 67)
  - h)  ALL DISTRICTS (Texas Water Code Chapter 49)
  - i)  OTHER (attach)

2. Applicant Name and Contact Information:

<b>Name:</b>	Trophy Club Municipal Utility District No. 1
<b>County:</b>	Denton and Tarrant
<b>Physical Address:</b>	100 Municipal Drive, Trophy Club, Texas 76262
<b>Mailing Address:</b>	100 Municipal Drive, Trophy Club, Texas 76262
<b>Phone:</b>	(682) 831-4600
<b>Fax:</b>	(817) 491-9312
<b>Website:</b>	www.tcmud.org

3. Brief description of the project: Regional project with City of Fort Worth and the Town of Westlake to construct a 30-inch water line.

4. Applicant's Officers and Members:

<u>Name</u>	<u>Office Held</u>
Jim Moss	President
Neil Twomey	Vice President
Kevin R. Carr	Secretary/Treasurer
Jim Thomas	Director
Neil Hase	Director

5. Applicant's **primary contact person** for day-to-day project implementation.

<b>Name:</b>	Jennifer Mcknight
<b>Title:</b>	General Manager
<b>Address:</b>	100 Municipal drive, Trophy Club, Texas
<b>Phone:</b>	(682) 831-4600
<b>Fax:</b>	(817) 491-9312
<b>Email:</b>	Jmcknight@tcmud.org

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

6. Applicant's Consultants (Attach copies of all draft and/or executed contracts for consultant services to be used by the Applicant in applying for financial assistance or constructing the proposed project.):

a) Applicant Engineer N/A

<b>Firm Name:</b>	CP&Y Inc.
<b>Contact:</b>	Kevin Glovier, P.E,
<b>Address:</b>	115 West 7 <sup>th</sup> street, Suite 1500, Fort Worth, Texas 76102
<b>Phone:</b>	(817) 662-1203
<b>Fax:</b>	(817) 354-4935
<b>Email:</b>	kglovier@cpyi.com

b) Bond Counsel N/A

<b>Firm Name:</b>	Freeman & Corbett
<b>Contact:</b>	Anthony Corbett
<b>Address:</b>	8500 Bluffstone Cove, Suite B-104, TX 78759
<b>Phone:</b>	(512) 717-4552
<b>Fax:</b>	(512) 453-0865
<b>Email:</b>	tcorbett@freemanandcorbett.com

c) Financial Advisor N/A

<b>Firm Name:</b>	SAMCO Capital Markets, Inc.
<b>Contact:</b>	Andrew Friedman
<b>Address:</b>	1020 NE Loop 410, Suite 640, San Antonio, TX 78209
<b>Phone:</b>	(210) 832-9760
<b>Fax:</b>	
<b>Email:</b>	afriedman@samcocapital.com

d) Certified Public Accountant (or other appropriate rep) N/A

<b>Firm Name:</b>	Lafollett & Abbott, PLLC
<b>Contact:</b>	Rod Abbott, CPA
<b>Address:</b>	P.O. Box 717, Tom Bean, TX 75489
<b>Phone:</b>	(903) 546-6975
<b>Fax:</b>	(903) 546-6017
<b>Email:</b>	rodabbott@yahoo.com

e) Legal Counsel (if other than Bond Counsel) N/A

<b>Firm Name:</b>	The Liston Law Firm, P.C.
<b>Contact:</b>	Pamela Liston
<b>Address:</b>	P.O. Box 1882, Rowlette, TX 75030
<b>Phone:</b>	(972) 475-2794
<b>Fax:</b>	(972) 463-4158
<b>Email:</b>	pamela.liston@listonlaw.net

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

f) Any other consultant representing the Applicant before the Board N/A

<b>Firm Name:</b>	
<b>Contact:</b>	
<b>Address:</b>	
<b>Phone:</b>	
<b>Fax:</b>	
<b>Email:</b>	

7. List the counties within the Applicant's service area. Denton and Tarrant

8. Identify the Applicant's total service area population: 11,500

9. Applicant is requesting funding from which programs? Check all that apply.

	PROGRAM	AMOUNT REQUESTED
a) <input type="checkbox"/>	Drinking Water State Revolving Fund (DWSRF)	\$ _____
b) <input type="checkbox"/>	Clean Water State Revolving Fund (CWSRF)	\$ _____
c) <input type="checkbox"/>	Texas Water Development Fund (DFund)	\$ _____
d) <input type="checkbox"/>	State Participation	\$ _____
e) <input type="checkbox"/>	Rural Water Assistance Fund (RWAFF)	\$ _____
f) <input checked="" type="checkbox"/>	State Water Implementation Fund for Texas (SWIFT)	\$ 4,645,000
g) <input type="checkbox"/>	Economically Distressed Areas Program (EDAP)	\$ _____
h) <input type="checkbox"/>	If other please explain: _____	\$ _____

10. Other Funding Sources: Provide a list of any other funding source(s) being utilized to complete the project, including Applicant's local contribution, if any, or commitments applied for and/or received from any other funding agency for this project or any aspect of this project. **Provide commitment letters if available. Additional funding sources must be included within the Project Budget (TWDB-1201).**

Funding Source	Type of Funds (Loan/Grant)	Amount (\$)	Date Applied for Funding	Anticipated or Funding Secured Date
Fort Worth	Contribution	\$3,897,852.51	Unknown	Unknown
Westlake	Contribution	\$2,049,643.28	Unknown	Unknown
<b>Total Funding from All Sources</b>		\$5,947,496		

Comments: This is a regional project with three separate contributing entities.

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

11. Applicant is requesting funding for which phase(s)? Check all that apply.

- Planning
- Acquisition
- Design
- Construction

12. Is Applicant requesting funding to refinance existing debt?

- Yes If yes, attach a copy of the document securing the debt to be refinanced.  
 **Attached document**
- No



Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part B: Legal Information**

13. Cite the legal authority under which the Applicant can issue the proposed debt including the authority to make a proposed pledge of revenues. Subchapter F, Chapter 54, Texas Water Code
14. What type of pledge will be used to repay the proposed debt?  
 Systems Revenue  
 Taxes  
 Combination of systems revenues and taxes  
 Other (Contract Revenue, etc.)
15. Provide the full legal name of the security for the proposed debt issue(s). Trophy Club Municipal Utility District No. 1 Water and Sewer System Revenue Bonds, Series 2016
16. Describe the pledge being offered and any existing rate covenants. The Bonds, and existing outstanding parity revenue obligations, will be secured by and payable from a first lien on and pledge of the net revenues from the District's water and sewer systems.
17. Attach the resolution from the governing body requesting financial assistance.  
TWDB-0201A (<http://www.twdb.texas.gov/financial/instructions/>)  
 **Attached Resolution**
18. Attach the Application Affidavit  
TWDB-0201 (<http://www.twdb.texas.gov/financial/instructions/>)  
 **Attached Applicant Affidavit**
19. Attach the Certificate of Secretary  
TWDB-201B (<http://www.twdb.texas.gov/financial/instructions/>)  
 **Attached Certificate of Secretary**
20. Is the applicant a Water Supply Corporation (WSC)?  
 Yes If yes, attach each of the following:  
 **Articles of Incorporation**  
 **Certificate of Incorporation from the Texas Secretary of State evidencing that the current Articles of Incorporation are on file with the Secretary**  
 **By-laws and any amendments**  
 **Certificate of Status from the Texas Secretary of State (i.e. Certificate of Existence)**  
 **Certificate of Account Status from the Texas Comptroller of Public Accounts (certifies that the WSC is exempt from the franchise tax and that the WSC is in good standing).**  
 No
21. Is the applicant proposing to issue revenue bonds?  
 Yes If yes, attach copies of the most recent resolution/ordinance(s) authorizing any outstanding parity debt. This is essential to insure outstanding bond covenants are consistent with covenants that might be required for TWDB financing.

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

- Attached resolution/ordinance(s)**
- No
22. Does the applicant possess a Certificate of Convenience and Necessity (CCN)?
- Yes If yes, attach a copy of the CCN and service area map showing the areas the applicant is allowed to provide water or wastewater services.
- Attached CCN and service area map**
- No If no, indicate the status of the CCN. \_\_\_\_\_
- N/A
23. Has the applicant been the subject of any enforcement action by the Texas Commission on Environmental Quality (TCEQ), the Environmental Protection Agency (EPA), or any other entity within the past three years?
- Yes If yes, attach a brief description of every enforcement action within the past three years and action(s) to address requirements.
- Attached**
- No
24. Are any facilities to be constructed or the area to be served within the service are of a municipality or other public utility?
- Yes If yes, has the applicant obtained an affidavit stating that the utility does not object to the construction and operation of the services and facilities in its service area?
- If yes, attach a copy of the affidavit.
- Attached affidavit**
- If no, provide an explanation as to why not. The proceeds of the Bonds will be used to finance the District's pro rata share of costs of regional water line facilities to be owned and operated by the City of Fort Worth. In addition to the District, the water line facilities will serve customers of the City of Fort Worth and the Town of Westlake.
- No
25. If the assistance requested is more than \$500,000 a Water Conservation Plan (WCP) is required. The WCP cannot be more than **FIVE** years old and must have been adopted by the applicant. Has the applicant adopted a Board-approved WCP? (Check one and attach requested information, if any.)
- Yes Enter date of Applicant's WCP adoption: \_\_\_\_\_
- No If no, attach a copy of a draft Water Conservation Plan and Drought Contingency Plan prepared in accordance with the TWDB WCP Checklist (<http://www.twdb.state.tx.us/financial/instructions/doc/TWDB-1968.pdf>)
- Attached Draft WCP and Drought Contingency Plan**
- Attached Utility Profile TWDB-1965**
- N/A <http://www.twdb.state.tx.us/financial/instructions/doc/TWDB-1965.pdf>  
(Request is \$500,000 or less per Water Code §§ 15.106(c), 17.125(c), 17.277(c), and 17.857(c))

**Note:** If the applicant will utilize the project financed by the TWDB to furnish services to another entity that in turn will furnish services to the ultimate consumer, the requirements

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for the WCP may be met through contractual agreements between the applicant and the other entity providing for establishment of a water conservation plan. The provision requiring a WCP shall be included in the contract at the earliest of: the original execution, renewal or substantial amendment of that contract, or by other appropriate measures.

26. Does the applicant provide retail water services?  
 Yes If yes, has the applicant already submitted to the TWDB the annual water use survey of groundwater and surface water for the last **THREE** years?  
 Yes  
 No If no, please download survey forms and attach a copy of the completed water use surveys to the application.  
<http://www.twdb.texas.gov/waterplanning/waterusesurvey/index.asp>  
 **Attached Water Use Survey**
- No
27. Is the applicant a retail public utility that provides potable water?  
 Yes If yes, has the applicant already submitted the most recently required water loss audit to the TWDB?  
 Yes  
 No If no, and if applying for a water supply project, please complete the online TWDB Water Audit worksheet found at <http://www.twdb.texas.gov/conservation/resources/waterloss-resources.asp> and attach a copy to the application.  
 **Attached TWDB Water Audit worksheet**
- No
28. Does the Applicant provide wastewater services?  
 Yes  
 No



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**Part C: Financial Information**

**Regional or wholesale providers, complete questions 29-31.**

**Retail providers, complete questions 32-34.**

29. List top **TEN** customers of the system by annual usage in gallons and percentage of total usage, including whether any are in bankruptcy.

Customer Name	Annual Usage (gal)	Percent of Usage	Bankruptcy (Y/N)
Maguire Thomas/BRE Solana LLC	75,527,000	9.22%	No
Town of Trophy Club	21,141,000	2.58%	No
Byron Nelson High School	18,987,000	2.32%	No
Marriott-Solana	15,551,000	1.90%	No
The Vineyards of Trophy Club	9,463,000	1.16%	No
Trophy Club Medical Center	5,081,000	0.62%	No
Value Place Hotel	4,117,000	0.50%	No
Lennar Homes	3,948,000	0.48%	No
Trophy Club Village Shops	3,376,000	0.41%	No
Armore II-Quorum, LLC	2,821,000	0.34%	No

Comments: None

30. List the top TEN customers of the system by gross revenues and percent of total revenues, including whether any are in bankruptcy

Customer Name	Annual Revenue(\$)	Percent of Revenue	Bankruptcy (Y/N)
Maguire Thomas/BRE Solana LLC	378,517	10.01%	No
Town of Trophy Club	103,887	2.75%	No
Byron Nelson High School	99,325	2.63%	No
Marriott-Solana	78,404	2.07%	No
The Vineyards of Trophy Club	44,660	1.18%	No
Trophy Club Medical Center	26,986	0.71%	No
Value Place Hotel	21,011	0.56%	No
Lennar Homes	22,550	0.60%	No
Trophy Club Village Shops	16,236	0.43%	No
Armore II-Quorum, LLC	15,727	0.42%	No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

31. Provide a summary of the wholesale contracts with customers

Contract Type	Minimum annual amount	Usage fee per 1,000 gallons	Annual Operations and Maintenance	Annual Capital Costs	Annual Debt Service	Other
Wholesale	N/A	Rates same as retail customers	N/A	N/A	N/A	See Comment

Comments: Wholesale provider to the Trophy Club Public Improvement District. Contract allows District to retain all revenue and requires the District to operate and maintain their system.

32. List top **TEN** customers of the water and/or wastewater system by annual revenue with corresponding usage and percentage of total use, including whether any are in bankruptcy.

a. **WATER**

Customer Name	Annual Usage (gal)	Percent of Total Water Revenue	Bankruptcy (Y/N)
Maguire Thomas/BRE Solana LLC	75,527,000	10.01%	No
Town of Trophy Club	21,141,000	2.75%	No
Byron Nelson High School	18,987,000	2.63%	No
Marriott-Solana	15,551,000	2.07%	No
The Vineyards of Trophy Club	9,463,000	1.18%	No
Trophy Club Medical Center	5,081,000	0.71%	No
Value Place Hotel	4,117,000	0.56%	No
Lennar Homes	3,948,000	0.60%	No
Trophy Club Village Shops	3,376,000	0.43%	No
Armored II-Quorum, LLC	2,821,000	0.42%	No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

b. **WASTEWATER**

Customer Name	Annual Usage (gal)	Percent of Total Wastewater Revenue	Bankruptcy (Y/N)
Maguire Thomas/BRE Solana LLC	18,246,000	2.22%	No
Marriott-Solana	12,624,000	1.47%	No
The Vineyards of Trophy Club	9,463,000	1.19%	No
Byron Nelson High School	6,711,000	0.82%	No
Trophy Club Medical Center	5,081,000	0.60%	No
Lennar Homes	3,948,000	0.65%	No
Value Place Hotel	3,460,000	0.41%	No
Trophy Club Village Shops	3,311,000	0.39%	No
Armored II-Quorum, LLC	2,821,000	0.33%	No
Trophy Club 12, LLC	2,750,000	0.33%	No

33. Current Average Residential Usage and Rate Information

Service	Date of Last Rate Increase	Avg. Monthly Usage (gallons)	Avg. Monthly Bill (\$)	Avg. Monthly Increase Per Customer(\$)	Projected Monthly Increase Necessary (\$)
Water	09/01/15	17000	66.99	0.52	4.69
Wastewater	09/01/15	17000	60.06	2.98	0.00

34. Provide the number of customers for each of the past five years.

Year	Number of Water Customers	Number of Wastewater Customers
2011	3,549	3,554
2012	3,882	3,887
2013	4,122	4,127
2014	4,339	4,344
2015	4,704	4,710

All applicants complete questions 35-51 of the financial section, as applicable.

35. Disclose all issues that may affect the project or the applicant's ability to issue and/or repay debt (such as anticipated lawsuits, judgments, bankruptcies, major customer closings, etc.).

On October 8, 2015, retail customers of the District filed a petition with the Public Utility Commission of Texas pursuant to 13.043(b) of the Texas Water Code. The case is pending.

36. Has the applicant ever defaulted on any debt?

- Yes If yes, disclose all circumstances surrounding prior default(s). \_\_\_\_\_
- No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

37. Does the applicant have taxing authority?

- Yes  
 No

38. Provide the last five-years of data showing total taxable assessed valuation including net ad valorem taxes levied, corresponding tax rate (detailing debt service and general purposes), and tax collection rate.

Fiscal Year Ending	Net Taxable Assessed Value (\$)	Tax Rate	General Fund	Interest & Sinking Fund	Tax Levy \$	Percentage Current Collections	Percentage Total Collections
2012	\$ 954,645,475	0.175000	0.119140	0.055860	1,670,629.58	99.49%	99.60%
2013	993,598,863	0.133390	0.113890	0.019500	1,325,361.52	99.72%	100.63%
2014	1,047,277,474	0.133390	0.096730	0.036660	1,396,963.42	99.32%	99.43%
2015	1,113,383,211	0.133390	0.092130	0.041260	1,396,963.42	99.60%	98.17%
2016	1,222,840,135	0.131140	0.076940	0.054200	1,396,963.42	In Process	

Comments: \_\_\_\_\_

39. Attach the last five-years of tax assessed values delineated by Classification (Residential, Commercial and Industrial). **If applicant does not have taxing authority, provide the assessed values of the county.**

- a)  **2011 attached**  
 b)  **2012 attached**  
 c)  **2013 attached**  
 d)  **2014 attached**  
 e)  **2015 attached**

40. Attach the direct and overlapping tax rate table:

- Attached tax rate table**



Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

41. Provide the current top **TEN** taxpayers showing percentage of ownership to total assessed valuation. State if any are in bankruptcy and explain anticipated prospective impacts in the Comments blank, below. If any of these have changed in the past three years, please provide information on the changes to the top ten.

For Fiscal Year Ended 9-30-2016

Taxpayer Name	Assessed Value	Percent of Total	Bankruptcy (Y/N)
Trophy Club 12 LLC	\$ 14,500,000	1.19%	No
Trophy Club Equities LLC	10,759,326	0.88%	No
First Texas Homes Inc.	6,444,216	0.53%	No
4663 Okeechobee Blvd. & Palm Beach Holdings (2002)	5,393,413	0.44%	No
Clubcorp Gold Tex LP P/S	4,346,195	0.36%	No
Armore II - Quorum LLC	4,332,201	0.35%	No
Oncor Electric Delivery Co	3,598,390	0.29%	No
BDMR Development LLC	3,290,859	0.27%	No
Ashton Dallas Residential LLC	3,152,631	0.26%	No
Randall's Food & Drug, LP	2,785,074	0.23%	No

Comments: Total FY 2016 Net Taxable Valuation: \$1,222,840,135

42. Provide the maximum tax rate permitted by law per \$100 of property value. Unlimited
43. Does the applicant collect sales tax?  
 Yes Provide the sales tax collection history for the past five years.

Fiscal Year Ending	Total Collections
2011	N/A
2012	N/A
2013	N/A
2014	N/A
2015	N/A

No

44. Indicate the tax status of the proposed loan?  
 Tax-Exempt  
 Taxable

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

45. Proforma (Select one of the four listed below) Please be sure the proforma reflects the schedule requested, including multi-phased funding options.
- a. System revenues are anticipated to be used to repay the proposed debt. Attach a proforma indicating the following information for each year the debt is outstanding:
- projected gross revenues
  - operating and maintenance expenditures
  - outstanding and proposed debt service requirements
  - net revenues available for debt service and coverage of current and proposed debt paid from revenues
- b. Taxes are anticipated to be used to repay the proposed debt. Attach a pro forma indicating the following information for each year the debt is outstanding:
- outstanding and proposed debt service requirements
  - the tax rate necessary to repay current and proposed debt paid from taxes
  - list the assumed collection rate and tax base used to prepare the schedule
- c. Combination of system revenues and taxes to be used to repay the proposed debt. Attach a pro forma indicating the following information for each year the debt is outstanding:
- projected gross revenues, operating and maintenance expenditures, net revenues available for debt service
  - outstanding and proposed debt service requirements
  - the tax rate necessary to pay the current and proposed debt
  - list the assumed collection rate and tax base used to prepare the schedule
- d. Another type of pledge will be used to repay the proposed debt. Attach a pro forma with information for each year the debt is outstanding, which includes projected revenues, annual expenditures, outstanding debt requirements, and revenues available for debt service.
- Attached
46. Attach a **FIVE** year comparative system operating statement (not condensed) including audited prior years and an unaudited year-to-date statement. Unaudited year-to-date statement must reflect the financial status for a period not exceeding the latest six months.
- Attached Operating Statement.**
47. Attach **ONE** copy of an annual audit of financial statements, including the management letter, for the preceding fiscal year prepared by a certified public accountant or firm of accountants and, if the last annual audit was more than 6 months ago, then, provide interim financial information.
- Attached Annual Audit**
  - Attached Management Letter**
  - If applicable, attached interim financial information**
48. Does the applicant have any outstanding debt? (Check all that apply)
- Yes, General obligation debt
  - Yes, Revenue debt
  - Yes, Authorized but unissued debt
  - No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

49. Attach a listing of total outstanding debt and identify the debt holder. Segregate by type (General Obligation or Revenue) and present a consolidated schedule for each, showing total annual requirements. Note any authorized but unissued debt.

a. General Obligation Debt:

Yes

**Attached schedule. The schedule should also identify the debt holder.**

No

b. Revenue:

Yes

**Attached schedule. The schedule should also identify the debt holder.**

No

c. Authorized by Unissued Debt:

Yes

**Attached schedule. The schedule should also identify the debt holder.**

No

50. List the ten largest employers of the Applicant's service area:

Name	Number of Employees
Northwest Independent School District	388
Baylor Medical Center at Trophy Club	200
Trophy Club Country Club	100
Town of Trophy Club	100
Tom Thumb	75
Christina's Mexican Testaurant	55
Premier Academy-Trophy Club	42
Fellowship United Methodist Church	43
Trophy Lakes Academy	35
Merryhill Preschool	24

Comments (example, any anticipated changes to the tax base, employers etc.) None

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

51. Provide any current bond ratings with date received.

	Standard & Poor's	Date Received	Moody's	Date Received	Fitch	Date Received
G.O.	AA-	3/04/2014	Aa3	4/23/2010	N/A	
Revenue	AA-	1/9/2015	N/A		N/A	

52. Is the project intended to allow the applicant to provide or receive water or sewer services to or from another entity?

Yes. If yes, the applicant must attach, at a minimum, the proposed agreement, contract, or other documentation establishing the service relationship, with the final and binding agreements provided prior to loan closing.

**Attached**

No.

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

### Part D: Project Information

53. Description of Project Need (for example, is the project needed to address a current compliance issue, avoid potential compliance issues, extend service, expand capacity, etc.):

Trophy Club has a population of about 10,100 in southern Denton County. Trophy Club MUD #1 provides retail service to the city of Trophy Club. The MUD currently receives its water supply from groundwater (Trinity aquifer) and Fort Worth (TRWD), but plans to discontinue use of groundwater before 2020. Water management strategies for Trophy Club are conservation and additional water from Fort Worth.

54. Description of Project, including a bulleted list of project elements/components, and alternatives considered (including existing facilities):

The additional water from Fort Worth will require an increase in delivery infrastructure, which will take place in two phases. The first phase will be a joint project with Fort Worth and Westlake. The second phase will be an extension of the first phase and will be a dedicated line for Trophy Club MUD #1. The alternative options considered are discussed at depth in a report provided by the City of Fort Worth which is attached as "Attachment D54a".

A complete preliminary engineering feasibility data must include:

- a. A description and purpose of the project, including existing facilities.
  - Note: CWSRF and DWSRF must address issues scored in Intended Use Plan submittal

**Attached**

- b. **If project is for Construction only, then attach** the appropriate Engineering Feasibility Report:

**a) Water** (TWDB-0555 at

<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0555.pdf>)

**Attached**

**b) Wastewater** (TWDB-0556 at

<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0556.pdf>)

**Attached**

- c. DWSRF applicants must complete a Projected Draw Schedule (TWDB-1202 at <http://www.twdb.texas.gov/financial/instructions/doc/TWDB-1202.xls>)

55. Water Made Available (For projects requesting a construction component):

a. New supply 2,560 (acre-feet/year)      17,400,437 (\$) capital cost

- The **increase** in the total annual volume of water supply that will be made available to the recipient(s) by the proposed project.
- Water Plan project examples: new groundwater wells, reservoir development, pipelines to sources.

b. New Conservation savings 0 (acre-feet/year)      0 (\$) capital cost

- Annual volume of anticipated water savings resulting from implementation of the proposed conservation project including water loss) and other conservation activities,

**Please label each attachment with the number of the pertinent application section (i.e. "Part D5")**

- Water Plan project examples: municipal conservation, advanced Water Conservation, on-farm conservation, brush control, irrigation conservation.
- c. *New Reuse supply* \_\_\_\_\_ *0* \_\_\_\_\_ (*acre-feet/year*) \_\_\_\_\_ *0* \_\_\_\_\_ (*\$*) *capital cost*
  - Increase in the annual volume of (direct or indirect) reuse water supply that will be made available to the recipient(s) by the proposed project.
  - Water Plan project examples: direct reuse, non-potable reuse, recycled water programs.
- d. *Maintenance of Current Supply* \_\_\_\_\_ *0* \_\_\_\_\_ (*acre-feet/year*) \_\_\_\_\_ *0* \_\_\_\_\_ (*\$*) *capital cost*
  - Volume of recipients' current supplies that will be maintained by implementing the proposed project
  - Water Plan project examples: None. Not a water plan project. (Examples of these type projects: treatment rehabilitation, system storage facilities, system upgrades).

56. Project Location:

Attach a map of the service area and drawings as necessary to locate and describe the project. The map should show the project footprint and major project components.

**Attached**

57. Attach the Census tract numbers in which the applicant's service area is within. The Census tracts within your area may be found at:

<http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>

**Please follow these steps:**

- Select Advanced Search.
- Select the Geographies button located below Topics (left side of page).
- On the top of the window select the Name tab.
- In the text box, type "All Census Tracts within \_\_\_\_" (Fill in the blank with the name of a County Subdivision or a Place.) Select "Go".
- If your town is a County Subdivision, select the geography labeled "All Census Tracts (or parts) within City, County, State" from the Geography Results. If your town is a place select the geography labeled "All Census Tracts (or parts) full-or-partially within City, State" from the Geography Results.
- Close the Geographies Search window.
- Use the Topics on the left side of the page to further refine your search or to select a table(s) from your search results.

**Attached Census tracts**

58. Project Schedule:

- a) Requested loan closing date.  
11/30/16
- b) Estimated date to submit environmental planning documents.  
3/1/17

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

- c) Estimated date to submit engineering planning documents.  
6/1/17
- d) Estimated date for completion of design.  
7/1/17
- e) Estimated Construction start date for first contract.  
9/1/17
- f) Estimated Construction end date for last contract.  
6/1/18

59. **Attach** a copy of current and future populations and projected water use or wastewater flows. Include entities to be served.

**Attached**

60. Attach the most current itemized project cost estimate (include all costs and funding sources). Utilize the budget format provided (TWDB-1201 at <http://www.twdb.texas.gov/financial/instructions/>). If applying for pre-construction costs only (i.e., P, A, D) then itemize only the relevant portions in the attached budget template

**Attached**

61. Attach the appropriate Project Information Form:

**Wastewater:** Attached a completed Wastewater Project Information Form WRD-253a <http://www.twdb.texas.gov/financial/instructions/index.asp>

**Water:** Attached a completed Water Project Information Form WRD-253d <http://www.twdb.texas.gov/financial/instructions/index.asp>

62. If the project is for Construction only, wastewater projects that involve the construction of a new plant or the expansion of an existing plant and/or associated facilities, attach evidence that an application for a new Texas Pollution Discharge Elimination System Permit or amendment to an existing permit related to the proposed project has been filed with the Texas Commission on Environmental Quality (TCEQ). Final permit authorization must be obtained from the TCEQ before funds can be released for construction activities.

**Attached**

No. Provide explanation: N/A

63. If this project will result in: (a) an increase by the applicant in the use of groundwater, (b) drilling a new water well, or (c) an increase by the applicant in use of surface water, then the applicant must demonstrate that it has acquired – by contract, ownership or lease – the necessary property rights, groundwater permits, and/or surface water rights sufficient for the project before funds can be released for construction.

a) Does the applicant currently own all the property rights, groundwater permits and surface water rights needed for this project?

Yes If yes, please attach the completed, appropriate form.

1. WRD 208A (<http://www.twdb.texas.gov/financial/instructions/index.asp>) (Surface Water)

**Attached**

2. WRD 208B (<http://www.twdb.texas.gov/financial/instructions/index.asp>) (Groundwater)

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

- Attached**
- No
- N/A

b) If all property rights, groundwater permits, and surface water rights, needed for this project have not yet been acquired, identify the rights and/or permits that will need to be acquired and provide the anticipated date by which the applicant expects to have acquired such rights and/or permits.

Type of Permit Water Right	Entity from which the permit or right must be acquired	Acquired by lease or full ownership	Expected acquisition date	Permit / Water Right ID No.

c) List any major permits not identified elsewhere that are necessary for completion of project. Also, list any more necessary minor permits that may involve particular difficulty due to the nature of the proposed project.

Permit	Issuing Entity	Permit Acquired (Y/N)

64. Has the applicant obtained all necessary land and easements for the project?

- Yes. If yes, attach the site certificate (ED-101 at <http://www.twdb.texas.gov/financial/instructions/index.asp>)
- Attached**
- No. If no, **fill out the table below** and describe the land or easements that will need to be acquired, provide the anticipated date by which the applicant expects to have the land or easements, and indicate if funding from TWDB is to be used for the acquisition.

Description of Land or Easement Permit	Entity from which the permit or right must be acquired	Acquired by lease or full ownership	Expected acquisitio n date	To Be Funded by TWDB (Yes/No)
Chirino, Jose Survey Abst 265 Tr 1 School Boundary Split	AIL Investment LP	TBD by City of Fort Worth	7/1/2016	TBD by City of Fort Worth
Chirino, Jose Survey Abst 265 Tr 1 School Boundary Split	AIL Investment LP	""	7/1/2016	""
Chirino, Jose Survey Abst 265	AIL Investment	TBD by City	7/1/2016	TBD by City of



Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

Tr 1c6 School Boundary Split	LP	of Fort Worth		Fort Worth
Chirino, Jose Survey A 265 Tr 1 School Boundary Split	AIL Investment LP	""	7/1/2016	""
Chirino, Jose Survey A 265 Tr 1c	AIL Investment LP	""	7/1/2016	""
Rhodes, S T Survey Abst 1868 Tr 1a1	AIL Investment LP	""	7/1/2016	""
Rhodes, S T Survey Abst 1868 Tr 1b & 1a1a	AIL Investment LP	""	7/1/2016	""
Alliance Gateway South Addn Blk 4 Lot Irl Ag	Alliance Gateway # 11 LTD ETAL	""	7/1/2016	""
Alliance Gateway South Addn Blk 4 Lot Irl Ag	Alliance Gateway # 11 LTD ETAL	""	7/1/2016	""
Huff, William Survey A 648 Tr 4	HW 164 Land LP	""	7/1/2016	""
Chirino, Jose Survey A 265 Trs 1c4 & 1f2	AIL Investment LP	""	7/1/2016	""
Chirino, Jose Survey A 265 Tr 3a School Boundary Split	AIL Investment LP	""	7/1/2016	""
Chirino, Jose Survey A 265 Tr 3a School Boundary Split	AIL Investment LP	""	7/1/2016	""
Chirino, Jose Survey Abst 265 Tr 1b School Boundary Split	AIL Investment LP	""	7/1/2016	""
Chirino, Jose Survey Abst 265 Tr 1b School Boundary Split	AIL Investment LP	""	7/1/2016	""
Chirino, Jose Survey Abst 265 Tr 1a School Boundary Split	AIL Investment LP	""	7/1/2016	""
Chirino, Jose Survey Abst 265 Tr 1a School Boundary Split	AIL Investment LP	""	7/1/2016	""
Chirino, Jose Survey A 265 Tr 1d Abst 265 Tr 1d Bndry Split	AIL Investment LP	""	7/1/2016	""
Chirino, Jose Survey Abst 265 Tr 1d School Boundary Split	AIL Investment LP	""	7/1/2016	""
Huff, William Survey A 648 Tr 4a Homesite	HW 164 Land LP	""	7/1/2016	""
Huff, William Survey A 648 Tr 4a Less Homesite	HW 164 Land LP	""	7/1/2016	""
Cuella, Francisco Survey A 267 Tr 1b01	HW 164 Land LP	""	7/1/2016	""
Rhodes, S T Survey A1868 Tr 2 2b1 & 2d	AIL Investment LP	""	7/1/2016	""
Willis, Theodore T Survey Abst 1682 Trs 1 & 1a1	AIL Investment LP	""	7/1/2016	""

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

65. Has a Categorical Exclusion (CE), Determination of No Effect (DNE), Finding of No Significant Impact (FONSI), Record of Decision (ROD), or any other environmental determination been issued for this project?
- Yes  
 Attach a copy of the finding.  
 No
66. Is the project potentially eligible for a Categorical Exclusion (CE)/ Determination of No Effect (DNE) because it involves only minor rehabilitation or the functional replacement of existing equipment?
- Yes  
 No
67. Are there potentially adverse environmental or social impacts that may require mitigation or extensive regulatory agency or public coordination (e.g. known impacts to properties eligible for listing on the National Register of Historic Places; potentially significant public controversy; need for an individual permit from the U.S. Army Corps of Engineers)?
- Yes  
 If yes, attach additional information  
 No

**Part E: State Water Implementation Fund for Texas (SWIFT) Applicants Only:**

68. Identify the type of SWIFT funding (If more than one funding option is being requested indicate the amount of funding for each):

- |                                     |                     |              |
|-------------------------------------|---------------------|--------------|
| <input type="checkbox"/>            | Deferred            | \$           |
| <input checked="" type="checkbox"/> | Low Interest Loan   | \$ 4,645,000 |
| <input type="checkbox"/>            | Board Participation | \$           |

69. For multi-year funding request or phased commitments, provide a schedule reflecting the closing dates for each loan requested.

**Attached**

70. **Notice to SWIFT Applicants:** Texas Water Code Sec. 15.435(h) requires all recipients of financial assistance from the SWIFT to acknowledge any applicable legal obligations in federal law, related to contracting with disadvantaged business enterprises, and state law, related to contracting with historically underutilized businesses. Checking the boxes below serves as this acknowledgement.

As an applicant for financial assistance from SWIFT, I acknowledge that this project must comply with any applicable legal obligations in federal law related to contracting with disadvantaged business enterprises.

As an applicant for financial assistance from SWIFT, I acknowledge that this project must comply with applicable legal obligations in state law (Texas Government Code Chapter 2161 and Texas Administrative Code Chapter 20, Subchapter B) related to contracting with historically underutilized businesses.

71. Provide drafts of the following documents:

a. Proposed Bond Ordinance

**Attached**

b. Private Placement Memorandum

**Attached**



Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part F: Economically Distressed Programs (EDAP) Applicants Only:**

In accordance with TWDB Rules (31 TAC Chapter 363), an application for EDAP will **not** be considered until the County has adopted and is enforcing the Model Subdivision Rules (MSRs) Texas Water Code § 16.343. If the proposed project is within a municipality or its extraterritorial jurisdiction (ETJ), or if the applicant is a municipality, the municipality must also have adopted and be enforcing MSRs.

72. Describe procedures for collecting monthly customer bills (include procedures for collection of delinquent accounts)  
\_\_\_\_\_
73. Is financing being requested for a **wastewater** project?  
 Yes If yes, does the applicant have the required resolution/ordinance establishing a mandatory hookup policy?  
 Yes. If yes, attach a copy of the resolution/ordinance.  
 **Attached**  
 No. If no, explain \_\_\_\_\_  
 No
74. Required documentation for the project area for Preliminary EDAP Eligibility (31 TAC Chapter 363)  
 **Attached** documentation of inadequacy of water and/or wastewater services.  
 **Attached** documentation regarding the financial resources of the residential users in the EDAP area. Census data or documentation regarding median household income should be provided.  
 **Attached** documentation demonstrating existence of a residence in the project area prior to **June 1, 2005**. This could include tax records of residence, dated aerial maps, or, other documentation demonstrating existence of a residence.
75. Has the Department of State Health Services issued a determination stating a public health nuisance exists in the project area?  
 Yes If yes, attach a copy of the determination.  
 **Attached**  
 No If no determination exists, attach documentation demonstrating a public health nuisance exists in the project area. (*Photographs may be submitted, but they **must** be labeled with location and date when taken. If the soil types are mentioned in the project area as an issue, include soil profile maps*) This documentation will be used by TWDB staff to request a determination from the Department of State Health Services  
 **Attached**
76. Is this project providing new service?  
 Yes If yes, attach plats of the affected subdivisions.  
 **Attached**  
 No
77. Attach an EDAP Facility Engineering Plan/Scope of Services report that complies with the requirements of WRD-023A. <http://www.twdb.texas.gov/financial/instructions/index.asp>  
 **Attached**



Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part G: CWSRF/DWSRF Applicants Only**

**Only applicants applying for funding from the CWSRF and DWSRF Programs must complete this section.**

Pursuant to Federal Funding Accountability and Transparency Act (FFATA) the applicant is required to obtain a DUNS number that will represent a universal identifier for all federal funding assistance. DUNS numbers can be obtained from Dun and Bradstreet at <http://fedgov.dnb.com/webform/>

78. Applicant's Data Universal Number System (DUNS) Number:  
DUNS \_\_\_\_\_

Pursuant to Federal Funding Accountability and Transparency Act (FFATA) the applicant is required to register with System for Award Management (SAM) and maintain current registration at all times during which the Board loan agreement is active or under consideration by the Board. Register at: <https://sam.gov>.

79. The applicant has registered and will maintain current SAM registration at all times during which a federal subaward is active or under consideration by the Board.  
 Yes  
 No

80. Federal Awards information:

1. Did applicant receive over 80% of their revenue from Federal Awards last year?

- Yes  
 No

2. Did applicant receive over \$25 million in Federal Awards last year?

- Yes  
 No

3. Public does not have access to executive compensation information via SEC or IRS reports?

- Yes  
 No

81. If applicant checked **YES** to **ALL** three boxes in 3 above, applicant is required to disclose the name and compensation of the five most highly compensated officers.

Officer's Name	Officer's Compensation (\$)

82. Complete form WRD 213 (<http://www.twdb.texas.gov/financial/instructions/index.asp>) - Certification Regarding Lobbying

- Attached**  Yes  
 No  
 N/A

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

83. If applying for CWSRF Equivalency or DWSRF, **attach** the Certification Regarding Debarment, Suspension and Other Responsibility. SRF-404  
(<http://www.twdb.texas.gov/financial/instructions/doc/SRF-404.pdf>)

**Attached**     Yes  
                   No  
                   N/A

84. If applying for CWSRF Equivalency or DWSRF, **attach** the Assurances – Construction Programs. EPA-424D (<http://www.twdb.texas.gov/financial/doc/EPA-424D.pdf>)

**Attached**     Yes  
                   No  
                   N/A

85. The applicant must comply with the Davis-Bacon Act regarding prevailing wage rates. The applicant acknowledges that they are aware of, and will abide by, the Davis-Bacon Act requirements.

Yes  
 No

Further information on the Davis-Bacon requirement is available through the TWDB Guidance document, DB-0156 (<http://www.twdb.texas.gov/financial/instructions/index.asp>)

All project costs funded by the TWDB through CWSRF Equivalency or DWSRF must comply with the federal Disadvantaged Business Enterprise (DBE) program rules and requirements. The federal DBE program requires a good faith effort to contract with DBE's for all procurements including: professional and non-professional consulting services, equipment, supplies and construction to be funded by federal equivalency dollars. Guidance and forms are found at:

TWDB-0210 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0210.pdf>)

86. **At a minimum, you must complete and attach** the Applicant Affirmative Steps Certification and Goals. This form is required to obtain a financial assistance commitment.

TWDB-0215 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0215.pdf>)

**Attached**     Yes  
                   No

87. If you have already solicited contractors, complete and attach the Affirmative Steps Solicitation Report. This form is required prior to loan closing and release of any funds; therefore, if this question is not applicable at this time, select N/A.

TWDB-216 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0216.pdf>)

**Attached**     Yes  
                   No  
                   N/A



Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

88. If you have awarded contracts to contractors, complete and attach the Loan/Grant Participation Summary. This form must be submitted for review prior to loan closing and release of funds. This form is required prior to loan closing and release of any funds; therefore, if this question is not applicable at this time, select N/A.

TWDB-0373 (<http://www.twdb.texas.gov/financial/doc/TWDB-0373.pdf>)

**Attached**  Yes  
 No  
 N/A

89. All Contractors that have been awarded will need to complete and attach the Prime Contractor Affirmative Steps Certification and Goals This form is required prior to loan closing and release of any funds; therefore, if this question is not applicable at this time, select N/A.

TWDB-217 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0217.pdf>)

**Attached**  Yes  
 No  
 N/A

90. **All CWSRF applicants** must be a Designated Management Agency (DMA) for wastewater collection and treatment. Please complete and attach DMA resolutions. WRD-210 (<http://www.twdb.texas.gov/financial/doc/WRD-210.pdf>) is an example of this type of resolution.

**Attached**  
 N/A



Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

## Part H: Documentation of "Green" Projects and Project Components

CWSRF and DWSRF Applicants Only

All SRF applicants must complete this section if green benefits are all or part of the project (**more than an incidental benefit**). Project is defined as the entire project or a stand-alone component of the project. This section is required so that the TWDB may determine whether the project qualifies as "green" pursuant to Environmental Protection Agency (EPA) Guidance.

A project (or project component) is "green" if the primary purpose qualifies under EPA Guidance as one of the following:

- a. Green Infrastructure,
- b. Water Efficiency-related,
- c. Energy Efficiency-related, or
- d. Environmentally Innovative.

You must use the Green Project Reserve guidance to complete this section. Current guidance may be found at: **Green Project Reserve: Guidance for determining project eligibility**  
TWDB-0161 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0161.pdf>)

91. Does your project or a component of your project qualify as Green, per EPA guidance?
- Yes  
 No

If Yes, Please complete the remainder of Section G.

92. Type of Green Project
- Water Efficiency       Energy Efficiency       Green Infrastructure       Environmentally Innovative

93. The correct worksheets must be completed.
- Green Project Reserve: CWSRF Green Project Worksheets**  
TWDB-0162 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0162.pdf>)
- Attached**       Yes  
                          No  
                          N/A

- Green Project Reserve: DWSRF Green Project Worksheets**  
TWDB-0163 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0163.pdf>)
- Attached**       Yes  
                          No  
                          N/A

TWDB will make the final determination whether your project (or project component) meets federal criteria as "green". You may be required to submit a **business case, utilizing the Green guidance**



Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

### Part I: Summary of attachments to application

Following is a list of the documents that may be necessary in order to process this application. While not all of the listed information below may be required for all projects, an applicant should review the application carefully because incomplete applications will not be processed until all of this information has been provided. In addition, please make sure your entity system name appears on every attachment. **Label each attachment with the number of the pertinent application section (i.e. "Part B5").**

Check list for your convenience

#### Part A

- No. 6
- No. 12

#### General Information

Draft or executed consulting contracts (engineering, financial advisor, bond counsel)  
Existing security document for refinancing

#### Part B

- No. 17
- No. 18
- No. 19
- No. 20

#### Legal

Resolution (TWDB-0201A)  
Application Affidavit (TWDB-0201)  
Certificate of Secretary (TWDB-201B)  
Water Supply Corporations

- Articles of Incorporation
- Certificate of incorporation from the Texas Secretary of State
- By-laws and any amendments
- Certificate of status from the Texas Secretary of State
- Certificate of account status from Texas Comptroller

- No. 21
- No. 22
- No. 23
- No. 24
- No. 25
- No. 26

Resolution/ordinance authorizing the issuance of parity debt  
Certificate of Convenience & Necessity  
Enforcement Actions  
Affidavit of No Objection  
Two copies of the Water Conservation Plan (TWDB-1968 and TWDB-1965)  
Water use surveys

- No. 27

Water Loss Audit  
<http://www.twdb.texas.gov/waterplanning/waterusesurvey/index.asp>  
<http://www.twdb.texas.gov/conservation/resources/waterloss-resources.asp>

#### Part C

- No. 39
- No. 40
- No. 45
- No. 46
- No. 47
- No. 49
- No. 52

#### Financial

Assessed Values by Classifications  
Direct and Overlapping Tax Table  
Proforma for each year of debt outstanding  
Five year comparative system operating statement.  
Annual audit and management letter  
Outstanding debt schedule  
Service provider contracts

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part D**

**Project Information**

- No. 54a Preliminary Engineering Feasibility Data (PEFD)
- No. 54b Engineering Feasibility Report
  - Water (TWDB-0555)
  - Wastewater (TWDB-0556)
- No. 54c Project Draw Schedule (TWDB-1202)
- No. 56 Project Map
- No. 57 Census Tract(s)
- No. 59 Current and future populations and projected water use or wastewater flows
- No. 60 Project Cost Estimate Budget (TWDB-1201)
- No. 61 Wastewater Project Information Form (WRD-253a)  
Water Project Information Form (WRD-253d)
- No. 62 Texas Pollution Discharge Elimination System Permit
- No. 63 If applicant has property rights and permits
  - a. WRD-208A (Surface Water)
  - b. WRD-208B (Groundwater)
- No. 63c Additional Permits
- No. 64 Site certificate, evidencing land ownership for the project. (ED-101)
- No. 65 Categorical Exclusion (CE), Finding of No Significant Impact (FONSI), Record of Decision or any other supporting document
- No. 67 Social or environmental issues

**Part E**

**State Water Implementation Fund for Texas**

- No. 69 Multi-year/phased commitment schedule
- No. 71a Draft Bond Ordinance
- No. 71b Private Placement Memorandum

**Part F**

**Economically Distressed Areas Program**

- No. 73 Resolution/ordinance establishing a mandatory hookup policy
- No. 74 EDAP applicants
  - Inadequacy documentation
  - Financial resources documentation
  - Existence of residences prior to 06/01/2005
- No. 75 Public health nuisance
- No. 76 Plats
- No. 77 EDAP Planning Phase – Facility Engineering Plan/Scope of Services (WRD-023A)

**Part G**

**CWSRF/DWSRF Applicants Only**

- No. 82 Lobbying Activities (WRD-213)
- No. 83 Certification Regarding Debarment, Suspension and Other Responsibility Requirements. (SRF-404)
- No. 84 Assurances – Construction Programs (EPA-424D)  
Disadvantaged Business Requirements Guidance (TWDB-0210)
- No. 86 Affirmative Steps Certification and Goals (TWDB-0215)
- No. 87 Affirmative Steps Solicitation Report (TWDB-216)
- No. 88 Loan/ Grant Participation Summary (TWDB-0373)
- No. 89 Prime Contractor Affirmative Steps Certification and Goals (TWDB-217)
- No. 90 Designated Management Agency (WRD-210)

**Part H**

**Green Projects**

- No. 93 Guidance (TWDB-0161)  
CWSRF Green Project Worksheets (TWDB-0162)  
DWSRF Green Project Worksheets (TWDB-0163)

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

## Part J: Guidance and Forms

### Part A

#### General Information

CWSRF – 31 TAC 375

DWSRF – 31 TAC 371

EDAP and SWIFT - 31 TAC 363

For more information visit, <http://www.twdb.texas.gov/about/rules/index.asp>.

### Part D

#### Project Information

[State Programs - 31 TAC 363](#)

[Drinking Water State Revolving Fund - 31 TAC 371](#)

[Clean Water State Revolving Fund / Equivalency - 31 TAC 375](#)

[Clean Water State Revolving Fund / Non-Equivalency - 31 TAC 375](#)

Guidelines for Environmental Assessment, Clean Water Non-Equivalency (ED-001A)

Clean Water EID Instructions (SRF-099)

Guidelines for Environmental Assessment, State Participation, DFund, RWAf and WIF,  
(ED-001B)

Guidelines for Environmental Assessment, EDAP (ED-001C)

Drinking Water EID Instructions (DW-001)

### Part H

#### Green Projects and Project Components

Green Project Reserve: Guidance for determining project eligibility  
(TWDB-0161)





# Attachment – Part A6

Draft or Executed Consulting Contracts (engineering, Financial advisor, Bond Counsel)



SHORT FORM OF AGREEMENT  
BETWEEN OWNER AND ENGINEER  
FOR  
PROFESSIONAL SERVICES

THIS IS AN AGREEMENT effective as of November 20, 2012 ("Effective Date")  
between

**Trophy Club Municipal Utility District** ("Owner")

and

**The Wallace Group** ("Engineer").

Owner's Project, of which Engineer's services under this Agreement are a part, is generally identified as follows:

*Preliminary Engineering Report and Related Services ("Project").*

Engineer's Services under this Agreement are described in the attached Appendix 1, Scope of Services, Owner and Engineer further agree as follows:

1.01 *Basic Agreement and Period of Service*

- A. Engineer shall provide, or cause to be provided, the services set forth in this Agreement. If authorized by Owner, or if required because of changes in the Project, Engineer shall furnish services in addition to those set forth above. Owner shall pay Engineer for its services as set forth in Paragraphs 7.01 and 7.02.
- B. Engineer shall complete its services within a reasonable time, or within the following specific time period: *Preliminary Engineering Report (PER) shall be completed in 120 calendar days, other services to be completed as listed.*

2.01 *Payment Procedures*

- A. *Invoices:* Engineer shall prepare invoices in accordance with its standard invoicing practices and submit the invoices to Owner on a monthly basis. Invoices are due and payable within 30 days of receipt. If Owner fails to make any payment due Engineer for services and expenses within 30 days after receipt of Engineer's invoice, then the amounts due Engineer will be increased at the rate of 1.0% per month (or the maximum rate of interest permitted by law, if less) from said thirtieth day. In addition, Engineer may, after giving seven days written notice to Owner, suspend services under this Agreement until Engineer has been paid in full all amounts due for services, expenses, and other related charges. Owner waives any and all claims against Engineer for any such suspension. Payments will be credited first to interest and then to principal.

### 3.01 *Termination*

A. The obligation to continue performance under this Agreement may be terminated:

1. For cause,

a. By either party upon 30 days written notice in the event of substantial failure by the other party to perform in accordance with the Agreement's terms through no fault of the terminating party. Failure to pay Engineer for its services is a substantial failure to perform and a basis for termination.

b. By Engineer:

1) upon seven days written notice if Owner demands that Engineer furnish or perform services contrary to Engineer's responsibilities as a licensed professional; or

2) upon seven days written notice if the Engineer's services for the Project are delayed for more than 90 days for reasons beyond Engineer's control.

Engineer shall have no liability to Owner on account of a termination by Engineer under Paragraph 3.01.A.1.b.

c. Notwithstanding the foregoing, this Agreement will not terminate as a result of a substantial failure under Paragraph 3.01.A.1.a if the party receiving such notice begins, within seven days of receipt of such notice, to correct its substantial failure to perform and proceeds diligently to cure such failure within no more than 30 days of receipt of notice; provided, however, that if and to the extent such substantial failure cannot be reasonably cured within such 30 day period, and if such party has diligently attempted to cure the same and thereafter continues diligently to cure the same, then the cure period provided for herein shall extend up to, but in no case more than, 60 days after the date of receipt of the notice.

2. For convenience, by Owner effective upon Engineer's receipt of written notice from Owner.

B. The terminating party under Paragraph 3.01.A may set the effective date of termination at a time up to 30 days later than otherwise provided to allow Engineer to complete tasks whose value would otherwise be lost, to prepare notes as to the status of completed and uncompleted tasks, and to assemble Project materials in orderly files.

C. In the event of any termination under Paragraph 3.01, Engineer will be entitled to invoice Owner and to receive full payment for all services performed or furnished in accordance with this Agreement and all reimbursable expenses incurred through the effective date of termination.

### 4.01 *Successors, Assigns, and Beneficiaries*

A. Owner and Engineer are hereby bound and the successors, executors, administrators, and legal representatives of Owner and Engineer (and to the extent permitted by Paragraph 4.01.B the assigns of Owner and Engineer) are hereby bound to the other party to this Agreement and to the

successors, executors, administrators, and legal representatives (and said assigns) of such other party, in respect of all covenants, agreements, and obligations of this Agreement.

- B. Neither Owner nor Engineer may assign, sublet, or transfer any rights under or interest (including, but without limitation, moneys that are due or may become due) in this Agreement without the written consent of the other, except to the extent that any assignment, subletting, or transfer is mandated or restricted by law. Unless specifically stated to the contrary in any written consent to an assignment, no assignment will release or discharge the assignor from any duty or responsibility under this Agreement.
- C. Unless expressly provided otherwise, nothing in this Agreement shall be construed to create, impose, or give rise to any duty owed by Owner or Engineer to any contractor, subcontractor, supplier, other individual or entity, or to any surety for or employee of any of them. All duties and responsibilities undertaken pursuant to this Agreement will be for the sole and exclusive benefit of Owner and Engineer and not for the benefit of any other party.

#### 5.01 *General Considerations*

- A. The standard of care for all professional engineering and related services performed or furnished by Engineer under this Agreement will be the care and skill ordinarily used by members of the subject profession practicing under similar circumstances at the same time and in the same locality. Engineer makes no warranties, express or implied, under this Agreement or otherwise, in connection with Engineer's services. Subject to the foregoing standard of care, Engineer and its consultants may use or rely upon design elements and information ordinarily or customarily furnished by others, including, but not limited to, specialty contractors, manufacturers, suppliers, and the publishers of technical standards.
- B. Engineer shall not at any time supervise, direct, control, or have authority over any contractor's work, nor shall Engineer have authority over or be responsible for the means, methods, techniques, sequences, or procedures of construction selected or used by any contractor, or the safety precautions and programs incident thereto, for security or safety at the Project site, nor for any failure of a contractor to comply with laws and regulations applicable to such contractor's furnishing and performing of its work.
- C. This Agreement is to be governed by the law of the state or jurisdiction in which the Project is located.
- D. Engineer neither guarantees the performance of any contractor nor assumes responsibility for any contractor's failure to furnish and perform its work in accordance with the contract between Owner and such contractor. Engineer is not responsible for variations between actual construction bids or costs and Engineer's opinions or estimates regarding construction costs.
- E. Engineer shall not be responsible for the acts or omissions of any contractor, subcontractor, or supplier, or of any of their agents or employees or of any other persons (except Engineer's own employees) at the Project site or otherwise furnishing or performing any construction work; or for any decision made regarding the construction contract requirements, or any application, interpretation, or clarification of the construction contract other than those made by Engineer.

- F. The general conditions for any construction contract documents prepared hereunder are to be the "Standard General Conditions of the Construction Contract" as prepared by the Engineers Joint Contract Documents Committee (EJCDC C-700, 2007 Edition) unless the parties agree otherwise.
- G. All documents prepared or furnished by Engineer are instruments of service, and Engineer retains an ownership and property interest (including the copyright and the right of reuse) in such documents, whether or not the Project is completed. Owner shall have a limited license to use the documents on the Project, extensions of the Project, and for related uses of the Owner, subject to receipt by Engineer of full payment for all services relating to preparation of the documents and subject to the following limitations: (1) Owner acknowledges that such documents are not intended or represented to be suitable for use on the Project unless completed by Engineer, or for use or reuse by Owner or others on extensions of the Project, on any other project, or for any other use or purpose, without written verification or adaptation by Engineer; (2) any such use or reuse, or any modification of the documents, without written verification, completion, or adaptation by Engineer, as appropriate for the specific purpose intended, will be at Owner's sole risk and without liability or legal exposure to Engineer or to its officers, directors, members, partners, agents, employees, and consultants; (3) Owner shall indemnify and hold harmless Engineer and its officers, directors, members, partners, agents, employees, and consultants from all claims, damages, losses, and expenses, including attorneys' fees, arising out of or resulting from any use, reuse, or modification of the documents without written verification, completion, or adaptation by Engineer; and (4) such limited license to Owner shall not create any rights in third parties.
- H. To the fullest extent permitted by law, Owner and Engineer (1) waive against each other, and the other's employees, officers, directors, agents, insurers, partners, and consultants, any and all claims for or entitlement to special, incidental, indirect, or consequential damages arising out of, resulting from, or in any way related to the Project, and (2) agree that Engineer's total liability to Owner under this Agreement shall be limited to \$50,000 or the total amount of compensation received by Engineer, whichever is greater.
- I. The parties acknowledge that Engineer's scope of services does not include any services related to a Hazardous Environmental Condition (the presence of asbestos, PCBs, petroleum, hazardous substances or waste as defined by the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §§9601 et seq., or radioactive materials). If Engineer or any other party encounters a Hazardous Environmental Condition, Engineer may, at its option and without liability for consequential or any other damages, suspend performance of services on the portion of the Project affected thereby until Owner: (1) retains appropriate specialist consultants or contractors to identify and, as appropriate, abate, remediate, or remove the Hazardous Environmental Condition; and (2) warrants that the Site is in full compliance with applicable Laws and Regulations.
- J. Owner and Engineer agree to negotiate each dispute between them in good faith during the 30 days after notice of dispute. If negotiations are unsuccessful in resolving the dispute, then the dispute shall be mediated. If mediation is unsuccessful, then the parties may exercise their rights at law.

6.01 *Total Agreement*

- A. This Agreement (including any expressly incorporated attachments), constitutes the entire agreement between Owner and Engineer and supersedes all prior written or oral understandings. This Agreement may only be amended, supplemented, modified, or canceled by a duly executed written instrument.

7.01 *Basis of Payment—Lump Sum*

- A. Using the procedures set forth in Paragraph 2.01, Owner shall pay Engineer as follows:

• Preliminary Engineering Report Services	\$65,000
• TCEQ DWPA Services	\$42,000
• Geotechnical Investigation	\$15,000
• TWDB Loan Application	\$17,500
• Design, Bidding and Construction Services	To be negotiated at a later date
• Environmental	TBD

- B. The portion of the compensation amount billed monthly for Engineer's services will be based upon Engineer's estimate of the percentage of the total services actually completed during the billing period.

Attachments: Appendix 1, Scope of Services

Appendix 2, Engineer's Standard Hourly Rates

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, the Effective Date of which is indicated on page 1.



ENGINEERS JOINT CONTRACT  
DOCUMENTS COMMITTEE

This is **Appendix 1, Engineer's Scope of Services**, referred to in and part of the Short Form of Agreement between Owner and Engineer for Professional Services dated November 2012.

**PHASE IA - Process Controls, Meetings and Alternative Analysis**

**I. Workshops**

The Consultant will conduct three progress/alternatives workshops with the city staff. The purpose of the workshops will be to review progress, alternative solutions and cost estimates. The workshops will be held at Trophy Club and will last 2-3 hours. An agenda will be prepared and minutes kept and distributed.

**II. Alternatives**

Alternatives to be considered will include as follows:

- A. Basic Process
  - a. Additional activated sludge
  - b. Membrane Biological Reduction (MBR)
  - c. Other – possibly primary settling with anaerobic digestion
- B. Disinfection
  - a. Supplemental UV
  - b. New UV
  - c. Other
- C. Filtration
  - a. Supplemental Filtration
  - b. New Filtration (High Rate Disk)
  - c. Other

It is anticipated that this work will run roughly concurrent with the early phase of the Preliminary Engineering Report, and the information developed will flow into the PER and any support data for any financing application. The Consultant will evaluate up to three alternatives for the categories above. The Consultant reserves the right to eliminate any alternative without further investigation based on Consultant's judgement and/or experience.

**PHASE IB - Preliminary Engineering Report (PER)**

The Consultant agrees to perform the following services to develop a wastewater engineering needs assessment for submittal to the Trophy Club Municipal Utility District (TCMUD). The information obtained and developed in the needs assessment will be compiled in a preliminary engineering report (PER). Following completion of the PER, and should the TCMUD decide to move forward



with design of any necessary improvements identified in the PER, the PER can be used as a supporting document to be submitted to the Texas Commission on Environmental Quality (TCEQ) for the approval and authorization by TCEQ to initiate design and construction.

**I. Current Facility Assessment**

**A. Review Existing Project Data**

Obtain and review available previous reports, plans, correspondence, and background information on the project. This may include review of any previous facility plans, planning reports, copies of system maps, topographic maps, land use data, demographic and planning reports, drawings of existing and planned facilities, flow and testing records, regulatory agency permits, and other data as revealed and considered pertinent to the project.

**B. Review Population Data**

Review population projections and data as provided by the Owner based on best available information concerning future growth and development (residential and commercial) with respect to its impact on the wastewater treatment plant requirements.

**C. Review Existing Data with TCMUD**

Meet with the Owner and the Owner's agents to review and verify the initial plant data, records and findings.

**D. Topo Survey**

Conduct further topographic field survey of select components and infrastructure located at the existing wastewater treatment facility (WWTF), as required to better assess key elevations required to assess the hydraulic profile and requirements of the WWTF.

**E. Assess Current Treatment Plant**

Assess the current treatment plant unit processes and components to determine the hydraulic and/or organic treatment adequacy of each function and determine which, if any, would be compatible with necessary improvements to better comply with current TPDES limits. The unit treatment processes to be assessed may include the following:

- Headworks (coarse debris removal/mechanical bar screen)
- Raw Water Lift Station
- Fine Screening and Grit Facility
- Bioselector
- Aeration/Treatment basins
- Clarifiers/Splitter box
- Tertiary Filtration
- RAS/WAS Lift Station
- Biosolids/Sludge Digestion
- Sludge Dewatering/Belt Filter Press
- UV Disinfection
- Effluent Discharge Lift Station
- Select Electrical Controls and Standby Power

F. Assess Existing Wastewater Characteristics

Assess the existing wastewater characteristics based on historic flow and constituent tests to determine the hydraulic loading and physical properties of the wastewater. The Consultant may request the Client to conduct additional testing to aid in the Consultant's assessment of the WWTF in order to gain a better assessment of the unit treatment processes and understand the issues facing the facility.

G. Assess Current and Future TPDES Permit Requirements

Assess current and anticipated future TPDES permit requirements (if available) as projected by TCEQ for the current and/or immediate future anticipated permit levels as indicated through conversations and/or meetings with TCEQ staff to obtain their feedback.

**II. Alternatives and Options**

A. Meet with TCEQ

After development of an understanding of the WWTF issues and the Owner's goals, it is proposed that a meeting be scheduled with representative(s) of TCEQ. This will help determine if potential obstacles and/or issues exist that should be addressed in the PER.

B. Hydraulic and Organic Requirements

Evaluate and forecast the future hydraulic (flow) and organic requirements for the wastewater treatment facility based on projected population and flow changes to the facility, as well as existing and future possible major contributors (e.g. industry or commerce) to the WWTF for a 20 year planning period.

C. Infiltration and Inflow

Assess the current and potential future impact of infiltration and inflow (I/I) on the WWTF and identify options and recommendations to address the I/I. This assessment shall be focused on the impact of I/I at the WWTF and does not include an evaluation of the collection system for I/I.

D. Opinion of Probable Cost

Compose an opinion of probable construction costs (OPCC) for the proposed improvement options identified, to include anticipated labor, materials, equipment and services.

E. Draft PER

Prepare a draft PER describing the following items: population/flows, performance criteria/permit limits, existing facility conditions, assessments/alternatives, and development of costs. Submit up to eight (8) copies of the draft report to Owner's representative for review, comments and feedback.

F. Present Draft PER

Present the draft PER to the District Manager, WWTF Director and/or staff to discuss the findings contained within the PER and make amendments and/or corrections to the report based on feedback from the Owner's representative(s) with respect to the draft PER.

G. Prepare the final PER

Based on comments received from the Owner

H. Submit to the Owner's representative up to eight (8) copies of the final report.

I. Present the final report to the District Manager and Board at their regularly scheduled meeting.

### **Phase IIA - Domestic Wastewater Permit Application Services**

Upon completion of the PER phase, the Project's ultimate goal will be to complete the design and construction of wastewater treatment facility improvements to better meet the present and future wastewater treatment needs for the TCMUD. The first step in completing the design and construction will be to receive approval from TCEQ to proceed with those efforts. The TCEQ will review the recommended improvements in the PER and determine whether the amendments to the WWTF will be classified as major or minor. This can impact the Owner's TPDES permit limits depending on the classification. In addition, the TCEQ will require a domestic wastewater permit application be submitted with the PER for their evaluation to determine the specific design and construction scope approval. Consultant will perform the following services to provide information for a Domestic Wastewater Permit Application (DWPA) submitted to TCEQ. Upon written authorization by the Owner, the services to be provided by Consultant generally include the following:

#### **III. Compose TCEQ Application**

Assemble information pertinent to and compose the TCEQ application for a DWPA on behalf of the Owner. The application shall be assembled in a bound report style document and submitted to TCEQ for review and evaluation. The following shall generally be the necessary information completed by Consultant and included in the application:

- TCEQ Core Data Form
- Domestic Administrative Report 1.0
- Supplemental Permit Information Form
- Domestic Administrative Report 1.1
- TCEQ Supplemental Permit Information Form (SPIF)
- Domestic Technical Report 1.0
- Domestic Technical Report 1.1
- Domestic Worksheet 2.0 – Receiving Waters
- Domestic Worksheet 2.1 – Stream Physical Characteristics
- Domestic Worksheet 3.0 – Land Application of Effluent
- Domestic Worksheet 4.0 – Pollutant Analyses Requirements
- Domestic Worksheet 5.0 – Whole Effluent Toxicity
- Domestic Worksheet 6.0 – Industrial Waste Contribution
- 100-yr. Flood Elevation Check
- Maps: Original USGS Map and Graphics; Affected Landowner Map & Legend; Buffer Zone Map; Site Drawing; Facility Photographs & Map Locator; Design Features Map; NOAA Wind Row Maps

- Engineering: Flow Diagrams; Design Calculations; Solids Management Plan; Water Balance Calculations & Graphics

#### **IV. Consultant Application Exclusions**

The Owner will be responsible for all application fees for the project. The Consultant is not providing FEMA map revisions, CLOMR/LOMR reports, USACE 404 permits, hydrology evaluations, and Environmental permits for such items as archaeology and historic structures.

#### **V. Additional Services**

All meetings with TCEQ staff, the Owner, Commission hearings, and/or other third party to the project, as well as additional services beyond those specifically included herein, shall be negotiated with the Owner prior to their initiation.

#### **Phase IIB - Environmental Report**

The Texas Water Development Board (TWDB) requires environmental documentation on all projects. The requirements vary depending upon the source of funds (State or State and Federal mixed), the amount of work to be performed and the condition of the area being impacted.

If TWDB funding is used due to the TCEQ time constraints, we will almost certainly use all State funds. This will reduce the environmental requirements. If the impact is small enough, we may apply for what is called a Categorized Exclusion (CE), which further reduces the environmental effects required. The environmental cost could vary from a few thousand dollars up to \$50-\$60,000, depending upon the variables.

We will review any prior environmental documents, develop our plan further, determine the source of funding and determine the environmental approach and cost at that time.

#### **Phase IIC - Post Permitting Phase Service**

Services for the development of the project design, as well as the execution of bidding and construction services shall be scoped and negotiated at a later date with the Owner. The specific scope for the project design and construction are dependent on the approved improvement items by both the TCMUD Board and the TCEQ.

#### **Phase IID – Geotech**

If a suitable Geotech report isn't available, we can have up to 12 bore holes 30 feet deep performed for the cost shown below.

#### **Phase IIE - Loan Application**

Texas Water Development Board is probably the most popular source of financing in Texas for wastewater treatment improvement projects. The most popular program is the Clean Water Revolving Loan Fund Program which is subsidized approximately 1% on the interest rate. With Federal Funds, applications are taken annually and the process is competitive, and not all applicants are funded. The 2013 funding is based upon the successful applicants in 2011. This program may be

too lengthy and too unsure for the current TCMUD situation. Most of these projects receive a 0.95% interest rate discount.

A more reliable source, and more time sensitive, is the regular Texas Water Development Fund (CD Fund). These loans can normally be secured and distributed within 6 months of submitting a complete application. The current rate is 4.01% on a 22 year bond.

TCMUD has the option of selling bonds on the open market. The environmental requirements to comply with minimum state and federal loans would be similar to the regular Texas Water Development Fund.

**VI. Consultant Services for Phase IIE – Loan Application**

- A. Gather financial information and organizing for wastewater revenue for the past 5 years.
- B. Gather current and projected wastewater information (Last 5 years and future 20 years)
- C. Develop a pro-forma for the repayment of proposed debts
- D. Document property rights, permits and CCN
- E. Provide engineering information in the prescribed format.
- F. Provide cost estimates and schedule in the prescribed format.
- G. Provide estimates of population and wastewater growth.
- H. Provide description of alternatives considered and jointly selected project
- I. Provide Environmental documentation developed by others regarding National Environmental Protection Act, Clean Water Act and Rivers and Harbors Act
- J. Submit an approved Water Conservation Plan

### TIME SCHEDULE

The Consultant agrees to complete the following work items included in the above *Scope of Services To Be Provided By The Consultant* in the following general time schedule. The Owner understands that the following schedule is an approximate schedule due to the project involving numerous parties and conditions that are beyond the control of the Consultant.

- |   |                            |
|---|----------------------------|
| • Approval of Professional Agreement        | November 2012              |
| • Completion of PER Services                | 120 calendar days          |
| • Environmental                             | TBD                        |
| • Completion of DWPA                        | 60 calendar days after NTP |
| • Geotechnical Services                     | 60 calendar days after NTP |
| • TWDB Loan Application                     | 60 calendar days after NTP |
| • Design, Bidding and Construction Services | TBD                        |

### COMPENSATION

Compensation paid to the Consultant for services provided herein shall be as follows:

- |   |                                  |
|---|----------------------------------|
| • Preliminary Engineering Report Services   | \$65,000                         |
| • TCEQ DWPA Services                        | \$42,000                         |
| • Geotechnical Investigation                | \$15,000                         |
| • TWDB Loan Application                     | \$17,500                         |
| • Design, Bidding and Construction Services | To be negotiated at a later date |
| • Environmental                             | TBD                              |

Consultant's fee for base services (PER) shall be \$65,000. For all alternative services (Geotech, Loan Application and DWPA) the Consultant's total fee shall be \$74,500. The Owner reserves the right to initiate any or all of the alternative services as the project progresses, and shall pay for only those alternatives executed by the Consultant.

Payment shall be made in installments billed not more frequently than once each month upon receipt of invoices from the Consultant. Invoices will be shown as a percentage of work complete.



ENGINEERS JOINT CONTRACT  
DOCUMENTS COMMITTEE

This is **Appendix 2, Engineer's Standard Hourly Rates**, referred to in and part of the Short Form of Agreement between Owner and Engineer for Professional Services dated November 2012.

**Engineer's Standard Hourly Rates**

STAFF CATEGORY	RATE/HOUR
Principal	\$165.00
Sr. Vice President	\$150.00
Vice President	\$140.00
Managing RPLS	\$120.00
Project Manager	\$140.00
RPLS	\$100.00
Senior Technician	\$85.00
Senior Engineer	\$130.00
Managing Engineer	\$120.00
EIT	\$85.00
Sr. EIT	\$90.00
Project Engineer	\$100.00
Architect Intern	\$95.00
Jr. EIT	\$75.00
GIS Manager	\$90.00
Senior Project Manager	\$130.00
Civil Designer	\$75.00
Managing Architect	\$120.00
Project Architect	\$105.00
Field Observation Personnel	\$85.00
Field Observation Personnel	\$65.00
Survey Technician	\$62.00
GIS Technician	\$70.00
Designer / CAD Operator	\$75.00
Jr. CAD Technician	\$55.00
Architect CAD Draftsman	\$60.00
Administrative Support	\$50.00
Technician	\$70.00

Senior Survey Technician	\$75.00
Sr. Designer / Project Coordinator	\$110.00
Crew / GPS	\$165.00
One Man Crew	\$75.00
Two Man Crew	\$105.00
Three Man Crew	\$120.00
Four Man Crew	\$135.00
Crew / GPS with 6 wheeler	\$225.00
One Man Utility Technician	\$60.00
Two Man Water Utility Crew	\$80.00
One Man Water Utility Crew w/SUE	\$90.00
Two Man Water Utility Crew w/SUE	\$150.00



OWNER: Trophy Club MUD  
By: Jennifer McKnight  
Title: District Manager  
Date Signed: 11-20-12

ENGINEER: The Wallace Group  
By: R.E. Wallace  
Title: President  
Date Signed: 6-20-2012

Engineer License or Firm's Certificate  
Number: F-54  
State of: TEXAS

Address for giving notices:  
Trophy Club MUD  
Attn: Jennifer McKnight  
100 Municipal Drive  
Roanoke, Tx 76262

Address for giving notices:  
The Wallace Group  
Attn: R.E. Wallace, PE  
200 W Hwy 6, Suite 620  
Waco, Tx 76712

This document has important legal consequences; consultation with an attorney is encouraged with respect to its use or modification. This document should be adapted to the particular circumstances of the contemplated Project and the controlling Laws and Regulations.

**SHORT FORM OF AGREEMENT  
BETWEEN OWNER AND ENGINEER  
FOR  
PROFESSIONAL SERVICES**

Prepared by

**EJCDC** 

**ENGINEERS JOINT CONTRACT  
DOCUMENTS COMMITTEE**

and

Issued and Published Jointly by



AMERICAN COUNCIL OF ENGINEERING COMPANIES

ASSOCIATED GENERAL CONTRACTORS OF AMERICA

AMERICAN SOCIETY OF CIVIL ENGINEERS

PROFESSIONAL ENGINEERS IN PRIVATE PRACTICE  
*A Practice Division of the*  
NATIONAL SOCIETY OF PROFESSIONAL ENGINEERS

This Agreement has been prepared for use with the Standard General Conditions of the Construction Contract (EJCDC C-700, 2007 Edition) of the Engineers Joint Contract Documents Committee. Their provisions are interrelated, and a change in one may necessitate a change in the other.

#### **SPECIAL NOTE ON USE OF THIS FORM**

This abbreviated Agreement form is intended for use only for professional services of limited scope and complexity. It does not address the full range of issues of importance on most projects. In most cases, Owner and Engineer will be better served by the Standard Form of Agreement Between Owner and Engineer for Professional Services (EJCDC E-500, 2008 Edition), or one of the several special purpose EJCDC professional services agreement forms.

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# FREEMAN & CORBETT

PHONE (512) 451-6689

8500 Bluffstone Cove, Suite B-104  
Austin, Texas 78759

FAX (512) 453-0865

April 12, 2016

Board of Directors  
Trophy Club Municipal Utility District No. 1  
100 Municipal Drive  
Trophy Club, Texas 76262

Re: Bond Counsel Legal Services Agreement

Ladies and Gentlemen:

This engagement letter will outline our proposed services as Bond Counsel to Trophy Club Municipal Utility District No. 1 (the "District") with respect to the proposed issuance of revenue or unlimited tax bonds to finance improvements to the District's waterworks system (the "Bonds"). The Bonds would be issued to the Texas Water Development Board ("TWDB") under the State Water Implementation Fund for Texas ("SWIFT") program.

## Services

Our firm will perform all usual and necessary legal services as Bond Counsel. Specifically, we will prepare and direct legal proceedings and perform other necessary legal services with reference to the authorization, sale, and delivery of the Bonds, including the following:

1. Consultation with the District, as appropriate, and any advisors in planning for the bond issue;
2. Preparation of all contracts, resolutions, orders, and other instruments pursuant to which the bonds will be authorized, secured, sold and delivered in consultation with the District, General Counsel, financial advisors, the underwriters and their counsel and any officials and consultants thereof;
3. Attendance at meetings of the District, as appropriate, and with other representatives thereof to the extent required or requested with reference to the authorization and issuance of the bonds;
4. Preparation of all documents necessary to seek the approval of TWDB and the Attorney General of Texas and submission of such documents to the Attorney General for approval

and to the Comptroller of Public Accounts for registration of the bonds as required by law;

5. Supervision of the printing and execution of the Bonds and the delivery thereof to TWDB;
6. Rendering our nationally accepted opinion covering the validity of the bonds under Texas law; and
7. Preparation of a transcript of all proceedings in connection with the issuance of the bonds.

Our services as Bond Counsel do not include any direct responsibility for litigation of any kind. However, if during the issuance of the bonds any litigation should develop regarding the issuance of the Bonds or the provisions made for their payment or security, we will consult, advise and cooperate with General Counsel to the District concerning any such litigation. Our fees for such services would be based upon an hourly rate of \$300 an hour. Our firm will not render an opinion that the interest on the Bonds is exempt from federal income taxation under then existing statutes, regulations, published rulings, and court decisions. The District will separately contract with special tax counsel for such opinion.

In addition, our services as Bond Counsel do not include any direct responsibility for any "disclosure obligations" under the federal securities laws and the various state securities laws. We will not be responsible for the preparation of any Official Statement and will not assume any responsibility with respect thereto nor undertake independently to verify any of the information therein, except that, in our capacity as bond counsel, we will review various statements in any Official Statement to verify that such statements conform to the provisions of the legal instruments and documents therein described. Our services as Bond Counsel do not include any responsibility for investigating the financial condition and affairs of the District.

#### Compensation

For our legal services in connection with the authorization, issuance, and sale of the Bonds, the District will pay us a fee per issue of two and one-half percent (2 ½ %) of the first \$1,000,000 in principal amount of Bonds issued; two percent (2%) of the principal amount of Bonds issued between \$1,000,000 and \$2,000,000; and three quarters of one percent (0.75%) of the principal amount of Bonds issued in excess of \$2,000,000; provided, however, in no event shall our fees exceed \$100,000 for any series of bonds. In addition to our fees for Bond Counsel Services, we would expect to be reimbursed for actual out-of-pocket expenditures on behalf of the District, such as printing or reproduction of documents, travel, secretarial overtime, telephone and telegraph and reasonableness. Our fees and expenses for Bond Counsel Services will be billed to the District and will become due and payable upon issuance and sale of, and payment for, each issue of Bonds by the District.

Cooperation

To enable us effectively to perform the services contemplated, it is essential that the District disclose fully and accurately all facts and keep us apprised of all developments relating to the matters for which we provide legal services. The District agrees to cooperate fully with us and to make your representatives available to attend meetings, conferences, hearings, and other proceedings for which we provide services.

Conflicts

If a controversy arises between the District and any other client of our firm, we, after taking into account the applicable rules of professional ethics, may decline to represent either the District or such other client, or both the District and such other client.

Standards of Professionalism and Attorney Complaint Information

Pursuant to rules promulgated by the Texas Supreme Court and the State Bar of Texas, we are to advise clients that the State Bar of Texas investigates and prosecutes complaints of professional misconduct against attorneys licensed in Texas. A brochure entitled *Attorney Complaint Information* is available upon request. A client that has any questions about State Bar's disciplinary process should call the Office of the General Counsel of the State Bar of Texas at 1-800-932-1900 toll free.

Termination

This engagement may be terminated by either party upon thirty (30) days written notice; provided, however, if the District exercises the early termination, the District shall pay Bond Counsel all fees and expenses accrued to the date of such termination from the proceeds of future bond issues. There shall not be individual liability on any member of the Board, or other official of the District, for the payment of any amounts due hereunder.

If this agreement is satisfactory to you, please indicate by signing below. We request that you execute two original copies of this agreement. Please retain one original copy for your files, and returning another original copy to me.

We appreciate the opportunity to assist you. Please do not hesitate to call me if you have any questions.

Very truly yours,

**Freeman & Corbett**

By: Anthony S. Corbett  
Anthony S. Corbett

APPROVED AND ACCEPTED:

**Trophy Club Municipal Utility District No. 1**

By: Jim Moss  
Name: Jim Moss  
Title: Board President  
Date: 5-10-16

[Signature]  
Secretary, Board of Directors



# SAMCO CAPITAL MARKETS, INC.

8700 Crownhill Boulevard • Suite 601  
San Antonio Texas, 78209

TELEPHONE 210-832-9760  
877-349-1371

FACSIMILE 210-832-9794

## MUNICIPAL ADVISORY CONTRACT

April 21, 2015

The Honorable President and Board of Directors  
Trophy Club Municipal Utility District No. 1  
100 Municipal Drive  
Trophy Club, Texas 76262

Ladies and Gentlemen:

1. We understand that the District, from time to time, will consider the issuance of debt obligations and that in connection with the authorization, issuance, sale and delivery of such obligations you desire the Mark McLiney Municipal Advisory team to perform professional services in the capacity of Municipal Advisors for the District.
2. We agree to provide all services related to the development and implementation of a debt management plan. These services include, but are not limited to, the structuring of a bond model, the formulation of a bond program, the analysis and completion of refunding programs, consultation regarding bond elections, consultation regarding bond ratings, consultation regarding the available types of financings, etc. The services include communicating and coordinating with other professionals involved in bond transactions and related services (e.g. bond counsel, rating agent, credit enhancement providers, verification agent, arbitrage rebate provider, etc.). The advice and assistance includes serving as a fiduciary to the Issuer and representing the Issuer's interest in the sale and distribution of any debt obligations.
3. We agree to direct and coordinate the entire program of financing herein contemplated. It is specifically understood and agreed, however, that this obligation on our part shall not cover payment of any expenses associated with the issuance of the obligations or the expenses of any litigation, if such would occur.

4. As consideration for the services rendered by us and as reimbursement for the expenses which we are to incur, it is understood and agreed that the District is to pay and we are to accept, a cash fee for such professional services in accordance with the fee schedule set forth as follows. Such fee shall become due and payable simultaneously with the delivery of the bonds to the purchaser. It is understood that a miscellaneous expense will be added to the fee to cover reimbursables. This amount shall be capped at \$5,000.

### FEE SCHEDULE

The following schedule is an estimate of fees due for Municipal Advisory work. The actual fee will be more or less based upon work performed.

Amount of Bonds (New Money)	Fee	Amount of Bonds (Refunding)	Fee
First \$3,000,000	1.50%	First \$3,000,000	1.00%
Over \$3,000,000 - \$5,000,000	1.00%	Over \$3,000,000 - \$5,000,000	0.75%
Over \$5,000,000	0.50%	Over \$5,000,000	0.50%

SAMCO Capital Markets, Inc. will bill the Issuer at Closing for each issue of obligations a net amount which will include a fee calculated on the above schedule as well as costs and expenses, where applicable, incurred on behalf of the Issuer for the Bond Attorneys, preparation, printing and distribution of the Notice of Sale, Official Statement, Uniform Bid Form or Private Placement Memorandum, independent consultants, information meetings, if any, presentations to rating agencies and rating fees, if any, printing of Obligations, and all appropriate costs and expenses associated with the closing and delivery of the Obligations.

5. If appropriate, we will assist with the annual filing of all documents related to the Securities Exchange Commission Rule 15c2-12 (Continuing Disclosure). It is understood that we are not your agent for Continuing Disclosure because SAMCO Capital Markets, Inc. cannot be assured of being informed on a timely manner of all material events which require filing during the year. It is further understood that any fees due us for our work in this capacity will be determined on a case by case basis.
6. Due to the personal nature of municipal advisory consulting services, this Agreement is being entered into with the Mark McLiney Municipal Advisory Group of SAMCO Capital Markets. The Issuer expects that all files will be held in duplicate by the group and the company. At the full discretion of the Issuer, this Agreement can be automatically assigned to and transferred to the Mark McLiney Municipal Advisory Group.

7. This Agreement will commence on the date of acceptance and shall remain in effect until terminated or replaced with a subsequent agreement. This Agreement can be terminated at any time, with or without cause, with simple written notice.

Respectfully submitted,

SAMCO CAPITAL MARKETS, INC.

BY:

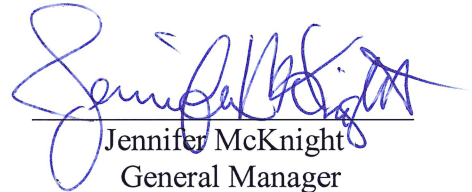


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Andrew T. Friedman

**ACCEPTANCE**

ACCEPTED and adopted by Trophy Club Municipal Utility District No. 1 on this the 21st day of April, 2015



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Jennifer McKnight  
General Manager



# Attachment – Part B17

Resolution (TWDB-0201A)

**Approval on May 11th, 2016.  
Will be submitted separately.**



# Attachment – Part B18

Application Affidavit (TWDB-0201)









# Attachment – Part B19

Certificate of Secretary (TWDB-201B)

**Approval on May 11th, 2016.  
Will be submitted separately.**



# Attachment – Part B21

Resolution/ordinance authorizing the issuance of parity debt



CERTIFICATE OF SECRETARY

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

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

1. On the 20<sup>th</sup> day of January, 2015, a regular meeting of the Board of Directors (the "Board") of the Trophy Club Municipal Utility District No. 1 (the "District") was held at a meeting place within the District; the duly constituted members of the Board being as follows:

JAMES (JIM) MOSS	PRESIDENT
JIM HASE	VICE PRESIDENT
KEVIN R. CARR	SECRETARY/TREASURER
JAMES C. THOMAS	DIRECTOR
NEIL TWOMEY	DIRECTOR

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

"AN ORDER authorizing the issuance of "Trophy Club Municipal Utility District No. 1 Water and Sewer System Revenue Bonds, Series 2015"; specifying the terms and features of said bonds; pledging the net revenues of the District's Water and Sewer System for the payment of the principal of and interest on the Bonds; resolving other matters incident and related to the issuance, sale, payment and delivery of said Bonds, including the approval and execution of a Paying Agent/Registrar Agreement and the approval and distribution of an Official Statement; and providing an effective date. "

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

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

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

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

IN WITNESS WHEREOF, I have hereunto signed my name officially and affixed the seal of said District, this the 20<sup>th</sup> day of January, 2015.



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



ORDER NO. 2015-0120

AN ORDER authorizing the issuance of "Trophy Club Municipal Utility District No. 1 Water and Sewer System Revenue Bonds, Series 2015"; specifying the terms and features of said bonds; pledging the net revenues of the District's Water and Sewer System for the payment of the principal of and interest on the Bonds; resolving other matters incident and related to the issuance, sale, payment and delivery of said Bonds, including the approval and execution of a Paying Agent/Registrar Agreement and the approval and distribution of an Official Statement; and providing an effective date.

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

WHEREAS, the Board of Directors (the "Board of Directors") of Trophy Club Municipal Utility District No. 1 (the "District") hereby finds and determines that it is necessary, useful and appropriate for the District's public purposes to authorize and provide for the issuance and sale of revenue bonds of the District for the purposes hereinafter provided, as authorized by the Act; and

WHEREAS, the Board of Directors hereby further finds and determines that such revenue bonds can and should be issued on a parity with the District's outstanding revenue obligations (hereinafter defined and identified as "Existing Obligations") payable from and equally secured by a first lien on and pledge of the Net Revenues of the District's Water and Sewer System (the "System") in that (i) the General Manager of the District and the President of the Board of Directors will execute a certificate to the effect that no default exists in connection with any of the covenants or requirements of the resolution authorizing the issuance of the Existing Obligations, (ii) the General Manager of the District and the President of the Board of Directors will execute a certificate to the effect that the interest and sinking fund for the Existing Obligations contains the amount of money now required to be on deposit therein and (iii) the District will secure a certificate of a Certified Public Accountant to the effect that in his opinion the Net Earnings of the System for the last completed fiscal year of the District are at least equal to 1.00 times the average annual principal and interest requirements for the then outstanding Parity Revenue Obligations and the Bonds herein authorized;

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

SECTION 1: Definitions and Interpretations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Order" means this Order.

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

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

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

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

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

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

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

"Record Date" means the fifteenth (15<sup>th</sup>) day of the month next preceding an Interest Payment Date.

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

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

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

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

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

**SECTION 2: Authorization - Series Designation - Principal Amount-Purpose.** Revenue bonds of the District shall be and are hereby authorized to be issued in the aggregate principal amount of \$9,230,000, to be designated and bear the title "TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2015" (hereinafter referred to as the "Bonds") for (i) acquiring, constructing and equipping improvements to the District's wastewater treatment facilities and (ii) paying the costs related to the issuance of the Bonds, pursuant to authority conferred by and in conformity with the Constitution and laws of the State of Texas, including Article XVI, Section 59 of the Texas Constitution and Texas Water Code, Chapters 49 and 54, as amended.

**SECTION 3: Fully Registered Obligations - Bond Date - Authorized Denominations- Stated Maturities - Interest Rates.** The Bonds shall be issued as fully registered obligations, shall be dated February 1, 2015 (the "Bond Date"), shall be in denominations of \$5,000 or any integral multiple (within a Stated Maturity) thereof, and shall become due and payable on September 1 in each of the years and in principal amounts (the "Stated Maturities") and bear interest at the rate(s) per annum in accordance with the following schedule:

<u>YEAR OF STATED MATURITY</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE(S)</u>
2016	\$210,000	2.000%
2017	365,000	2.000%
2018	375,000	2.000%
2019	380,000	2.000%
2020	390,000	2.000%
2021	400,000	2.000%
2022	410,000	2.000%
2023	420,000	2.000%
2024	435,000	2.000%
2025	450,000	2.250%
2026	460,000	2.500%
2027	475,000	2.500%
2028	490,000	2.750%
2029	510,000	2.750%
2030	525,000	3.000%
2031	545,000	3.000%
2032	565,000	3.000%
2033	585,000	3.000%
2034	610,000	3.125%
2035	630,000	3.250%

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

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

The selection and appointment of BOKF, NA dba Bank of Texas, Austin, Texas to serve as Paying Agent/Registrar for the Bonds is hereby approved and confirmed. Books and records relating to the registration, payment, exchange and transfer of the Bonds (the "Security Register") shall at all times be kept and maintained on behalf of the District by the Paying Agent/Registrar, all as provided herein, in accordance with the terms and provisions of a "Paying Agent/Registrar Agreement", substantially in the form attached hereto as Exhibit A and such reasonable rules and regulations as the Paying Agent/Registrar and the District may prescribe. The President and Secretary of the Board of Directors are hereby authorized to

execute and deliver such Agreement in connection with the delivery of the Bonds. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are paid and discharged, and any successor Paying Agent/Registrar shall be a bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each Holder by United States Mail, first class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

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

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

#### SECTION 5: Redemption.

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

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

(c) Selection of Bonds for Redemption. If less than all Outstanding Bonds of the same Stated Maturity are to be redeemed on a redemption date, the Paying Agent/ Registrar

shall treat such Bonds as representing the number of Bonds Outstanding which is obtained by dividing the principal amount of such Bonds by \$5,000 and shall select the Bonds, or principal amount thereof, to be redeemed within such Stated Maturity by lot.

(d) Notice of Redemption. Not less than thirty (30) days prior to a redemption date for the Bonds, a notice of redemption shall be sent by United States Mail, first class postage prepaid, in the name of the District and at the District's expense, to each Holder of a Bond to be redeemed in whole or in part at the address of the Holder appearing on the Security Register at the close of business on the business day next preceding the date of mailing such notice, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Holder.

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

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

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

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

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

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

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

Bonds cancelled by reason of an exchange or transfer pursuant to the provisions hereof are hereby defined to be "Predecessor Bonds," evidencing all or a portion, as the case may be, of the same obligation to pay evidenced by the new Bond or Bonds registered and delivered in the exchange or transfer therefor. Additionally, the term "Predecessor Bonds" shall include any mutilated, lost, destroyed, or stolen Bond for which a replacement Bond has been issued, registered and delivered in lieu thereof pursuant to the provisions of Section 21 hereof and such new replacement Bond shall be deemed to evidence the same obligation as the mutilated, lost, destroyed, or stolen Bond.

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

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



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

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

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

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

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

the addresses identified therefor; all pursuant to and in accordance with such written instructions from the initial purchaser(s), or the designee thereof, and such other information and documentation as the Paying Agent/Registrar may reasonably require.

SECTION 10: Forms.

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

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

(b) Form of Definitive Bonds.

REGISTERED  
NO. \_\_\_\_\_

REGISTERED  
PRINCIPAL AMOUNT  
\$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF TEXAS  
TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1  
WATER AND SEWER SYSTEM REVENUE BOND, SERIES 2015

Bond Date: \_\_\_\_\_, 2015    Interest Rate: \_\_\_\_\_%    Stated Maturity: \_\_\_\_\_, 20\_\_\_\_    CUSIP NO: \_\_\_\_\_    Delivery Date: \_\_\_\_\_, 2015

Registered Owner:

Principal Amount:

DOLLARS

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

interest payment date, in which case it shall bear interest from such date, or unless the "Registration Date" of this Bond is prior to the initial interest payment date in which case it shall bear interest from the Bond Date) at the per annum rate of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on March 1 and September 1 in each year, commencing September 1, 2015. Principal of this Bond is payable at its Stated Maturity or redemption to the registered owner hereof, upon presentation and surrender, at the Designated Payment/Transfer Office of the Paying Agent/Registrar executing the registration certificate appearing hereon, or its successor; provided, however, while this Bond is registered to Cede & Co., the payment of principal upon a partial redemption of the principal amount hereof may be accomplished without presentation and surrender of this Bond. Interest is payable to the registered owner of this Bond (or one or more Predecessor Bonds, as defined in the Order hereinafter referenced) whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date", which is the fifteenth day next preceding each interest payment date, and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner.

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

This Bond is one of the series specified in its title issued in the aggregate principal amount of \$9,230,000 (herein referred to as the "Bonds") for (i) acquiring, constructing and equipping improvements to the District's wastewater treatment facilities and (ii) paying the costs related to the issuance of the Bonds, under and in strict conformity with the Constitution and laws of the State of Texas, including Texas Water Code, Chapters 49 and 54, as amended, and pursuant to an Order adopted by the Board of Directors of the District (herein referred to as the "Order").

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

At least thirty (30) days prior to a redemption date, the District shall cause a written notice of such redemption to be sent by United States Mail, first class postage prepaid, to the registered owners of the Bonds to be redeemed in whole or in part, and subject to the terms and provisions relating thereto contained in the Order. If a Bond (or any portion of its principal sum) shall have been duly called for redemption and notice of such redemption duly given, then upon such redemption date such Bond (or the portion of its principal sum to be redeemed) shall become due and payable, and interest thereon shall cease to accrue from and after the

redemption date therefor, provided moneys for the payment of the redemption price and the interest on the principal amount to be redeemed to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar.

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

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

The Bonds are special obligations of the District, and, together with the outstanding Existing Obligations (identified and defined in the Order), are payable as to both principal and interest 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 Bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any property of the District or the System, except with respect to the Net Revenues. The holder hereof shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation.

Subject to satisfying the terms and conditions prescribed therefor, the District has reserved the right to issue additional revenue obligations payable from and equally and ratably secured by a parity lien on and pledge of the Net Revenues of the System, in the same manner and to the same extent as the Existing Obligations and the Bonds.

Reference is hereby made to the Order, a copy of which is on file in the Designated Payment/Transfer Office of the Paying Agent/Registrar, and to all of the provisions of which the Holder by the acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the security for the Bonds; the properties constituting the System; the Net Revenues pledged to the payment of the principal of and interest on the Bonds; the nature and extent and manner of enforcement of the lien and pledge securing the payment of the Bonds; the terms and conditions for the issuance of additional revenue obligations; the terms and conditions relating to the transfer or exchange of this Bond; the conditions upon which the Order may be amended or supplemented with or without the consent of the Holders; the rights, duties, and obligations of the District and the Paying Agent/Registrar; the terms and provisions

upon which the liens, pledges, charges and covenants made therein may be discharged at or prior to the maturity or redemption of this Bond, and this Bond deemed to be no longer Outstanding thereunder; and for the other terms and provisions contained therein. Capitalized terms used herein have the same meanings assigned in the Order.

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

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

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

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

TROPHY CLUB MUNICIPAL UTILITY  
DISTRICT NO. 1

\_\_\_\_\_  
President, Board of Directors

ATTEST:

\_\_\_\_\_  
Secretary, Board of Directors

(SEAL)

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

REGISTRATION CERTIFICATE OF  
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER  
OF PUBLIC ACCOUNTS  
THE STATE OF TEXAS

(  
( REGISTER NO. \_\_\_\_\_  
(

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

WITNESS my signature and seal of office this \_\_\_\_\_.

\_\_\_\_\_  
Comptroller of Public Accounts  
of the State of Texas

(SEAL)

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

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

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

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

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

Registration date:

By \_\_\_\_\_  
Authorized Signature

\_\_\_\_\_

(e) Form of Assignment.

ASSIGNMENT

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

\_\_\_\_\_

(Social Security or other identifying number: \_\_\_\_\_

\_\_\_\_\_) the within Bond and all rights thereunder, and hereby  
irrevocably constitutes and appoints \_\_\_\_\_

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

DATED: \_\_\_\_\_

Signature guaranteed:  
\_\_\_\_\_

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

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

REGISTERED  
NO. T-1

REGISTERED  
PRINCIPAL AMOUNT  
\$9,230,000

UNITED STATES OF AMERICA  
STATE OF TEXAS  
TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1  
WATER AND SEWER SYSTEM REVENUE BOND, SERIES 2015

Bond Date:  
February 1, 2015

Registered Owner: Raymond James & Associates, Inc.

Principal Amount: NINE MILLION TWO HUNDRED THIRTY THOUSAND DOLLARS

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

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

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

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



SECTION 11: Pledge-Security for the Bonds.

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

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

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

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

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

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

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

SECTION 13: Revenue Fund. A Revenue Fund has previously been established on the books of the District in connection with the District's Existing Obligations. All gross revenues of every nature received from the operation and ownership of the System shall be deposited as collected into the Revenue Fund, and the reasonable, necessary, and proper expenses of operation and maintenance of the System shall be paid from the Revenue Fund. The revenues of the System not actually required to pay said expenses shall be deposited from the Revenue Fund into the interest and sinking funds as provided in the orders or resolutions authorizing the Parity Revenue Obligations and the Reserve Fund to the extent provided hereunder for the Bonds and in any order authorizing the issuance of Additional Parity Obligations. However, until the Parity Revenue Obligations are retired, any surplus Net Revenues of the System not required to be deposited in the funds and accounts established by the orders or resolutions authorizing the Parity Revenue Obligations shall be deposited in the Revenue Fund; provided,

however, at such time as the Existing Obligations identified in Section 1 hereof are no longer outstanding, the following provision shall be applicable to such excess Net Revenues:

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

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

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

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

Upon issuance of the Bonds, the total amount required to be accumulated and maintained in the Reserve Fund is hereby determined to be \$616,680 (the "Required Reserve"), which is equal to not less than the Average Annual Debt Service for the Bonds, and on or before the 1st day of the month next following the month the Bonds are delivered to the Purchasers and on or before the 1st day of each following month, the District shall cause to be deposited to the Reserve Fund from the Net Revenues of the System an amount equal to at least one-sixtieth (1/60th) of the Required Reserve. After the Required Reserve has been fully accumulated and while the total amount on deposit in the Reserve Fund is in excess of the Required Reserve, no monthly deposits shall be required to be made to the Reserve Fund.

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

amount not deposited immediately in cash), thereby ensuring the accumulation of the appropriate Required Reserve.

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

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

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

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

#### SECTION 16: Construction Fund.

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

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

SECTION 17: Security of Funds – Investments.

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

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

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

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

SECTION 18: Additional Parity Obligations. In addition to the right to issue obligations of inferior lien as authorized by the laws of this State, the District reserves the right to issue notes, bonds and other obligations which, when duly authorized and issued in compliance with law and the terms and conditions hereinafter appearing, shall be on a parity with the Parity Revenue Obligations, payable from and equally and ratably secured by a first lien on and pledge of the Net Revenues of the System; and the Parity Revenue Obligations shall in all respects be of equal dignity. The Additional Parity Obligations may be issued in one or more installments, provided, however, that none shall be issued unless and until the following conditions have been met:

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

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

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

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

such change in rates and charges being in effect for the entire period covered by the Accountant's certificate or opinion.

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

SECTION 19: Representations and Covenants as to Payment.

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

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

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

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

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

SECTION 20: Default and Remedies.

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

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

(ii) default in the performance or observance of any other covenant, agreement or obligation of the District, the failure to perform which materially,

adversely affects the rights of the Owners, including but not limited to, their prospect or ability to be repaid in accordance with this Order, and the continuation thereof for a period of 60 days after notice of such default is given by any Owner to the District.

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

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

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

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

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

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

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

**SECTION 22: Satisfaction of Obligation of District.** If the District shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and

interest on the Bonds, at the times and in the manner stipulated in this Order, then the pledge of taxes levied under this Order and all covenants, agreements, and other obligations of the District to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

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

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

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

SECTION 24: Covenants to Maintain Tax-Exempt Status.

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

resulted if the transaction had been at arm's length and had the Yield of the Bonds not been relevant to either party.

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

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

SECTION 25: Sale of the Bonds. The Bonds are hereby sold, pursuant to the taking of public bids therefor, on this date, and shall be delivered to Raymond James & Associates, Inc. (the "Purchaser") at a price of par plus a \$4,615.00 cash premium plus accrued interest. The Board hereby finds and determines that the net effective interest rate on the Bonds, as calculated pursuant to Texas Government Code, Chapter 1204, as amended is 2.747876%. It is hereby officially found, determined and declared that the terms of this sale are the most advantageous reasonably obtainable and the Purchaser's sealed bid produced the lowest net effective interest rate to the District as required by Section 49.183, Texas Water Code. The Initial Bond(s) shall be registered in the name of the Purchaser.

SECTION 26: Official Statement. The use of the Preliminary Official Statement by the Purchaser in connection with the public offering and sale of the Bonds is hereby ratified, confirmed and approved in all respects. The final Official Statement, being a modification and amendment of the Preliminary Official Statement to reflect the terms of sale (together with such changes approved by the President and Secretary of the Board of Directors, the General Manager and the Finance Manager, any one or more of said officials), shall be and is hereby in all respects approved and the Purchaser is hereby authorized to use and distribute said final Official Statement, dated January 20, 2015, in the reoffering, sale and delivery of the Bonds to the public. The President and Secretary of the Board of Directors are further authorized and directed to deliver for and on behalf of the District copies of said Preliminary Official Statement and Official Statement in final form as may be required by the Purchaser, and such final Official Statement in the form and content approved by the President or Secretary of the Board, Director Manager or Finance Manager (one or more of said officials) shall be deemed to be approved by the Board of Directors and constitute the Official Statement authorized for distribution and use by the Purchaser.

SECTION 27: Control and Custody of Bonds. The President of the Board of Directors of the District shall be and is hereby authorized to take and have charge of all necessary orders and records pending investigation by the Attorney General of the State of Texas, including the printing and supply of definitive Bonds, and shall take and have charge and control of the Initial Bond(s) pending the approval thereof by the Attorney General, the registration thereof by the Comptroller of Public Accounts and the delivery thereof to the Purchasers.

Furthermore, the President and Secretary of the Board of Directors, the General Manager and Finance Manager of the District, any one or more of said officials, are hereby

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

SECTION 28: Proceeds of Sale. The proceeds of sale of the Bonds, less accrued interest, amounts to pay costs of issuance and premium in the amount of \$4,615.00, shall be deposited to the credit of a construction account maintained on the books and records of the District and, if not immediately invested, in a fund kept at a depository bank of the District. Pending expenditure for the Project, such proceeds of sale may be invested in Authorized Investments, including guaranteed investment contracts permitted in Texas Section 2256.015, et seq, and any investment earnings realized may be expended for the Project or deposited in the Interest and Sinking Fund as shall be determined by the Board of Directors. Accrued interest and premium in the above amount received from the sale of the Bonds and any excess bond proceeds, including investment earnings, remaining after completion of all authorized projects or purposes shall be deposited to the credit of the Interest and Sinking Fund.

Pursuant to the Commission Order, the District will not expend \$8,054,771.54 (\$7,004,149.30 for construction plus \$1,050,622.24 in contingencies) for the Project until receipt by the Board of plans and specifications approved by all entities with jurisdiction and construction documents.

SECTION 29: Notices to Holders - Waiver. Wherever this Order provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and sent by United States Mail, first class postage prepaid, to the address of each Holder appearing in the Security Register at the close of business on the business day next preceding the mailing of such notice.

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

SECTION 30: Cancellation. All Bonds surrendered for payment, redemption, transfer, exchange, or replacement, if surrendered to the Paying Agent/Registrar, shall be promptly cancelled by it and, if surrendered to the District, shall be delivered to the Paying Agent/Registrar and, if not already cancelled, shall be promptly cancelled by the Paying Agent/Registrar. The District may at any time deliver to the Paying Agent/Registrar for cancellation any Bonds previously certified or registered and delivered which the District may have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly cancelled by the Paying Agent/Registrar. All cancelled Bonds held by the Paying Agent/Registrar shall be returned to the District.

SECTION 31: Legal Opinion. The obligation of the Purchaser to accept delivery of the Bonds is subject to being furnished a final opinion of Fulbright & Jaworski LLP, Attorneys, Dallas, Texas, approving such Bonds as to their validity, said opinion to be dated and delivered as of the date of delivery and payment for such Bonds. A true and correct reproduction of said opinion or an executed counterpart thereof is hereby authorized to be either printed on definitive printed obligations or deposited with DTC along with the global certificates for the implementation and use of the Book Entry Only System used in the settlement and transfer of the Bonds.

SECTION 32: CUSIP Numbers. CUSIP numbers may be printed or typed on the definitive Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the definitive Bonds shall be of no significance or effect as regards the legality thereof and neither the District nor attorneys approving the Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed or typed on the definitive Bonds.

SECTION 33: Benefits of Order. Nothing in this Order, expressed or implied, is intended or shall be construed to confer upon any person other than the District, the Paying Agent/Registrar and the Holders, any right, remedy, or claim, legal or equitable, under or by reason of this Order or any provision hereof, this Order and all its provisions being intended to be and being for the sole and exclusive benefit of the District, the Paying Agent/Registrar and the Holders.

SECTION 34: Inconsistent Provisions. All orders or resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Order are hereby repealed to the extent of such conflict, and the provisions of this Order shall be and remain controlling as to the matters contained herein.

SECTION 35: Governing Law. This Order shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 36: Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 37: Construction of Terms. If appropriate in the context of this Order, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders.

SECTION 38: Severability. If any provision of this Order or the application thereof to any circumstance shall be held to be invalid, the remainder of this Order and the application thereof to other circumstances shall nevertheless be valid, and the Board of Directors hereby declares that this Order would have been enacted without such invalid provision.

SECTION 39: Continuing Disclosure Undertaking.

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

"MSRB" means the Municipal Securities Rulemaking Board.

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

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

(b) Annual Reports. The District shall provide annually to the MSRB (1) within six months after the end of each fiscal year ending in or after 2015, financial information and operating data with respect to the District of the general type included in the final Official Statement authorized by Section 26 of this Order, being the information described in **Exhibit B** hereto, and (2) if not provided as part such financial information and operating data, audited financial statements of the District, when and if available. Any financial statements so to be provided shall be prepared in accordance with the accounting principles described in **Exhibit B** hereto, or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited, if the District commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not available by the required time, the District will provide unaudited financial statements of the general type included in the Official Statement as Appendix D by the required time and audited financial statements when and if such audited financial statements become available.

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

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the SEC.

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

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

- (vii) Modifications to rights of holders of the Bonds, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

(e) Limitations, Disclaimers and Amendments. The District shall be obligated to observe and perform the covenants specified in this Section with respect to the District and the Bonds while, but only while, the District remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the District in any event will give the notice required by subsection (c) hereof of any Bond calls and/or defeasances that cause the District to no longer be such an "obligated person".

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

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

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

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

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

SECTION 40: Further Procedures. Any one or more of the President, Vice President and Secretary of the Board of Directors, the General Manager and Finance Manager of the District are hereby expressly authorized, empowered and directed from time to time and at any



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

SECTION 41: Incorporation of Findings and Determinations. The findings and determinations of the Board of Directors of the District contained in the preamble hereof are hereby incorporated by reference and made a part of this Order for all purposes as if the same were restated in full in this Section.

SECTION 42: No Recourse Against District Officials. No recourse shall be had for the payment of principal of, premium, if any, or interest on any Bond or for any claim based thereon or on this Order against any official of the District or any person executing any Bond.

SECTION 43: Public Meeting. It is officially found, determined, and declared that the meeting at which this Order is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Order, was given, all as required by Texas Government Code, Chapter 551, as amended, and Texas Water Code, Sections 49.063 and 49.064, as amended.

SECTION 44: Effective Date. This Order shall be in force and effect from and after its passage on the date shown below.

*[Remainder of page left blank intentionally]*

PASSED AND ADOPTED, this January 20, 2015.

TROPHY CLUB MUNICIPAL UTILITY  
DISTRICT NO. 1



\_\_\_\_\_  
President, Board of Directors

ATTEST:



\_\_\_\_\_  
Secretary, Board of Directors



EXHIBIT A  
PAYING AGENT/REGISTRAR AGREEMENT

See Tab 7

## EXHIBIT B

### DESCRIPTION OF ANNUAL FINANCIAL INFORMATION AND OPERATING DATA

#### Information and Data

The following information and data with respect to the District referred to in Section 39 of this Order are the quantitative financial information and operating data specified and included in the Appendix or under the headings of the Official Statement referred to below:

1. The financial statements of the District appended to the Official Statement as Appendix D for the most recently concluded fiscal year.
2. The information in Tables 1, 2, 3, 4, 5, 8, 9 and 10 of Appendix A to the Official Statement.

#### Accounting Principles

The accounting principles referred to in such Section with respect to the District are the accounting principles described in the Bonds to the financial statements referred to in paragraph 1 above.

# Attachment – Part B23

Enforcement Actions



**Part B.23 Attachment**  
**TWDB Application for Financial Assistance**

Trophy Club Municipal Utility District No. 1 (“District”) has been the subject of enforcement action by the Texas Commission on Environmental Quality (“TCEQ”) on two occasions during the past three years. Each occurrence is described below.

1. On June 17, 2012, TCEQ issued notice of alleged violations to the District relating to the District’s wastewater treatment plant. The alleged violations generally included the failure to comply with the permitted effluent limitations applicable to the wastewater treatment plant, and failure to collect and analyze wastewater samples at the minimum frequency specified in the permit. Effective May 22, 2013, the District and TCEQ entered into an Agreed Order to resolve the alleged violations. On June 21, 2013, TCEQ provided written notice to the District that it had fulfilled the requirements of the Agreed Order.

2. By correspondence dated April 21, 2016, TCEQ provided written Notice of Enforcement (“NOE”) to the District as a result of the alleged release of wastewater from a District wastewater line damaged by a large tree limb that fell onto the wastewater line. The NOE alleges that the District failed to prevent the unauthorized discharge of wastewater from the pipe, failed to immediately contain the spill and take appropriate response action, and failed to provide adequate public notification. The District promptly repaired the damaged wastewater line upon identification of the break caused by the tree limb, and has requested a meeting with TCEQ officials regarding the applicability of the public notification requirements.





# Attachment – Part C39

Assessed Values by Classifications



**Trophy Club MUD**  
**Part C: Financial Information - C-39**

**CLASSIFICATION OF ASSESSED VALUATION**

<u>Category</u>	<u>2015-2016</u>	<u>% of Total</u>	<u>2014-2015</u>	<u>% of Total</u>	<u>2013-2014</u>	<u>% of Total</u>	<u>2012-2013</u>	<u>% of Total</u>	<u>2011-2012</u>	<u>% of Total</u>
Real, Residential, Single-Family	\$ 910,042,365	70.86%	\$ 823,185,121	69.73%	\$ 747,145,085	68.24%	\$ 718,169,802	68.24%	\$ 686,449,256	67.54%
Real, Residential, Multi-Family	17,623,254	1.37%	14,344,144	1.22%	12,663,305	1.16%	11,632,333	1.11%	9,900,830	0.97%
Real, Vacant Lots/Tracts	13,850,648	1.08%	15,337,340	1.30%	15,153,348	1.38%	14,999,904	1.43%	17,357,723	1.71%
Real, Acreage (Land Only)	24,755	0.00%	3,172,008	0.27%	5,418,680	0.49%	5,246,618	0.50%	5,246,618	0.52%
Farm and Ranch Improvements	8,431,693	0.66%	7,652,255	0.65%	7,728,008	0.71%	6,186,751	0.59%	9,456,964	0.93%
Real, Commercial & Industrial	237,232,735	18.47%	206,898,753	17.53%	197,812,206	18.07%	199,678,490	18.97%	199,770,860	19.66%
Oil and Gas	1,053,135	0.08%	924,877	0.08%	927,707	0.08%	868,976	0.08%	1,135,859	0.11%
Real & Tangible, Personal Utilities	9,159,234	0.71%	7,257,768	0.61%	8,559,713	0.78%	4,729,902	0.45%	4,287,144	0.42%
Tangible Personal, Business	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
and Industrial	52,564,356	4.09%	68,460,063	5.80%	72,363,687	6.61%	64,657,528	6.14%	57,829,318	5.69%
Tangible Personal/Mobile Homes	10,762,862	0.84%	9,957,050	0.84%	5,942,414	0.54%	2,790,157	0.27%	1,393,899	0.14%
Real / Special Inventory	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Totally Exempt Property	<u>20,770,430</u>	<u>1.62%</u>	<u>23,340,792</u>	<u>1.98%</u>	<u>21,211,483</u>	<u>1.94%</u>	<u>23,402,827</u>	<u>2.22%</u>	<u>23,456,970</u>	<u>2.31%</u>
<b>Total Market Value</b>	<b>\$ 1,284,331,368</b>	<b>99.78%</b>	<b>\$ 1,180,530,171</b>	<b>100.00%</b>	<b>\$ 1,094,925,636</b>	<b>100.00%</b>	<b>\$ 1,052,363,288</b>	<b>100.00%</b>	<b>\$ 1,016,285,441</b>	<b>100.00%</b>
<b>Less Exemptions:</b>										
Local Option Over-65 /Disabled	\$ 23,896,784		\$ 16,114,626		\$ 15,614,714		\$ 14,745,603		\$ 13,711,103	
Disabled and Deceased Veterans'	5,373,866		3,851,277		3,245,975		3,118,815		2,697,817	
House Bill 366	6,529		4,740		6,515		4,406		5,418	
Productivity Loss / Other	181,318		2,350,542		3,467,784		3,296,413		3,296,361	
Abatement Loss	-		-		-		-		-	
10% Homestead Cap Loss	11,268,835		6,959,758		1,559,493		2,224,166		1,119,649	
\$500 Minimum Value Loss	-		-		-		-		-	
Exempt Property	<u>20,763,901</u>		<u>23,336,052</u>		<u>21,205,523</u>		<u>23,398,421</u>		<u>23,451,552</u>	
Total Exemptions	<b>\$ 61,491,233</b>		<b>\$ 52,616,995</b>		<b>\$ 45,100,004</b>		<b>\$ 46,787,824</b>		<b>\$ 44,281,900</b>	
<b>Net Taxable Assessed Valuation</b>	<b>\$ 1,222,840,135</b>		<b>\$ 1,127,913,176</b>		<b>\$ 1,049,825,632</b>		<b>\$ 1,005,575,464</b>		<b>\$ 972,003,541</b>	

Source: Denton and Tarrant County Appraisal Districts.



# Attachment – Part C40

Direct and Overlapping Tax Table



**Trophy Club MUD**  
**Part C: Financial Information - C-40**

**OVERLAPPING DEBT DATA AND INFORMATION**

<u>Taxing Body</u>	<u>Gross Debt Principal</u>	<u>As of</u>	<u>% Overlapping</u>	<u>Amount Overlapping</u>	<u>2015 Tax Rate</u>
Carroll Independent School District	\$ 205,051,047	03/31/16	4.21%	\$ 8,632,649	\$ 1.39500
Denton County	634,275,000	03/31/16	1.17%	7,421,018	0.26200
Northwest Independent School District	736,819,556	03/31/16	6.71%	49,440,592	1.45250
Tarrant County	361,420,000	03/31/16	0.18%	650,556	0.26400
Tarrant County Hospital District	22,335,000	03/31/16	0.18%	40,203	0.08000
Town of Trophy Club	13,164,000	03/31/16	66.69%	8,779,072	0.48400
Town of Westlake	27,552,000	03/31/16	16.21%	4,466,179	0.15634
Total Gross Overlapping Debt				\$ 79,430,269	
Trophy Club MUD #1	\$ 10,845,000	03/31/16	100.00%	10,845,000	\$ 0.13114
Total <b>Gross</b> Direct and Overlapping Debt				<u>\$ 90,275,269</u>	





# Attachment – Part C45

Proforma for each year of debt outstanding

**Trophy Club MUD**  
**Part C: Financial Information - C-45a**

**Trophy Club MUD Proforma**

FYE (9/30)	Revenues	Expenditures <sup>(1)</sup>	Available for Debt Service	Current Debt Service	The Obligations			Total Debt Service	Coverage
					Principal	Interest <sup>(2)</sup>	Total		
2016	\$ 7,835,458	\$ 7,177,534	\$ 657,924	\$ 444,838				\$ 444,838	1.48
2017	8,344,763 <sup>(3)</sup>	7,177,534	1,167,229	595,638	\$ 140,000	\$ 157,011	\$ 297,011	892,648	1.31
2018	8,344,763	7,177,534	1,167,229	598,338	155,000	202,275	357,275	955,613	1.22
2019	8,344,763	7,177,534	1,167,229	595,838	160,000	195,300	355,300	951,138	1.23
2020	8,344,763	7,177,534	1,167,229	598,238	170,000	188,100	358,100	956,338	1.22
2021	8,344,763	7,177,534	1,167,229	600,438	175,000	180,450	355,450	955,888	1.22
2022	8,344,763	7,177,534	1,167,229	602,438	185,000	172,575	357,575	960,013	1.22
2023	8,344,763	7,177,534	1,167,229	604,238	195,000	164,250	359,250	963,488	1.21
2024	8,344,763	7,177,534	1,167,229	610,838	200,000	155,475	355,475	966,313	1.21
2025	8,344,763	7,177,534	1,167,229	617,138	210,000	146,475	356,475	973,613	1.20
2026	8,344,763	7,177,534	1,167,229	617,013	220,000	137,025	357,025	974,038	1.20
2027	8,344,763	7,177,534	1,167,229	620,513	230,000	127,125	357,125	977,638	1.19
2028	8,344,763	7,177,534	1,167,229	623,638	240,000	116,775	356,775	980,413	1.19
2029	8,344,763	7,177,534	1,167,229	630,163	250,000	105,975	355,975	986,138	1.18
2030	8,344,763	7,177,534	1,167,229	631,138	265,000	94,725	359,725	990,863	1.18
2031	8,344,763	7,177,534	1,167,229	635,388	275,000	82,800	357,800	993,188	1.18
2032	8,344,763	7,177,534	1,167,229	639,038	285,000	70,425	355,425	994,463	1.17
2033	8,344,763	7,177,534	1,167,229	642,088	300,000	57,600	357,600	999,688	1.17
2034	8,344,763	7,177,534	1,167,229	649,538	315,000	44,100	359,100	1,008,638	1.16
2035	8,344,763	7,177,534	1,167,229	650,475	325,000	29,925	354,925	1,005,400	1.16
2036	8,344,763	7,177,534	1,167,229	-	340,000	15,300	355,300	355,300	3.29
Total				\$ 12,206,963	\$ 4,635,000	\$ 2,443,686	\$ 7,078,686	\$ 19,285,648	

<sup>(1)</sup> Expenses exclude capital expenditures and depreciation.

<sup>(2)</sup> Interest is calculated at 3%.

<sup>(3)</sup> Revenues for FY2017 based on budget 2016 and includes a 6.5% increase to water rates.

# Attachment – Part C46

Five year comparative system operating statement



**Trophy Club MUD**  
**Part C: Financial Information - C-46**

**WATERWORKS AND SEWER SYSTEM OPERATING STATEMENTS**

	<b>Fiscal Year Ended September 30</b>				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues:					
Water and Wastewater Charges	\$ 6,138,766	\$ 5,730,872	\$ 5,467,371	\$ 5,210,077	\$ 5,323,244
Investment Income	6,117	6,071	4,641	5,706	5,534
Other Revenues and Fees	<u>211,321</u>	<u>203,206</u>	<u>175,793</u>	<u>214,237</u>	<u>160,060</u>
Total Revenues	<u>\$ 6,356,204</u>	<u>\$ 5,940,149</u>	<u>\$ 5,647,805</u>	<u>\$ 5,430,020</u>	<u>\$ 5,488,838</u>
Expenses:					
Operating and Maintenance Expenses	<u>5,163,671</u>	<u>4,840,819</u>	<u>5,000,351</u>	<u>4,526,474</u>	<u>4,228,316</u>
Total Expenses	<u>\$ 5,163,671</u>	<u>\$ 4,840,819</u>	<u>\$ 5,000,351</u>	<u>\$ 4,526,474</u>	<u>\$ 4,228,316</u>
Net Available for Debt Service	<u>\$ 1,192,533</u>	<u>\$ 1,099,330</u>	<u>\$ 647,454</u>	<u>\$ 903,546</u>	<u>\$ 1,260,522</u>
Supplemental Utility Fees	\$ 239,200	\$ 331,200	\$ 508,300	\$ 647,080	\$ 165,600
Annual Revenue Bond Debt Service Requirements	\$291,188	\$530,690	\$387,037	\$386,556	\$0
Revenue Debt Service Coverage	4.10X	2.07X	1.67X	2.34X	N/A

Sources: City's Comprehensive Annular Financial Reports and additional information from the District.



# Attachment – Part C49

Outstanding debt schedule





**Trophy Club MUD**  
**Part C: Financial Information - C-49a**

**Listing of All Outstanding General Fund Debt**

\$2,000,000  
 Unlimited Tax Bonds, Series 2010

FYE (9/30)	Principal	Interest	Total
2016	\$ 75,000	\$ 71,283	\$ 146,283
2017	80,000	68,658	148,658
2018	85,000	65,858	150,858
2019	85,000	62,883	147,883
2020	90,000	59,908	149,908
2021	95,000	56,758	151,758
2022	100,000	53,433	153,433
2023	105,000	48,433	153,433
2024	110,000	43,183	153,183
2025	115,000	37,683	152,683
2026	115,000	33,083	148,083
2027	125,000	28,368	153,368
2028	130,000	23,243	153,243
2029	135,000	17,783	152,783
2030	140,000	12,113	152,113
2031	145,000	6,163	151,163
<b>Total</b>	<b>\$ 1,730,000</b>	<b>\$ 688,825</b>	<b>\$ 2,418,825</b>

Purchaser: Southwest Securities

\$2,355,000  
 Unlimited Tax Refunding Bonds, Series 2012

FYE (9/30)	Principal	Interest	Total
2016	\$ 200,000	\$ 49,350	\$ 249,350
2017	205,000	44,350	249,350
2018	210,000	39,225	249,225
2019	225,000	33,975	258,975
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
<b>Total</b>	<b>\$ 1,785,000</b>	<b>\$ 239,050</b>	<b>\$ 2,024,050</b>

Purchaser: First Southwest Company.

**Trophy Club MUD**  
**Part C: Financial Information - C-49a**

**Listing of All Outstanding General Fund Debt**

\$1,905,000  
 Unlimited Tax Refunding Bonds, Series 2013

FYE (9/30)	Principal	Interest	Total
2016	\$ 175,000	\$ 48,025	\$ 223,025
2017	185,000	42,775	227,775
2018	185,000	37,225	222,225
2019	195,000	31,675	226,675
2020	195,000	25,825	220,825
2021	205,000	19,975	224,975
2022	210,000	13,825	223,825
2023	215,000	7,525	222,525
<b>Total</b>	<b>\$ 1,565,000</b>	<b>\$ 226,850</b>	<b>\$ 1,791,850</b>

Purchaser: SAMCO Capital Markets, Inc.

\$5,765,000  
 Unlimited Tax Bonds, Series 2014

FYE (9/30)	Principal	Interest	Total
2016	\$ 235,000	\$ 148,325	\$ 383,325
2017	240,000	144,800	384,800
2018	245,000	141,200	386,200
2019	250,000	137,525	387,525
2020	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
<b>Total</b>	<b>\$ 5,765,000</b>	<b>\$ 1,831,138</b>	<b>\$ 7,596,138</b>

Purchaser: FTN Financial

**Trophy Club MUD**  
**Part C: Financial Information - C-49a**

**Listing of All Outstanding General Fund Debt**

\$9,230,000  
 Water and Sewer System Revenue Bonds, Series 2015

FYE (9/30)	Principal	Interest	Total
2016	\$ 210,000	\$ 234,838	\$ 444,838
2017	365,000	230,638	595,638
2018	375,000	223,338	598,338
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
<b>Total</b>	<b>\$ 9,230,000</b>	<b>\$ 2,976,963</b>	<b>\$ 12,206,963</b>
<b>Purchaser:</b>	<b>Coastal Securities (Lead Manager). Public Offering</b>		

**Trophy Club MUD**  
**Part C: Financial Information - C-49c**

**Authorized but Unissued Debt**

---

**General Obligation Debt**

<u>Election Date</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
10/07/75	Water & Sewer	\$ 12,344,217	\$ 12,340,000	\$ 4,217 *

\* *The District has no plans to issue this debt.*

**Revenue Debt**

<u>Election Date</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
		<b>-None-</b>		

# Attachment – Part D54a

Preliminary Engineering Feasibility Data (PEFD)



# Route Evaluation Study

## Memorandum for

### Northeast Pipeline

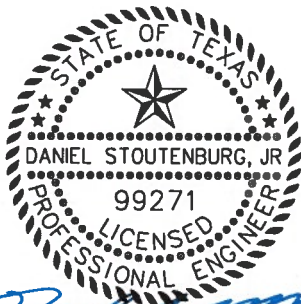
Prepared for:

**City of Fort Worth**

# FORT WORTH®



*Mazen H. Kawasmi*

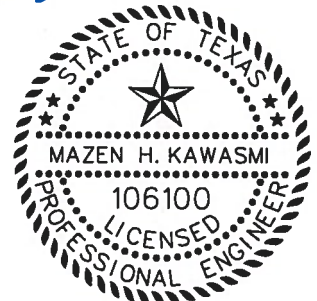


*Daniel Stoutenburg, Jr.*  
10/28/2015

FREESE AND NICHOLS, INC.  
TEXAS REGISTERED  
ENGINEERING FIRM  
F-2144

Prepared by:

**FREESE AND NICHOLS, INC.**  
4055 International Plaza, Suite 200  
Fort Worth, Texas 76109  
817-735-7300



10/28/2015

FREESE AND NICHOLS, INC.  
TEXAS REGISTERED  
ENGINEERING FIRM  
F-2144

# MEMORANDUM



Innovative approaches  
Practical results  
Outstanding service

4055 International Plaza, Suite 200 • Fort Worth, Texas 76109 • 817-735-7300 • fax 817-735-7492

[www.freese.com](http://www.freese.com)

**TO:** Wendy Chi-Babulal, EMBA, P.E. Fort Worth Water Department  
Nowzar Dinyarian, P.E. Fort Worth Water Department

**CC:** Nick Dons, P.E. Fort Worth Water Department

**FROM:** Mazen Kawasmi P.E., CFM, GISP Freese and Nichols, Inc.  
Daniel Stoutenburg P.E. Freese and Nichols, Inc.

**SUBJECT:** Route Evaluation Study Memorandum

**DATE:** October 28, 2015

**PROJECT:** Northeast Pipeline Route Study

---

## INTRODUCTION

The Town of Westlake and the Trophy Club Municipal Utility District Number 1 (Trophy Club MUD) are interested in purchasing additional water from the City of Fort Worth. Fort Worth's northeast treated water distribution system currently does not have the capacity to supply the desired additional demand. In order for the City's water distribution system to supply the additional demand, a water transmission pipeline needs to be constructed from the existing Northside 2 (NS2) 36-inch Transmission main at the intersection of Future Beach Street and State Highway 170 to the existing 24-inch Transmission main in NS2 between one of the main supply lines in the NS2 pressure plane and a connection point near the Westlake West Pump Station.

Freese and Nichols, Inc. (FNI) has performed a route study which identifies and compares 3 possible pipeline routes for the Northeast Pipeline. The purpose of this memorandum is to summarize the findings and recommend a preferred route to the City of Fort Worth. FNI utilized City of Fort Worth's Geographical Information Systems (GIS) data for knowing the locations of existing water, wastewater, and storm drain facilities. FNI also obtained GIS information from the Texas Railroad Commission to identify gas lines that are in the area. Tarrant Appraisal District (TAD) GIS data was used to identify properties. FNI also performed a site visit on January 21, 2015 to identify visible utilities that were not showing up on GIS and to check the constructability of the various route options being explored.

## DESCRIPTION OF ALTERNATES

Three possible routes are named Route A, Route B, and Route C. All three routes connect to an existing NS2 pipeline located on the future Beach Street near Texas Highway 70, approximately 1.5 miles east of Interstate Highway 35W. The routes then generally head northeast and connect to a connection point near the Westlake West Pump Station located on Highway 377 approximately 0.7 miles south of the Texas Highway 170/ Highway 377 intersection.

### ROUTE A:

Route A as shown on **Figure 1** connects to the existing 36-inch NS2 pipeline on the south side of Texas Highway 170 inside private property. The pipeline heads northeast inside private property for 2,300 feet to the Alta Vista Drive intersection. The proposed pipeline for this section is located just south of three (3) existing pipelines. Based on field observation, the existing pipelines are a combination of gas and salt water pipelines. The Alta Vista Drive





crossing will be made by bore or tunnel. This intersection is very congested with existing utilities, including a gas pipeline distribution junction. In addition, the intersection is crowded by a screening fence of an existing housing development to the south. Route A continues northeast along State Highway 170, paralleling the existing gas and saltwater pipelines for approximately 5,000 feet, crossing 2 drainage ways, before reaching a natural gas pad. The two drainage ways are planned to be installed by bore or tunnel due to the proximity of the road embankment. In addition, the proposed water pipeline will run parallel to an existing sewer pipeline for approximately 660 feet. To avoid the gas pad, mature trees, and heavily used business parking areas, Route A veers east leading through a rear commercial parking lot to reach Park Vista Boulevard. Route A continues east inside the median of Liberty Way, and parallel to an existing water pipeline, for approximately 5,000 feet, crossing Independence Parkway to reach the east end of Liberty Way. The last portion of Route A leads through a drainage area, avoiding areas with standing water and then crossing a railroad owned by Union Pacific, and crossing Highway 377 to reach the connection point at the Westlake West Pump Station. The total length of Route A is 14,800 feet and it intersects with the properties shown in the table below. The property information is based on TAD online maps.

Route A		
	Parcel Legal Description	Owner Name
1	Chirino, Jose Survey Abst 265 Tr 1c6 School Boundary Split	AIL Investment LP
2	Chirino, Jose Survey A 265 Tr 1c06 School Boundary Split	AIL Investment LP
3	Willis, Theodore T Survey A1682 Trs 1b & 2	AIL Investment LP
4	Chirino, Jose Survey A 265 Tr 1c	AIL Investment LP
5	Rhodes, S T Survey A1868 Tr 3a02a	AIL Investment LP
6	Cuella, Francisco Survey A 267 Tr 1b12b & Abst 648 Tr 5b2b	Alliance Gateway Ph I Assoc
7	Chirino, Jose Survey A 265 Trs 1a1a 1b1a 1c3a & 1d1a	AIL Investment LP
8	Rhodes, S T Survey A1868 Tr 3b Boundary Split	Davis, Mark J
9	Rhodes, S T Survey A1868 Tr 3b Boundary Split	Davis, Mark J
10	Alliance Gateway South Addn Blk 5 Lot 2	AT Industrial Owner 7 LLC
11	Rhodes, S T Survey A1868 Tr 2c	AIL Investment LP
12	Rhodes, S T Survey A 1868 Trs 3a1 & 3a2	AIL Investment LP
13	Alliance Gateway South Addn Blk 5 Lot 3	AT Industrial Owner 7 LLC
14	Chirino, Jose Survey Abst 265 Tr 1b School Boundary Split	AIL Investment LP
15	Chirino, Jose Survey Abst 265 Tr 1b School Boundary Split	AIL Investment LP
16	Chirino, Jose Survey Abst 265 Tr 1f School Boundary Split	AIL Investment LP
17	Chirino, Jose Survey A 265 Tr 1f Less Hs	AIL Investment LP
18	Chirino, Jose Survey Abst 265 Tr 1a School Boundary Split	AIL Investment LP
19	Chirino, Jose Survey Abst 265 Tr 1a School Boundary Split	AIL Investment LP
20	Huff, William Survey A 648 Tr 4a Homesite	HW 2421 Land LP
21	Huff, William Survey A 648 Tr 4a Less Homesite	HW 2421 Land LP
22	Rhodes, S T Survey A 1868 Tr 1 School Boundary Split	AIL Investment LP
23	Rhodes, S T Survey A1868 Tr 1 School Boundary Split	AIL Investment LP
24	Cuella, Francisco Survey A 267 Tr 1b13	ADL Development LP
25	Huff, William Survey A 648 Tr 5b	ADL Development LP
26	Rhodes, S T Survey A1868 Tr 3a School Boundary Split	AIL Investment LP
27	Rhodes, S T Survey A1868 Tr 3a School Boundary Split	AIL Investment LP



**ROUTE B:**

Route B, as shown on **Figure 2**, connects to the existing 30-inch NS2 pipeline on the north side of Texas Highway 170 inside private property. The pipeline heads northeast for 2,300 feet to the Alta Vista Drive intersection, and continues towards Lost Spurs Ranch apartment complex. Route B moves into TxDOT Right of Way (ROW) for approximately 100 feet to avoid a parking garage and fence on the southwest corner of the Lost Spurs Ranch property. From the Lost Spurs Ranch, the route moves back into private property and continues northeast for approximately 3,000 feet, crossing two drainage ways before reaching a median intersection. The pipe will be installed inside steel casing by open-cut methods through the two drainage ways. The route turns south and crosses Texas Highway 170 on the northeast side of the median intersection. The crossing will be done by dry- auger boring and steel casing, which will be approximately 550 feet long. After crossing Texas State Highway 170, the route leads southeast on a curve which follows the centerline of a future extension of Westport Parkway for approximately 2,000 feet to reach the west side of the existing Westport Parkway. Route B parallels an existing water pipeline in the median of Westport Parkway for approximately 1,000 feet before moving to the south side of the road, crossing an existing sewer pipeline and paralleling the sewer line for approximately 2,700 feet. In order to avoid a section of relatively mature trees in a commercial landscaped area, Route B moves back into the median of Westport Parkway and continues east for approximately 1,800 feet before crossing a railroad owned by Union Pacific and crossing Highway 377. The railroad and Highway 377 will be crossed by bore or tunnel. After crossing the highway, Route B turns and heads north for 1,800 feet inside private property to connect to the connection point near Westlake West Pump Station. The total length of Route B is 16,400 feet and it intersects with the properties shown in the table below:

Route B		
	Parcel Legal Description	Owner Name
1	Chirino, Jose Survey Abst 265 Tr 1 School Boundary Split	AIL Investment LP
2	Chirino, Jose Survey Abst 265 Tr 1 School Boundary Split	AIL Investment LP
3	Chirino, Jose Survey Abst 265 Tr 1c6 School Boundary Split	AIL Investment LP
4	Chirino, Jose Survey A 265 Tr 1c06 School Boundary Split	AIL Investment LP
5	Chirino, Jose Survey A 265 Tr 1c	AIL Investment LP
6	Rhodes, S T Survey Abst 1868 Tr 1a1	AIL Investment LP
7	Rhodes, S T Survey Abst 1868 Tr 1b & 1a1a	AIL Investment LP
8	Alliance Gateway South Addn Blk 4 Lot 1r1 Ag	Alliance Gateway # 11 LTD ETAL
9	Alliance Gateway South Addn Blk 4 Lot 1r1 Ag	Alliance Gateway # 11 LTD ETAL
10	Huff, William Survey A 648 Tr 4	HW 164 Land LP
11	Chirino, Jose Survey A 265 Trs 1c4 & 1f2	AIL Investment LP
12	Chirino, Jose Survey A 265 Tr 3a School Boundary Split	AIL Investment LP
13	Chirino, Jose Survey A 265 Tr 3a School Boundary Split	AIL Investment LP
14	Chirino, Jose Survey Abst 265 Tr 1b School Boundary Split	AIL Investment LP
15	Chirino, Jose Survey Abst 265 Tr 1b School Boundary Split	AIL Investment LP
16	Chirino, Jose Survey Abst 265 Tr 1a School Boundary Split	AIL Investment LP
17	Chirino, Jose Survey Abst 265 Tr 1a School Boundary Split	AIL Investment LP
18	Chirino, Jose Survey A 265 Tr 1d Abst 265 Tr 1d Bndry Split	AIL Investment LP
19	Chirino, Jose Survey Abst 265 Tr 1d School Boundary Split	AIL Investment LP
20	Huff, William Survey A 648 Tr 4a Homesite	HW 164 Land LP
21	Huff, William Survey A 648 Tr 4a Less Homesite	HW 164 Land LP
22	Cuella, Francisco Survey A 267 Tr 1b01	HW 164 Land LP



Route B		
	Parcel Legal Description	Owner Name
23	Rhodes, S T Survey A1868 Trs 2 2b1 & 2d	AIL Investment LP
24	Willis, Theodore T Survey Abst 1682 Trs 1 & 1a1	AIL Investment LP

**ROUTE C:**

Route C, as shown on **Figure 3**, is a combination of routes A and B. Route C follows the western portion of Route B and the eastern portion of Route A. Route C heads northeast on the north side of Texas State Highway 170, past Lost Spurs Ranch apartments, the median crossing, up to crossing State Highway 170 to the south side. After the Texas State Highway 170 crossing, Route C follows Route A to the connection point near the Westlake West Pump Station. The total length of Route C is 15,200 feet and it intersects with the properties shown in the table below:

Route C		
	Parcel Legal Description	Owner Name
1	Chirino, Jose Survey Abst 265 Tr 1c6 School Boundary Split	AIL Investment LP
2	Chirino, Jose Survey A 265 Tr 1c06 School Boundary Split	AIL Investment LP
3	Chirino, Jose Survey A 265 Tr 1c	AIL Investment LP
4	Rhodes, S T Survey Abst 1868 Tr 1a1	AIL Investment LP
5	Rhodes, S T Survey Abst 1868 Tr 1b & 1a1a	AIL Investment LP
6	Cuella, Francisco Survey A 267 Tr 1b12b & Abst 648 Tr 5b2b	Alliance Gateway Ph I Assoc
7	Chirino, Jose Survey A 265 Trs 1a1a 1b1a 1c3a & 1d1a	AIL Investment LP
8	Alliance Gateway South Addn Blk 5 Lot 2	AT Industrial Owner 7 LLC
9	Chirino, Jose Survey A 265 Trs 1c4 & 1f2	AIL Investment LP
10	Alliance Gateway South Addn Blk 5 Lot 3	AT Industrial Owner 7 LLC
11	Chirino, Jose Survey Abst 265 Tr 1b School Boundary Split	AIL Investment LP
12	Chirino, Jose Survey Abst 265 Tr 1b School Boundary Split	AIL Investment LP
13	Chirino, Jose Survey Abst 265 Tr 1a School Boundary Split	AIL Investment LP
14	Chirino, Jose Survey Abst 265 Tr 1a School Boundary Split	AIL Investment LP
15	Huff, William Survey A 648 Tr 4a Homesite	HW 2421 Land LP
16	Huff, William Survey A 648 Tr 4a Less Homesite	HW 2421 Land LP
17	Rhodes, S T Survey A1868 Trs 2 2b1 & 2d	AIL Investment LP
18	Cuella, Francisco Survey A 267 Tr 1b13	ADL Development LP
19	Huff, William Survey A 648 Tr 5b	ADL Development LP
20	Willis, Theodore T Survey Abst 1682 Trs 1 & 1a1	AIL Investment LP

**HYDRAULIC ANALYSIS**

The future maximum day demand for Westlake is 10.00 MGD. The Town of Westlake has 4.20 MGD of existing capacity at its meter located on the western edge of its city limits. Therefore, Westlake would require a total of 5.80 MGD of capacity in the proposed line (10.00 MGD – 4.20 MGD = 5.80 MGD). Trophy Club MUD’s existing allocated capacity in the 21-inch line is 3.70 MGD from Fort Worth. The 3.70 MGD is documented in a letter from Trophy Club MUD dated May 12, 1989. A copy of this letter and the agreement between City of Fort Worth and Trophy Club MUD (previously Denton County MUD No. 1) is included in Appendix C. The future proposed demand of Trophy Club MUD is 10.30 MGD and the proposed water line would serve to make up the deficit between existing and future demands. The calculated Trophy Club MUD capacity is 6.60 MGD (10.30 MGD – 3.70 MGD =



6.60 MGD). Fort Worth’s allocation of 3.05 MGD is calculated as the difference between projected 2033 retail demands and existing customer demands (5.95 MGD – 2.90 MGD = 3.05 MGD). The sum of all three Cities demand needs for the proposed water line is 15.45 MGD (5.80 MGD + 6.60 MGD + 3.05 MGD = 15.45 MGD).

FNI utilized the City’s model of the water distribution system to perform a hydraulic analysis of the proposed Northeast Pipeline. The model was used to assist in determining the recommended pipeline sizing in order to meet the wholesale customer’s projected demands as well as retail customers in the northeastern portion of the NS2 pressure plane. FNI evaluated the water pipeline under 2 different diameters: 24-inch, and 30-inch. The table below shows the pipe velocity and headloss gradient for each pipeline diameter at the 15.45 MGD flowrate.

Diameter (inch)	Velocity (ft/s)	Headloss Gradient (ft/1,000 ft)
24	7.61	6.27
30	4.87	2.12

To determine proportionality split of the line capacity, FNI utilized the hydraulic model and known wholesale delivery information. The table below summarizes the percentage splits based on the capacity analysis of 15.45 MGD.

Utility	Future Capacity (MGD)	Percent Utilization
Town of Westlake	5.80	37.54 %
Trophy Club MUD	6.60	42.72 %
City of Fort Worth	3.05	19.74 %
<b>TOTAL</b>	<b>15.45</b>	<b>100.0 %</b>

**OPINION OF PROBABLE CONSTRUCTION COSTS (OPCC’S)**

Opinions of Probable Construction Costs were developed for all three routes and can be found in Appendix B. Prices presented are based on a combination of recent projects constructed and discussions with manufacturers regarding budget pricing. Combination air release and vacuum valves are placed on high points and generally at 2,500 foot spacing. Blow-off valves are placed at low spots along the route. Cost estimates exclude any electrical and control components. The easement cost was estimated using \$3 per square foot for permanent easement and \$1.5 per square foot for temporary construction easements.

A summary of the anticipated project costs are present in the table below:

Route Name	Length (ft)	OPCC’s	Easements Cost	Engineering & Survey (12%)	Total Project Cost
<b>Route A - 30” Option</b>	14,800	\$7,860,000	\$1,146,000	\$943,200.00	\$ 9,949,200.00
<b>Route B - 30” Option</b>	16,400	\$7,951,600	\$1,512,000	\$954,200.00	\$10,417,800.00
<b>Route C - 30” Option</b>	15,200	\$7,725,200	\$1,116,000	\$927,100.00	\$ 9,768,300.00
<b>Route A - 24” Option</b>	14,800	\$6,428,100	\$1,146,000	\$771,400.00	\$ 8,345,500.00
<b>Route B - 24” Option</b>	16,400	\$6,481,600	\$1,512,000	\$777,800.00	\$ 8,771,400.00
<b>Route C - 24” Option</b>	15,200	\$6,282,800	\$1,116,000	\$754,000.00	\$ 8,152,800.00

The column labeled OPCC includes a 20% contingency.



## **RECOMMENDATION**

The construction cost of for all of the routes are within 3%. When cost of easements are included the cost gap for the routes widen to around 7%. Hillwood, who owns most of the properties in this area through subsidiary corporations, expressed in review meeting a preference for Route B. If Hillwood provides easements at a lower cost to the City for Route B, this will make Route B the most cost effective option. It is recommended that Route B is selected with coordination with Hillwood to bring down the cost of easements.

The results of the hydraulic analysis show a 24-inch water line to be out of Fort Worth's acceptable range of velocities and headloss parameters. Therefore, it is recommended to construct a 30-inch water line to serve Fort Worth and its wholesale customers. The total estimated cost for 30-inch Route B is \$10,417,800.



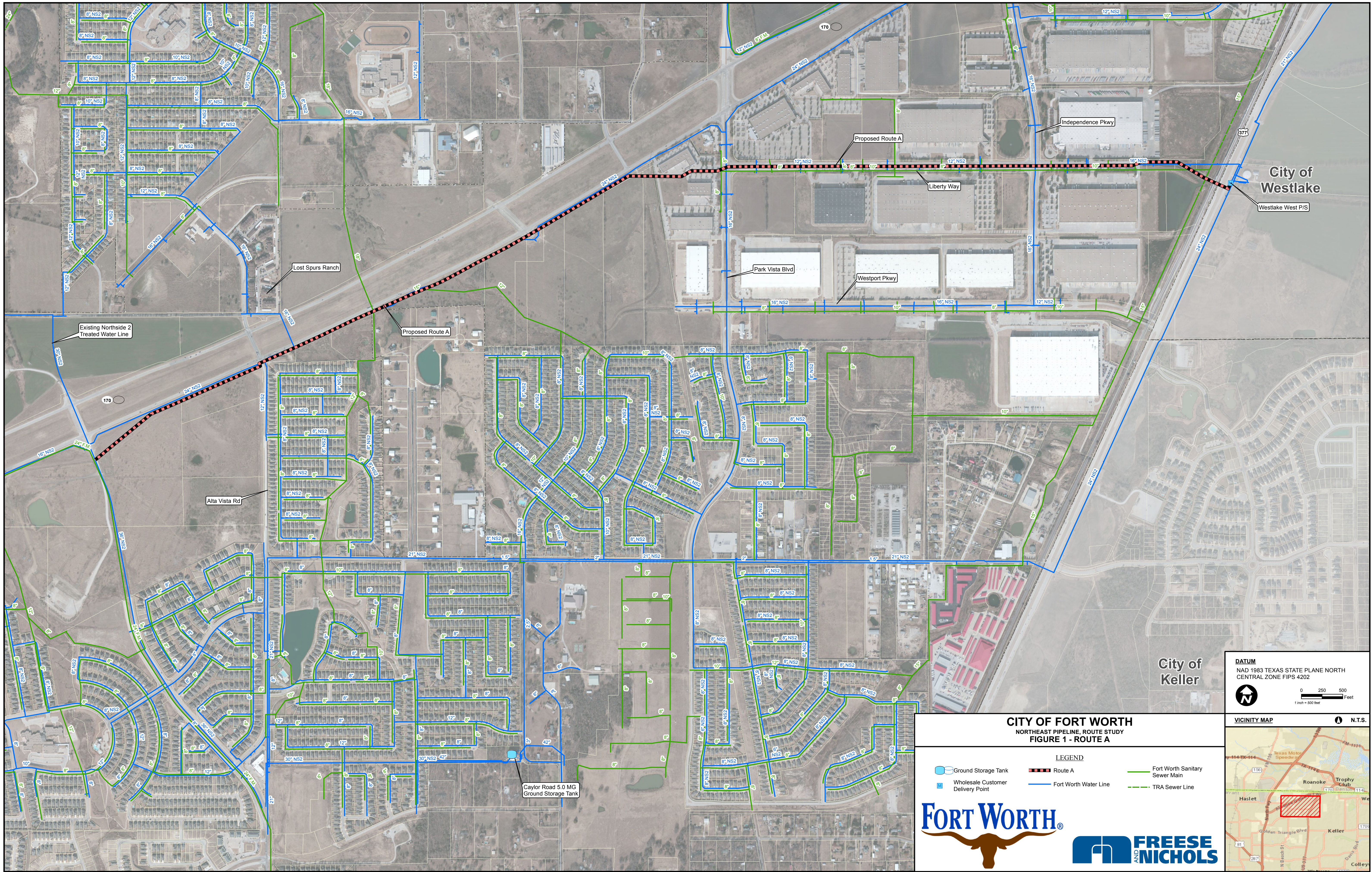
## **APPENDIX A**

FIGURES: CITY OF FORT WORTH – NORTHEAST PIPELINE ROUTE STUDY

FIGURE 1 – ROUTE A

FIGURE 2 – ROUTE B

FIGURE 3 – ROUTE C



**CITY OF FORT WORTH**  
 NORTHEAST PIPELINE, ROUTE STUDY  
 FIGURE 1 - ROUTE A

Ground Storage Tank	Route A	Fort Worth Sanitary Sewer Main
Wholesale Customer Delivery Point	Fort Worth Water Line	TRA Sewer Line

**LEGEND**

**FORT WORTH**

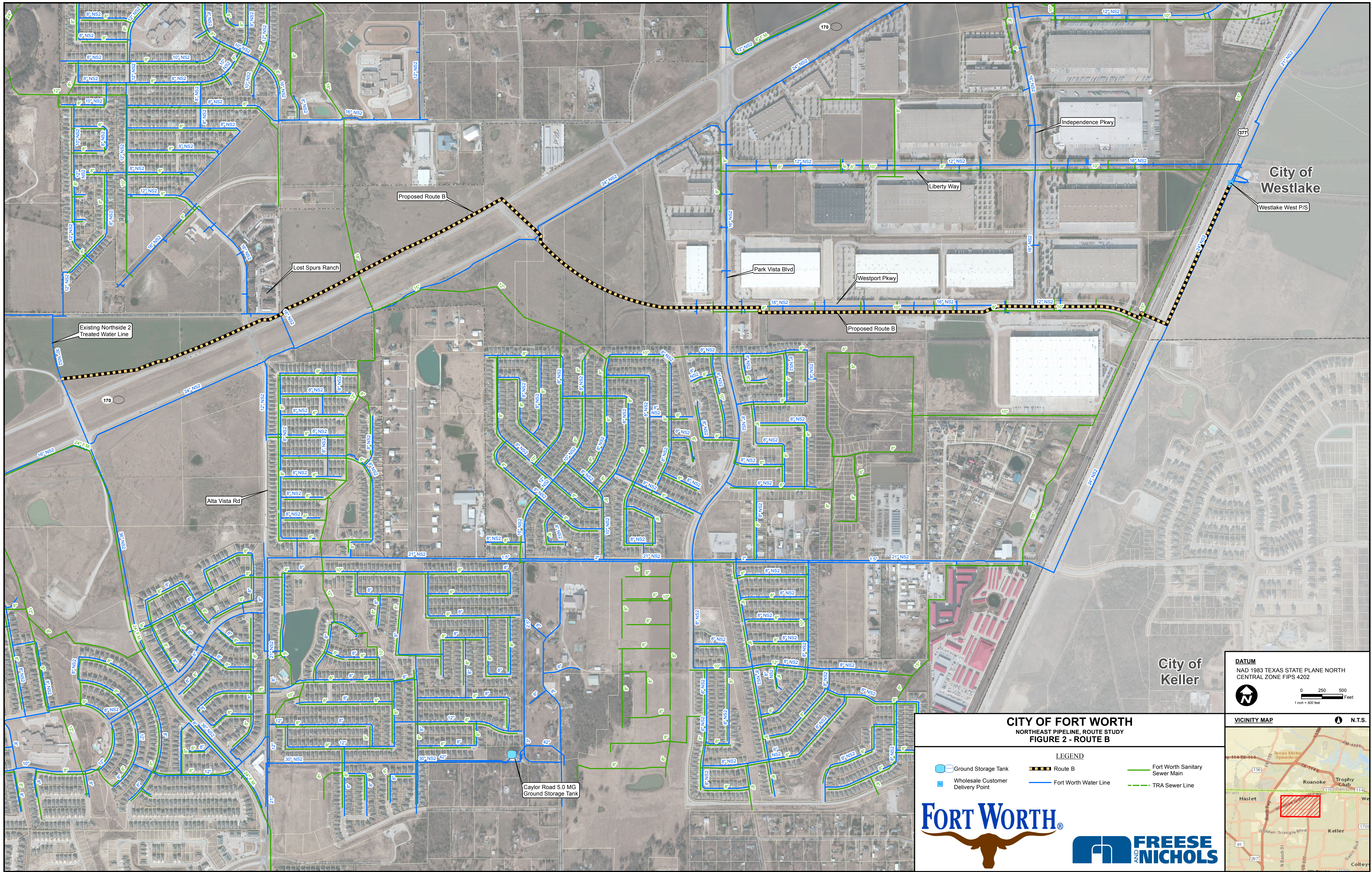
**FREESE AND NICHOLS**

**DATUM**  
 NAD 1983 TEXAS STATE PLANE NORTH  
 CENTRAL ZONE FIPS 4202

0 250 500 Feet  
 1 inch = 500 feet

**VICINITY MAP** N.T.S.

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**CITY OF FORT WORTH**  
 NORTHEAST PIPELINE, ROUTE STUDY  
 FIGURE 2 - ROUTE B

**LEGEND**

- Ground Storage Tank
- Wholesale Customer Delivery Point
- Route B
- Fort Worth Water Line
- Fort Worth Sanitary Sewer Main
- TRA Sewer Line

**FORT WORTH**

**FREESE AND NICHOLS**

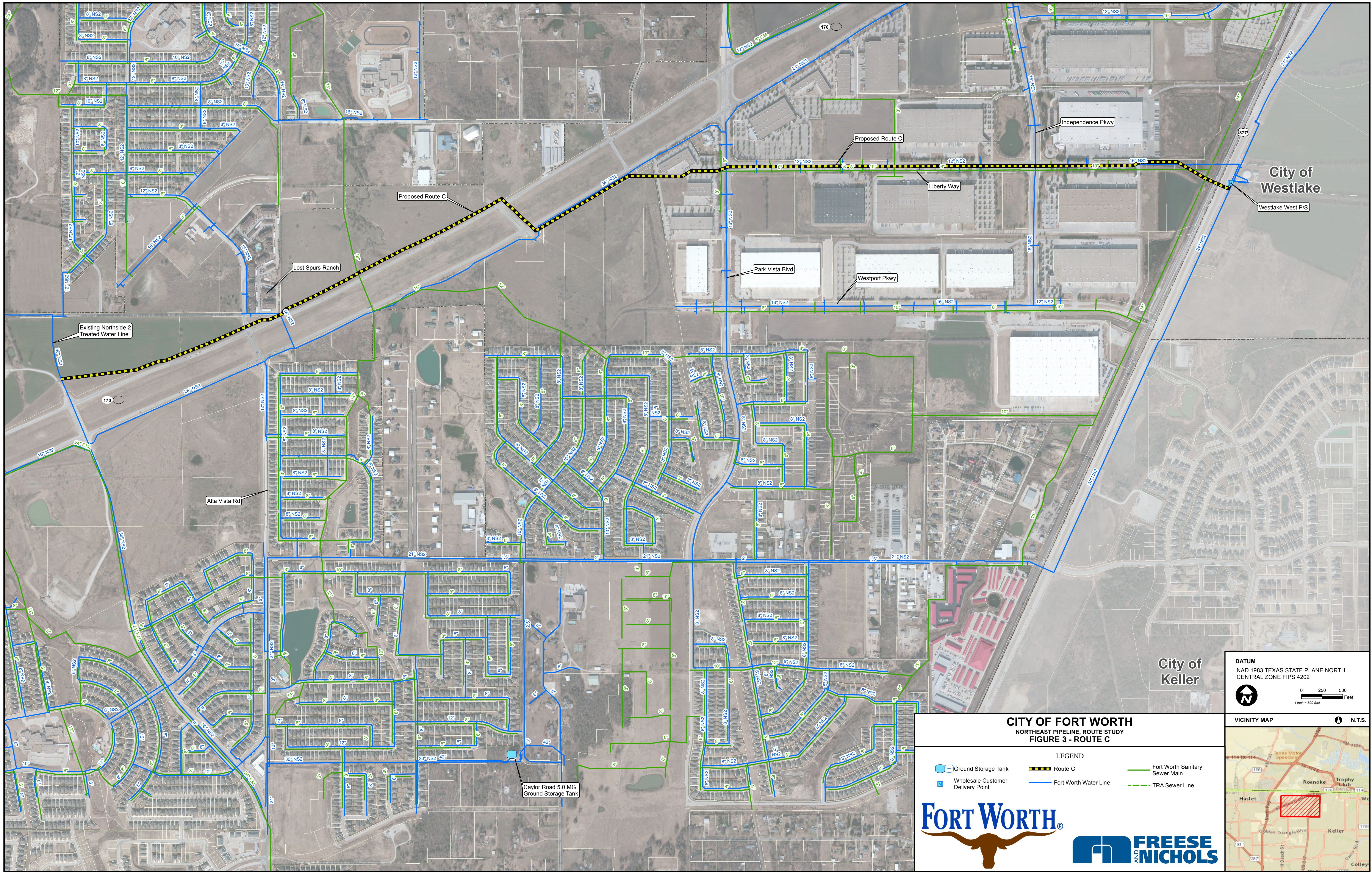
**DATUM**  
 NAD 1983 TEXAS STATE PLANE NORTH  
 CENTRAL ZONE FIPS 4202

0 250 500 Feet  
 1 inch = 500 feet

**VICINITY MAP** N.T.S.

Roanoke Trophy Club  
 Haslet Keller  
 Golden Triangle Blvd  
 N Branch St  
 Dumas Blvd  
 Colley





**CITY OF FORT WORTH**  
 NORTHEAST PIPELINE, ROUTE STUDY  
 FIGURE 3 - ROUTE C

**LEGEND**

- Ground Storage Tank
- Wholesale Customer Delivery Point
- Route C
- Fort Worth Water Line
- Fort Worth Sanitary Sewer Main
- TRA Sewer Line

**FORT WORTH**

**FREESE AND NICHOLS**

**DATUM**  
 NAD 1983 TEXAS STATE PLANE NORTH  
 CENTRAL ZONE FIPS 4202

0 250 500 Feet  
 1 inch = 500 feet

**VICINITY MAP** N.T.S.

Roanoke Trophy Club  
 Haslet Keller  
 Golden Triangle Blvd  
 N Branch St  
 Dumas Blvd  
 Colley



## **APPENDIX B**

### **OPINION OF PROBABLE CONSTRUCTION COST (OPCC)**



NORTHEAST PIPELINE ROUTE STUDY  
CITY OF FORT WORTH  
PIPELINE ROUTE A - 30-INCH OPTION

OPINION OF PROBABLE CONSTRUCTION COST

OCTOBER 6, 2015

ESTIMATOR DGs	CHECKED BY DGS & DN	ACCOUNT NO FTW14223
------------------	------------------------	------------------------

ITEM	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	TOTAL
<b>Construction Costs</b>					<b>\$6,550,000.00</b>
1	30" Water Line (Undeveloped Areas)	5,150	LF	\$210.00	\$1,081,500.00
2	30" Water Line (Developed Areas)	8,000	LF	\$300.00	\$2,400,000.00
3	48" Casing (By Other Than Open Cut)	1,650	LF	\$960.00	\$1,584,000.00
4	30" Carrier Pipe	1,650	LF	\$300.00	\$495,000.00
5	Full Panel Concrete Pavement Repair	1,100	SY	\$95.00	\$104,500.00
6	30" Gate Valve & Vault	6	EA	\$65,000.00	\$390,000.00
7	3" Air Release Valve	7	EA	\$24,000.00	\$168,000.00
8	8" Blowoff Valve	4	EA	\$25,000.00	\$100,000.00
9	Water Tie-in	2	EA	\$50,000.00	\$100,000.00
10	Cathodic Protection	1	LS	\$40,000.00	\$40,000.00
11	Utility Markers	1	LS	\$15,000.00	\$15,000.00
12	Trench Safety	13,150	LF	\$2.00	\$26,300.00
13	SWPPP	1	LS	\$20,000.00	\$20,000.00
14	Traffic Control	1	LS	\$25,700.00	\$25,700.00
<b>Land Costs</b>					<b>\$1,146,000.00</b>
1	30' Permanent Easements	286,500	SF	\$3.00	\$859,500.00
2	20' Construction Easements	191,000	SF	\$1.50	\$286,500.00
CONSTRUCTION SUBTOTAL					\$6,550,000
CONTINGENCY 20%					\$1,310,000
SUBTOTAL					\$7,860,000
ENGINEERING & SURVEY 12%					\$943,200
LAND SUBTOTAL:					\$1,146,000

**PROJECT TOTAL \$9,949,200**



NORTHEAST PIPELINE ROUTE STUDY  
 CITY OF FORT WORTH  
 PIPELINE ROUTE A - 24-INCH OPTION

OPINION OF PROBABLE CONSTRUCTION COST

OCTOBER 6, 2015

ESTIMATOR	CHECKED BY	ACCOUNT NO
DGS	DGS & DN	FTW14223

ITEM	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	TOTAL
<b>Construction Costs</b>					<b>\$5,356,700.00</b>
1	24" Water Line (Undeveloped Areas)	5,150	LF	\$168.00	\$865,200.00
2	24" Water Line (Developed Areas)	8,000	LF	\$240.00	\$1,920,000.00
3	42" Casing (By Other Than Open Cut)	1,650	LF	\$840.00	\$1,386,000.00
4	24" Carrier Pipe	1,650	LF	\$240.00	\$396,000.00
5	Full Panel Concrete Pavement Repair	1,100	SY	\$95.00	\$104,500.00
6	24" Gate Valve & Vault	6	EA	\$35,000.00	\$210,000.00
7	3" Air Release Valve	7	EA	\$24,000.00	\$168,000.00
8	8" Blowoff Valve	4	EA	\$25,000.00	\$100,000.00
9	Water Tie-in	2	EA	\$50,000.00	\$100,000.00
10	Cathodic Protection	1	LS	\$20,000.00	\$20,000.00
11	Utility Markers	1	LS	\$15,000.00	\$15,000.00
12	Trench Safety	13,150	LF	\$2.00	\$26,300.00
13	SWPPP	1	LS	\$20,000.00	\$20,000.00
14	Traffic Control	1	LS	\$25,700.00	\$25,700.00
<b>Land Costs</b>					<b>\$1,146,000.00</b>
1	30' Permanent Easements	286,500	SF	\$3.00	\$859,500.00
2	20' Construction Easements	191,000	SF	\$1.50	\$286,500.00
CONSTRUCTION SUBTOTAL					\$5,356,700
CONTINGENCY 20%					\$1,071,400
SUBTOTAL					\$6,428,100
ENGINEERING & SURVEY 12%					\$771,400
LAND SUBTOTAL:					\$1,146,000

**PROJECT TOTAL \$8,345,500**



NORTHEAST PIPELINE ROUTE STUDY  
 CITY OF FORT WORTH  
 PIPELINE ROUTE B - 30-INCH OPTION

OPINION OF PROBABLE CONSTRUCTION COST

OCTOBER 2, 2015

ESTIMATOR ABC	CHECKED BY DGS & DN	ACCOUNT NO FTW14223
------------------	------------------------	------------------------

ITEM	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	TOTAL
<b>Construction Costs</b>					<b>\$6,626,240.00</b>
1	30" Water Line (Undeveloped Areas)	8,190	LF	\$210.00	\$1,719,900.00
2	30" Water Line (Developed Areas)	6,400	LF	\$300.00	\$1,920,000.00
3	48" Casing (By Other Than Open Cut)	1,330	LF	\$960.00	\$1,276,800.00
4	48" Casing (By Open Cut)	480	LF	\$480.00	\$230,400.00
5	30" Carrier Pipe	1,810	LF	\$300.00	\$543,000.00
6	Full Panel Concrete Pavement Repair	700	SY	\$95.00	\$66,500.00
7	30" Gate Valve & Vault	6	EA	\$65,000.00	\$390,000.00
8	3" Air Release Valve	5	EA	\$24,000.00	\$120,000.00
9	8" Blowoff Valve	5	EA	\$25,000.00	\$125,000.00
10	Water Tie-in	2	EA	\$50,000.00	\$100,000.00
11	Cathodic Protection	1	LS	\$40,000.00	\$40,000.00
12	Utility Markers	1	LS	\$15,000.00	\$15,000.00
13	Trench Safety	15,070	LF	\$2.00	\$30,140.00
14	SWPPP	1	LS	\$20,000.00	\$20,000.00
15	Traffic Control	1	LS	\$29,500.00	\$29,500.00
<b>Land Costs</b>					<b>\$1,512,000.00</b>
1	30' Permanent Easements	378,000	SF	\$3.00	\$1,134,000.00
2	20' Construction Easements	252,000	SF	\$1.50	\$378,000.00

CONSTRUCTION SUBTOTAL	\$6,626,300
CONTINGENCY 20%	\$1,325,300
SUBTOTAL	\$7,951,600
ENGINEERING & SURVEY 12%	\$954,200
LAND SUBTOTAL:	\$1,512,000

**PROJECT TOTAL \$10,417,800**



NORTHEAST PIPELINE ROUTE STUDY  
 CITY OF FORT WORTH  
 PIPELINE ROUTE B - 24-INCH OPTION

OPINION OF PROBABLE CONSTRUCTION COST

OCTOBER 6, 2015

ESTIMATOR ABC	CHECKED BY DGS & DN	ACCOUNT NO FTW14223
------------------	------------------------	------------------------

ITEM	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	TOTAL
<b>Construction Costs</b>					<b>\$5,401,260.00</b>
1	24" Water Line (Undeveloped Areas)	8,190	LF	\$168.00	\$1,375,920.00
2	24" Water Line (Developed Areas)	6,400	LF	\$240.00	\$1,536,000.00
3	42" Casing (By Other Than Open Cut)	1,330	LF	\$840.00	\$1,117,200.00
4	42" Casing (By Open Cut)	480	LF	\$420.00	\$201,600.00
5	24" Carrier Pipe	1,810	LF	\$240.00	\$434,400.00
6	Full Panel Concrete Pavement Repair	700	SY	\$95.00	\$66,500.00
7	24" Gate Valve & Vault	6	EA	\$35,000.00	\$210,000.00
8	3" Air Release Valve	5	EA	\$24,000.00	\$120,000.00
9	8" Blowoff Valve	5	EA	\$25,000.00	\$125,000.00
10	Water Tie-in	2	EA	\$50,000.00	\$100,000.00
11	Cathodic Protection	1	LS	\$20,000.00	\$20,000.00
12	Utility Markers	1	LS	\$15,000.00	\$15,000.00
13	Trench Safety	15,070	LF	\$2.00	\$30,140.00
14	SWPPP	1	LS	\$20,000.00	\$20,000.00
15	Traffic Control	1	LS	\$29,500.00	\$29,500.00
<b>Land Costs</b>					<b>\$1,512,000.00</b>
1	30' Permanent Easements	378,000	SF	\$3.00	\$1,134,000.00
2	20' Construction Easements	252,000	SF	\$1.50	\$378,000.00

CONSTRUCTION SUBTOTAL	\$5,401,300
CONTINGENCY 20%	\$1,080,300
SUBTOTAL	\$6,481,600
ENGINEERING & SURVEY 12%	\$777,800
LAND SUBTOTAL:	\$1,512,000

**PROJECT TOTAL \$8,771,400**



NORTHEAST PIPELINE ROUTE STUDY  
CITY OF FORT WORTH  
PIPELINE ROUTE C - 30-INCH

OPINION OF PROBABLE CONSTRUCTION COST

OCTOBER 2, 2015

ESTIMATOR ABC	CHECKED BY DGS & DN	ACCOUNT NO FTW14223
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ITEM	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	TOTAL
<b>Construction Costs</b>					<b>\$6,437,600.00</b>
1	30" Water Line (Undeveloped Areas)	5,400	LF	\$210.00	\$1,134,000.00
2	30" Water Line (Developed Areas)	8,000	LF	\$300.00	\$2,400,000.00
3	48" Casing (By Other Than Open Cut)	1,320	LF	\$960.00	\$1,267,200.00
4	48" Casing (By Open Cut)	480	LF	\$480.00	\$230,400.00
5	30" Carrier Pipe	1,800	LF	\$300.00	\$540,000.00
6	Full Panel Concrete Pavement Repair	1,300	SY	\$95.00	\$123,500.00
7	30" Gate Valve & Vault	6	EA	\$65,000.00	\$390,000.00
8	3" Air Release Valve	5	EA	\$24,000.00	\$120,000.00
9	8" Blowoff Valve	3	EA	\$25,000.00	\$75,000.00
10	Water Tie-in	2	EA	\$15,000.00	\$30,000.00
11	Cathodic Protection	1	LS	\$40,000.00	\$40,000.00
12	Utility Markers	1	LS	\$15,000.00	\$15,000.00
13	Trench Safety	13,400	LF	\$2.00	\$26,800.00
14	SWPPP	1	LS	\$20,000.00	\$20,000.00
15	Traffic Control	1	LS	\$25,700.00	\$25,700.00
<b>Land Costs</b>					<b>\$1,116,000.00</b>
1	30' Permanent Easements	279,000	SF	\$3.00	\$837,000.00
2	20' Construction Easements	186,000	SF	\$1.50	\$279,000.00

CONSTRUCTION SUBTOTAL	\$6,437,600
CONTINGENCY 20%	\$1,287,600
SUBTOTAL	\$7,725,200
ENGINEERING & SURVEY 12%	\$927,100
LAND SUBTOTAL:	\$1,116,000

**PROJECT TOTAL \$9,768,300**



NORTHEAST PIPELINE ROUTE STUDY  
CITY OF FORT WORTH  
PIPELINE ROUTE C - 24-INCH

OPINION OF PROBABLE CONSTRUCTION COST

OCTOBER 2, 2015

ESTIMATOR ABC	CHECKED BY DGS & DN	ACCOUNT NO FTW14223
------------------	------------------------	------------------------

ITEM	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	TOTAL
<b>Construction Costs</b>					<b>\$5,235,600.00</b>
1	24" Water Line (Undeveloped Areas)	5,400	LF	\$168.00	\$907,200.00
2	24" Water Line (Developed Areas)	8,000	LF	\$240.00	\$1,920,000.00
3	42" Casing (By Other Than Open Cut)	1,320	LF	\$840.00	\$1,108,800.00
4	42" Casing (By Open Cut)	480	LF	\$420.00	\$201,600.00
5	24" Carrier Pipe	1,800	LF	\$240.00	\$432,000.00
6	Full Panel Concrete Pavement Repair	1,300	SY	\$95.00	\$123,500.00
7	24" Gate Valve & Vault	6	EA	\$35,000.00	\$210,000.00
8	3" Air Release Valve	5	EA	\$24,000.00	\$120,000.00
9	8" Blowoff Valve	3	EA	\$25,000.00	\$75,000.00
10	Water Tie-in	2	EA	\$15,000.00	\$30,000.00
11	Cathodic Protection	1	LS	\$20,000.00	\$20,000.00
12	Utility Markers	1	LS	\$15,000.00	\$15,000.00
13	Trench Safety	13,400	LF	\$2.00	\$26,800.00
14	SWPPP	1	LS	\$20,000.00	\$20,000.00
15	Traffic Control	1	LS	\$25,700.00	\$25,700.00
<b>Land Costs</b>					<b>\$1,116,000.00</b>
1	30' Permanent Easements	279,000	SF	\$3.00	\$837,000.00
2	20' Construction Easements	186,000	SF	\$1.50	\$279,000.00
CONSTRUCTION SUBTOTAL					\$5,235,600
CONTINGENCY 20%					\$1,047,200
SUBTOTAL					\$6,282,800
ENGINEERING & SURVEY 12%					\$754,000
LAND SUBTOTAL:					\$1,116,000

**PROJECT TOTAL \$8,152,800**

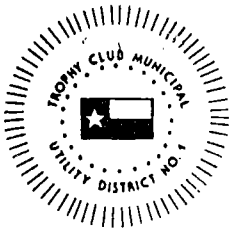




## **APPENDIX C**

Trophy Club Municipal Utility District No. 1 Letter to City of Fort Worth date May 21, 1989

Contract for Water Service Between the City of Fort Worth, Texas and the Denton County Municipal Utility District No. One



# TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1

100 Municipal Drive  
Trophy Club, Texas 76262  
(817) 430-1911

*June 26 to next Board Mtg.*

May 12, 1989

WATER ADMINISTRATION

RECEIVED BY: H DATE: 5-15-89

FILE: Trophy Club-MUD#1-Water Cont

COPY TO: Milson Park / Steinberger

Mr. Richard W. Sawey, P.E.  
Director, Water Department  
City of Fort Worth  
1000 Throckmorton, P.O. Box 870  
Fort Worth, TX 76101

Dear Richard:

We appreciate your efforts regarding our concerns with the proposed water contract. Your addition to paragraph 2.4 referring to our right to draw the 3.7 MGD alleviates our concerns.

The language in paragraph 16.1 however still lacks the clarity which we believe is needed. As you are aware, Fort Worth is not our only supply source. We have four groundwater wells which will be productive for many years. Therefore, it would be very difficult to evaluate and determine just when an additional connection to our system will impact our access to the Fort Worth system.

We believe that the following should replace the last sentence of paragraph 16.1, since it more effectively recognizes our rights and obligations under the existing agreement. "The charge will be directly related to the benefit provided to the Customer and will recognize the Customer's entitlement to 3.7 MGD prior to the imposition of any System Access Fee."

Although we recognize that the MUD has no partial ownership or equity in the Fort Worth System, we do believe that we have a "pre-paid capacity" <sup>Contribution</sup> (as recognized in recent modifications to the original draft). Therefore, we believe the denial of our having pre-paid capacity (within paragraph 18.1) should be deleted.

As we have discussed previously, there are other matters which have caused us concern.

(a) It is my understanding that the terms and conditions within paragraph 2.2 which subordinate this proposed water contract to the Fort Worth City Secretary Contract No. 12720 are necessitated by court action. I would appreciate your comments on this potential impact to Trophy Club.

*Not capacity -  
pd for part of a tank  
not for reservoir, supply  
pumping, lines etc  
to recognize right availability, all that  
wise contract to  
take or pay*

*to water supply*



CONTRACT FOR WATER SERVICE  
BETWEEN THE  
CITY OF FORT WORTH, TEXAS  
AND THE  
DENTON COUNTY MUNICIPAL  
UTILITY DISTRICT NO. ONE

CITY SECRETARY  
CONTRACT No. 10381

THE STATE OF TEXAS    §

COUNTY OF TARRANT   §

THIS CONTRACT AND AGREEMENT made and entered into this 13 day of March, 1929, by and between the City of Fort Worth, a municipal corporation located in Tarrant County, Texas, acting by and through its duly authorized City Manager, Robert L. Herchert, and the Denton County Municipal Utility District No. One, located in Denton County, Texas, acting by and through its duly authorized President and Secretary, Wesley W. Obermeier and Scott T. Massie.

W I T N E S S E T H:

WHEREAS, the City of Fort Worth has provided at its own expense, and now owns, operates and maintains, facilities for processing and distributing a large supply of surface water, and at the present time is qualified to furnish and deliver treated water, both within and without the corporate boundaries of the City of Fort Worth; and,

WHEREAS, the Denton County Municipal Utility District No. One, hereinafter referred to as "DCMUD #1," is served by a well water supply and water distribution system within and adjacent to the limits of such district; and,

WHEREAS, the well water supply and water distribution system serving the DCMUD #1 and its customers is owned by the DCMUD #1; and,

WHEREAS, the DCMUD #1 has determined that the most economical and timely source of additional water supply to its distribution system lies in connecting to the Fort Worth water supply system; and,

WHEREAS, the DCMUD #1 is in need of such additional water supply; and,

WHEREAS, it is deemed to be in the best interest of both the City of Fort Worth and the DCMUD #1 that they do enter into a mutually satisfactory agreement by means of which the DCMUD #1 may obtain a supply of treated water from the City of Fort Worth at a reasonable rate, NOW, THEREFORE:

KNOW ALL MEN BY THESE PRESENTS:

That for and in consideration of the execution and performance of the mutual covenants herein set forth, the City of Fort Worth and the DCMUD #1 do hereby covenant and agree as follows:

OFFICIAL RECORD  
CITY SECRETARY  
FT. WORTH, TEX.

TERMS AND CONDITIONS

The City of Fort Worth agrees to furnish and sell to the DCMUD #1 treated water of potable quality meeting all applicable governmental standards, delivered under the normal operating pressure prevailing in the City of Fort Worth's water distribution system at the point or points of delivery mutually agreed upon. The DCMUD #1 agrees to accept delivery under the conditions of this agreement and to pay for the same in accordance with the terms hereof.

If at any time during the term of this contract the furnishing of water by the City of Fort Worth to the DCMUD #1 shall be to the detriment of water customers within the City of Fort Worth, then and in that event, the quantity of water furnished to the DCMUD #1 will be reduced in the same proportion to the reductions in quantity of water being furnished all other customers served by the City of Fort Worth in the same vicinity.

If the City of Fort Worth shall ration the use of water throughout said City or issue water conservation measures or restrict the use of water in any way, the DCMUD #1 shall:

Institute and apply the same rationing, conservation measures or restrictions to the use of water by the customers of the DCMUD #1, so long as any part of the total water supply of the DCMUD #1 is being furnished by the City of Fort Worth, and any failure by the DCMUD #1 to comply with this provision or the other provisions of this agreement shall be just cause for the City of Fort Worth to discontinue the sale of water hereunder.

At the request of the Director of the Fort Worth Water Department, the DCMUD #1 agrees to furnish water to areas and premises situated adjacent to the mains or to the boundary of the DCMUD #1 and within the boundaries of the City of Fort Worth. Mains, services, meters and appurtenances shall be constructed by the City of Fort Worth in accordance with the policy for the installation of community facilities in the City of Fort Worth. The connection of such services shall not be detrimental to the furnishing of water to existing or potential customers of the DCMUD #1. Approach mains required to be built by the DCMUD #1 to serve such areas shall be provided by the DCMUD #1 in accordance with the policies and procedures of the DCMUD #1. The metered quantity of water used in this area each month by the City of Fort Worth shall be the total of all individual customer meter readings. At the option of the DCMUD #1 or the City of Fort Worth, a master meter shall be installed at the expense of the City of Fort Worth to meter all water used by the City of Fort Worth under the terms of this section.

The metered quantity of water furnished by the DCMUD #1 to the City of Fort Worth shall be deducted from the total quantity of water withdrawn from the Fort Worth system by the DCMUD #1 before the charge for water services to the DCMUD #1 by the City of Fort Worth is computed in accordance with the payment computations set forth and based on the commodity charge described herein and the quantity of water. Consideration shall also be given to the effects of water so supplied to the City of Fort Worth on the maximum hour and maximum day rates charged by the City of Fort Worth to the DCMUD #1.

It is contemplated that water will be made available to the DCMUD #1 at the City of Fort Worth's North Beach Street Ground Storage Site west of the City of Keller. It is agreed that the DCMUD #1 will participate in the cost of extending a 36-inch water transmission main north in Beach Street, from the Summerfield's Addition vicinity to the North Beach Street Ground Storage Site, and in the cost of the 5 MG Ground Storage facility to be erected on that site. For the purposes of this contract, this 36-inch water transmission main extension and 5 MG ground storage erection combination is considered to be a single project hereinafter referred to as the "Complex," all of which will be solely the property of the City of Fort Worth.

The DCMUD #1 agrees to pay twenty-eight and one-half percent (28.5%) of the total project cost of the Complex, such total project cost to consist of costs for land and rights-of-way required for its construction, design engineering, plans and specifications production, construction of the Complex, construction engineering and preparation of as-built drawings of the completed Complex. In return for payment of this share of the Complex project cost, the DCMUD #1 will be entitled to withdraw up to a maximum of 3.7 MGD through the initial point of connection at the North Beach Street Ground Storage Site, subject to the charges for delivered quantities set out hereinafter.

The City of Fort Worth may initiate construction of the Complex by advising the DCMUD #1 by Certified Mail of its intention of proceeding with construction of the Complex, such Certified Mail advisory to be delivered to the DCMUD #1 at least 30 days prior to the date on which the Complex construction is to be advertised for bids. The DCMUD #1 agrees to deposit with the City of Fort Worth the DCMUD #1's share of the Complex construction contract cost, in cash, by letter of credit, or by certificate of deposit, within 30 days of receipt of written notice from the City of Fort Worth of the amount of that share and to complete payment of its share of the final total project cost of the Complex within 30 days after receipt of written notice from the City of Fort Worth of the amount of that share, computed as described above, based on final costs of the completed Complex.

The DCMUD #1 may initiate construction of the Complex by written request to the City of Fort Worth, with project cost payments to be made in the manner set out above, and the City of Fort Worth will use its best efforts to complete construction of the Complex within 18 months after receipt of such written request from the DCMUD #1; provided, however, that such 18-month period is merely an estimate, and in no event does the City of Fort Worth promise or guarantee construction of the Complex within this estimated time.

2.

#### LOCATION AND MAINTENANCE OF MEASURING DEVICES

All water furnished under this agreement by the City of Fort Worth shall be measured by one or more suitable meters equipped with continuous flow chart-recording devices and transmitting and receiving equipment. All meters and recording equipment shall be installed and operated by the City of Fort Worth. The DCMUD #1 shall pay to the City of Fort Worth the cost of the meter, recording and transmitting equipment and appurtenances plus the installation and maintenance cost thereof.

The point or points of delivery of treated water by the City of Fort Worth shall be the meter vault connection to the customer's side of the meter, and all necessary mains and distribution facilities from and beyond said point shall be furnished by the DCMUD #1.

The location of each meter shall be mutually agreed upon by and between the parties hereto, and the meter or meters shall not be moved or relocated except by mutual consent.

Each party hereto shall have the right to test the meters and appurtenances at any time by first giving the other party notice of its intention to make such a test. No meter shall be adjusted, changed, or tested, in place or elsewhere, unless the party intending to make such adjustment, change, or test shall first give notice to the other party of this intention and thereafter give reasonable opportunity to the other party to have representatives participate in such test, change or adjustment. All meters will be properly sealed, and the seal shall not be broken unless representatives of both parties have been notified and given a reasonable opportunity to be present.

Either the DCMUD #1 or the City of Fort Worth at its own expense may install a check meter to check measure the volume of water passing through the master meter, provided that if such check meter is installed, the same rules and regulations relative to its operation, maintenance, and reading shall apply as to the meter being tested.

3.

METER READING AND BILLING

The City of Fort Worth will read all meters provided for herein at monthly intervals and the parties to this agreement shall have free access to read these respective meters daily, if either party so desires. It shall be the duty of the parties to give immediate notice, each to the other, should any meter be found not functioning, and upon such notice repairs to such meter shall be made promptly. Whenever it is evident that a meter has not registered accurately for a period of time, the quantity used shall be estimated in accordance with the usage under similar conditions for an equal period.

The meter readings and rates of flow shall be added together when more than one meter is in service and the sum thereof shall be used for the purpose of calculating charges for water used.

A review of water usage amounts by the customer for the past twelve (12) months shall be made during the preparation of the September bill each year. The September statement shall be prepared so as to reflect any and all rates of use charges which have not been previously billed and paid. A copy of the rate of flow charts or other records showing the maximum day and the peak hour of the year shall be furnished to the customer with the September billing.

The DCMUD #1 agrees to appropriate annually sufficient funds to pay the monthly charge for water service. The water charge to be paid by the DCMUD #1 to the City of Fort Worth shall be deemed a current expense of the DCMUD #1 for each year of this contract as such monthly charges become due and payable.

The monthly bill shall be due and payable at the office of the Fort Worth Water Department on or before the 15th day immediately succeeding the monthly billing date.

DEFINITIONS

"Annual consumption" is the total quantity of water purchased under the terms of this contract by the DCMUD #1 during the fiscal year of the City of Fort Worth as determined by the difference in the annual September meter readings.

"Average daily use" is the annual consumption divided by 365.

"Maximum day demand" is the maximum quantity of water used during one calendar day of the fiscal year of the City of Fort Worth.

"MGD" is million gallons per day.

"GPD" is gallons per day.

"TGPLD" is thousand gallons per day.

"Fiscal year" is the fiscal year of the City of Fort Worth from October 1 to September 30.

"Maximum hour demand" or "peak hour rate" is the quantity of water used during the one hour of the year when more water passed through the meter or meters serving the customer than during any other hour of the fiscal year of the City of Fort Worth multiplied by 24.

"Commodity charge" is that part of the rate charged per 1,000 gallons used, regardless of rate of use. The commodity charge shall include the maintenance and operation cost, the capital facilities cost on the part of the production and transmission system related to annual use and the raw water costs.

"Raw water charge" is a part of the commodity charge and represents the rate per 1,000 gallons charged by the Tarrant County Water Control and Improvement District #1 to the City of Fort Worth for raw water to be sold to the DCMUD #1 plus six percent (6%) of said rate, representing Fort Worth water system losses, and the street rental charge of three percent (3%).

"Rate of use charge" is the fixed charge determined for the maximum daily demand in excess of average daily usage and the maximum hourly demand in excess of maximum day demand rates of use.

"Base rate" is composed of the commodity charge, and the rate of use charge.



RATES1. Method of rate determination

The annual rate charged by the City of Fort Worth for rendering water service under the terms of this contract shall be based upon the functional distribution of the total annual cost incurred in furnishing treated water to its customers, provided that nothing herein shall be construed as contemplating an annual rate of less than the regular City of Fort Worth water only rate, plus ten percent (10%) of said rate.

2. Rates to be used

The annual rate to be charged for water shall include the proper proportionate parts of the maintenance and operation cost as related to the production and transmission facilities of the total Fort Worth Water System, the capital facilities cost (fixed charges) on the production and transmission plant related to the rendition of service at maximum withdrawal rates of use by the DCMUD #1 and the raw water costs.

The charges for the initial period of the contract, which shall be from the date of its execution through September 30, 1982, have been computed as follows:

- a. The commodity charge shall be \$0.3270 per 1,000 gallons withdrawn by the customer.
- b. The annual charge per MGD of daily demand in excess of average daily demand shall be \$29,600 per MGD and maximum hour demand in excess of the maximum day demand shall be \$14,150 per MGD.
- c. The service charge shall be \$25.00 per month per meter.

3. Adjustment of rate

## a. Raw water:

The amount charged for raw water shall be increased or decreased proportionately when the raw water cost paid by the City of Fort Worth for water available for treatment and sale to the DCMUD #1 is increased or decreased. At the time of execution of this contract, the rate, including six percent (6%) for system losses, and the street rental charge of three percent (3%), to the DCMUD #1 is \$0.170 per 1,000 gallons. The portion of the raw water charge which reflects system losses shall be adjusted in the manner set out in Subparagraph b. below in accordance with actual experience during the preceding period.

b. Commodity charge and rates of use charges:

The rate shall be reviewed and adjusted every five years except that the first such review shall be based on the annual cost of operation for the fiscal years 1980-81 and 1981-82. The cost related to the production and transmission function of distributing treated water to the Fort Worth city limits in wholesale quantities plus a service charge shall be determined in accordance with methods herein. Such costs shall be projected through the City of Fort Worth fiscal year 1985 to establish the fair rate for water to be charged during the period October 1, 1982, to September 30, 1987. The adjusted rate shall be made effective October 1, 1982. A similar review and rate adjustment shall be made for each succeeding five-year period for the term of the contract.

6.

PAYMENT FOR WATER

Payment of charges to the City of Fort Worth for water used by the DCMUD #1 shall be made as follows:

1. MINIMUM ANNUAL PAYMENT

The minimum annual payment shall be the charges computed for all water delivered by the City of Fort Worth to the DCMUD #1 during the fiscal year based on rates provided herein. However, the minimum annual payment shall never be less than the payment calculated on the basis of the volume of water taken and the related rates of withdrawal during any previous fiscal year.

2. MAXIMUM RATE OF DELIVERY

The maximum rate of delivery at the initial point of connection shall be 3.7 MGD. Maximum rates of delivery at subsequent points of delivery, or variations of the rate at the initial point of connection, shall be as mutually agreed upon by the parties hereto.

3. MINIMUM MONTHLY CHARGE

The minimum monthly charge will be the charge computed for all water delivered to the DCMUD #1 during the applicable calendar month based on rates provided herein.

4. MONTHLY PAYMENT

The monthly payment shall be calculated at the regular City of Fort Worth rate plus ten percent (10%) of said rate (which includes the raw water costs) plus the service charge for the quantity of water withdrawn from the Fort Worth system during the month.

5. ANNUAL PAYMENT

The actual total annual payment for water by the DCMUD #1 shall be related to the annual and peak volumes used by the DCMUD #1 during the fiscal



Annual Payment Calculation

26,000 X \$0.3270	\$ 8,502.00
.1288 X \$29,600	3,812.48
.3200 X \$14,150	4,528.00
12 X 25 X 1	<u>300.00</u>
Total Annual Payment	\$ 17,142.48
Previous Payments	
October through August	<u>11,231.89</u>
September Billing	\$ 5,910.59

7.

EFFECTIVE DATE OF CONTRACT FOR BILLING

The effective date of this contract for billing purposes shall be the fifteenth (15th) day of the month following the month in which water is first delivered to the DCMUD #1 under this agreement.

8.

LIFE OF CONTRACT

The life of this contract shall be for twenty-one (21) years from the date of execution hereof, and may be renewed upon terms mutually agreeable to the parties hereto.

9.

RIGHTS-OF-WAY

The DCMUD #1 shall grant to the City of Fort Worth such easements and rights-of-way along public highways or other property owned by the DCMUD #1 as requested by the City of Fort Worth in order to construct and maintain water mains or facilities with the DCMUD #1 to furnish water to the DCMUD #1 and to other areas. All work done by or on behalf of the City of Fort Worth under this paragraph will be performed in accordance with specifications equal to those applying to work of a similar nature performed within the City of Fort Worth.

10.

STATE HEALTH DEPARTMENT APPROVAL

The water system of the DCMUD #1 shall be approved by the Texas State Department of Health during the life of this contract. If at any time the water system of the DCMUD #1 is not approved by the Texas State Department of Health, there shall not be any direct physical connection between the Fort Worth water system and the DCMUD #1 water system unless an approved backflow prevention device has been provided and installed and this installation has been approved by the Texas State Department of Health.

11.

RESALE OF WATER

The DCMUD #1 does hereby covenant and agree not to sell water to any user within or without its boundaries or service area, as shown on Exhibit "A" attached hereto, at a rate lower than the equivalent Fort Worth rate charged a similar customer located within the City of Fort Worth, plus ten percent (10%). The DCMUD #1 agrees to furnish the City of Fort Worth Water Department a complete rate schedule for all DCMUD #1 water sales.

Except for lines necessary to connect to the City of Fort Worth's system as provided herein, the DCMUD #1 will not make any extension of water lines beyond the limits of the DCMUD #1 and/or its service area as shown in Exhibit "A" attached hereto, nor permit any connections for water outside its limits or such service area, without the approval of the City of Fort Worth. The City of Fort Worth specifically approves the provision of water service to those customers of the DCMUD #1 now located outside its boundaries.

12.

FORCE MAJEURE

If, by reason of force majeure, either party hereto shall be rendered unable, wholly or in part, to carry out its obligations under this agreement, other than the obligation of the DCMUD #1 to make payments required under the terms hereof, then if such party shall give notice and full particulars to such force majeure in writing to the other party within a reasonable time after the occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and such party shall endeavor to remove or overcome such inability with all reasonable dispatch.

The term "force majeure", as employed herein, shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas, or any civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraints of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, and inability on the part of the City of Fort Worth to deliver water hereunder or the DCMUD #1 to receive water hereunder on account of any other causes not reasonably within the control of the party claiming such inability.

IN TESTIMONY WHEREOF, after proper action by the respective governing bodies of the parties hereto, we have caused these presents to be executed in

quadruplicate copies, each of which is considered to be an original and the seals of the respective parties to be hereto affixed on the date above written.

ATTEST:

CITY OF FORT WORTH

*Jack W. Greer*  
City Secretary

By: *Robert L. Herchert*  
Robert L. Herchert

APPROVED AS TO FORM AND LEGALITY:

*Quinton R. Peterson*  
City Attorney

APPROVAL RECOMMENDED:

*D. Robinson*  
Director, Fort Worth Water Department

ATTEST:

DENTON COUNTY MUNICIPAL UTILITY  
DISTRICT NO. ONE

*Scott T. Massee*  
Secretary

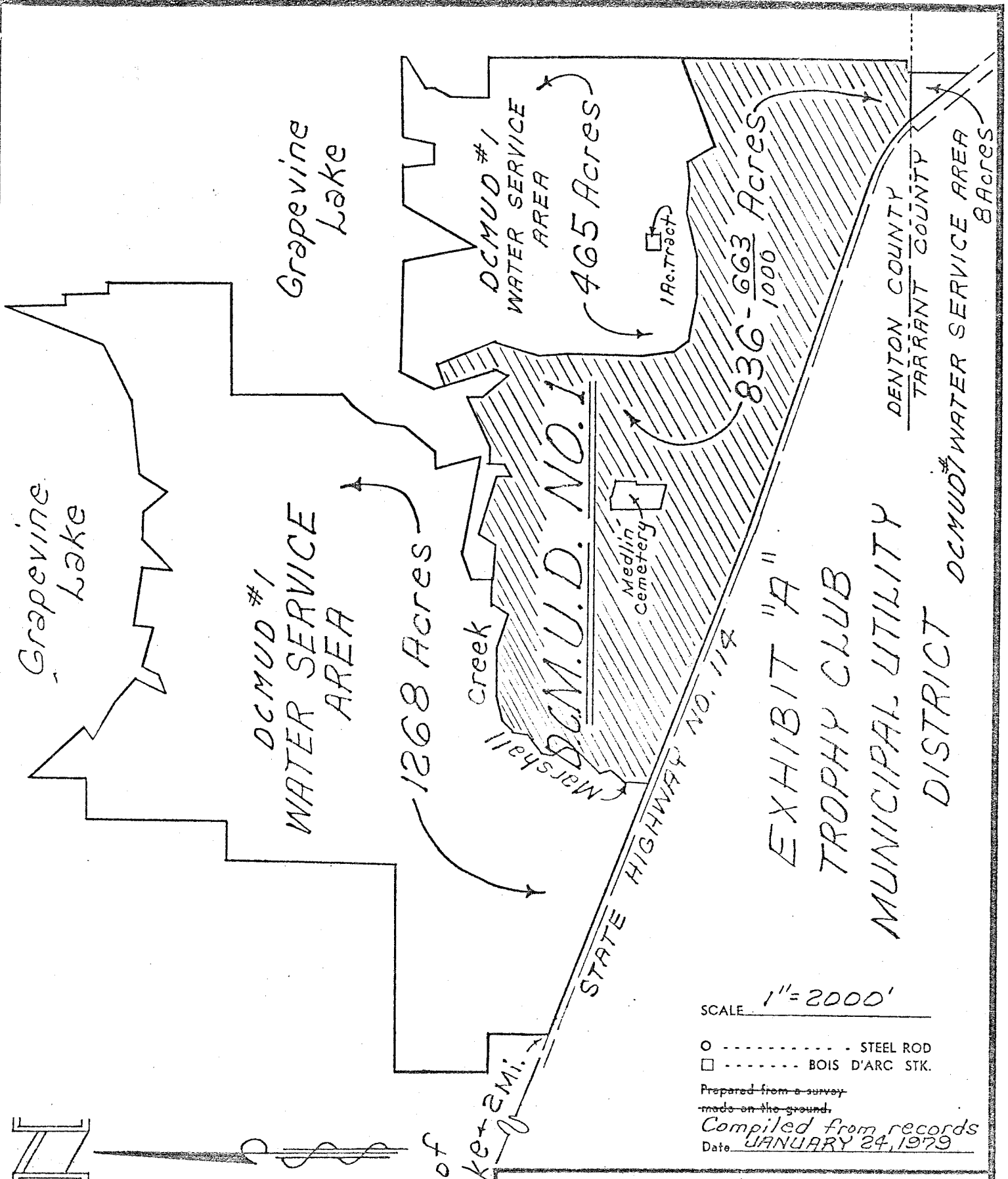
By: *Kesley H. Chumieir*  
President

APPROVED AS TO FORM AND LEGALITY:

*Robert H. Dent*  
Attorney for DCMUD #1

APPROVED BY CITY COUNCIL

*Jack W. Greer*  
City Secretary  
3-13-79  
Date



Grapevine Lake

Grapevine Lake

DCMUD #1  
WATER SERVICE  
AREA

1268 Acres

creek

D.C.M.U.D. NO. 1

STATE HIGHWAY NO. 114

Medlin Cemetery

DCMUD #1  
WATER SERVICE  
AREA

465 Acres

1 A.C. Tract

836-663/1000  
Acres

DENTON COUNTY  
TARRANT COUNTY

DCMUD #1 WATER SERVICE AREA  
8 Acres

EXHIBIT "A"  
TROPHY CLUB  
MUNICIPAL UTILITY  
DISTRICT

SCALE 1" = 2000'

- ..... STEEL ROD
- ..... BOIS D'ARC STK.

Prepared from a survey  
made on the ground.

Compiled from records  
Date JANUARY 24, 1979

City of  
Roanoke 2 mi.

SEMPCO, INC.

• SURVEYING • MAPPING • PLANNING

P. O. Box 1776  
3208 SOUTH MAIN

Phone WA 6 • 7876  
FORT WORTH — TEXAS

JW6  
3-28

*City of Fort Worth, Texas*  
*Mayor and Council Communication*

DATE	REFERENCE NUMBER	SUBJECT: Proposed Contract Between City of Fort Worth and Denton County Municipal Utility District No. 1 for a	PAGE
3/13/79	C-4556	Municipal Utility District No. 1 for a	1 of 3
Supply of Water			
<p>The Denton County Municipal Utility District No. 1 has applied to the City of Fort Worth for a supply of water to be used to meet the needs of its present and future customers, both inside the 837-acre MUD and in adjacent, identified service areas containing 1,721 acres. All but eight acres of this 2,558 total acreage is in Denton County. Providing service outside the designated areas would require the City's consent.</p>			
<p>Providing water service as requested will require construction of the City of Fort Worth's 36-inch Water Transmission Main E-15 north in Beach Street, from its present terminus in the Summerfields Addition to the North Beach Street Ground Storage Site, and the construction of the proposed 5MG Ground Storage Tank on that site. Construction of these facilities has been tentatively programmed to begin in 1979 in response to continued growth in the Summerfields Addition area. Plans and specifications for these facilities are being prepared by Rady and Associates, Inc., under the engineering agreement approved by the City Council on October 17, 1978 (M&amp;C C-4390). However, the decision to proceed with construction of the facilities would be made at the time plans and specifications are completed only if the current development pace in the Summerfields Addition area indicates that additional water supply is necessary.</p>			
<p>In the proposed agreement the Denton County MUD No. 1 has agreed to share in the construction cost of the Transmission Main-Ground Storage Complex in proportion to its water supply needs from that complex as compared to the supply capacity of the complex. On this basis, the MUD share would be 28.5% of the total project cost, including engineering, rights-of-way and construction costs, with the MUD share to be due and payable at the time a construction contract is awarded. Based on the preliminary project cost estimate of \$2,000,000, this would result in a cost of approximately \$570,000 for the District.</p>			
<p>Either the City of Fort Worth or the MUD could initiate construction of the complex by formal notice to the other party that the facility is needed to meet their requirements. However, as previously stated, it is anticipated that the construction will be initiated by the City in 1979 to meet the growing service requirements in the Summerfields Addition area.</p>			
<p>Other terms of the proposed water service contract are briefly summarized as follows:</p>			
<ol style="list-style-type: none"><li>1. Water would be made available at system pressure from the City of Fort Worth Water Complex at the North Beach Street Ground Storage site, and the MUD would construct, at its own expense, approximately 60,000 feet of transmission main to deliver water to its service area.</li></ol>			



DATE	REFERENCE NUMBER	SUBJECT: Proposed Contract Between City of Fort Worth and Denton County Municipal Utility District No. 1 for a Supply of Water	PAGE
3/13/79	C-4556		2 of 3
<ol style="list-style-type: none"> <li>2. MUD customers would be subject to the same conditions for rationing or otherwise conserving water as would apply to similar customers in Fort Worth, should such conservation measures be required in Fort Worth.</li> <li>3. Water supplied to the MUD would be metered, and charges for water supplied would be made at the following standard rates applicable to all wholesale customers located outside the Tarrant County Water Control and Improvement District No. 1: <ol style="list-style-type: none"> <li>a. A commodity charge of \$0.3270 per 1000 gallons.</li> <li>b. A maximum day charge of \$29,600 per MGD of maximum daily demand in excess of average daily demand.</li> <li>c. A maximum hour charge of \$14,150 per MGD of maximum hour demand in excess of the maximum day demand.</li> <li>d. A service charge of \$25.00 per month per meter.</li> </ol> </li> <li>4. The charges for water provided would be subject to periodic adjustment in the same manner as similar charges to other wholesale customer cities, with the first such adjustment to be effective October 1, 1982.</li> <li>5. The minimum annual payment shall never be less than the payment calculated on the basis of volume of water taken and related rates of withdrawal during any previous fiscal year.</li> <li>6. The maximum rate of delivery shall be 3.7 MGD unless a variation in that rate is mutually agreed upon by both parties and specifically approved by the City Council in a contract amendment.</li> <li>7. Under no circumstances will the annual rate for water service paid by the MUD under this contract be less than the regular City of Fort Worth water only rate, plus 10% of such rate.</li> <li>8. The life of the contract is to be 21 years from the date of its execution.</li> <li>9. The water system of the MUD shall be approved by the Texas State Department of Health during the life of this contract.</li> <li>10. The MUD shall not sell water received under this contract at lower rates than sales are made to similar customers in Fort Worth, plus 10%.</li> <li>11. The MUD will make water available to the City of Fort Worth to serve Fort Worth customers in areas adjacent to the MUD system supplied under this contract, with water used by Fort Worth to be credited against water withdrawn by the MUD.</li> </ol>			

DATE	REFERENCE NUMBER	SUBJECT: Proposed Contract Between City of Fort Worth and Denton County Municipal Utility District No. 1 for a supply of Water	PAGE 3 of 3
<p>The Board of Directors of the Tarrant County Water Control and Improvement District No. 1, at its meeting on August 10, 1978, approved the sale of water originating from District sources to those areas designated for service by the District in the <u>North Central Texas Regional Water Supply Study</u>, dated November, 1974, which includes the areas to be served under this proposed contract.</p>			
<p>The City of Keller is expected to request a supply of water from the North Beach Street Ground Storage Site location in the near future. This request will be for a supply of water not to exceed 2.8MGD and will be subject to a cost participation of 21.5% of the Transmission Main Ground Storage Complex project cost. Other provisions of the Keller service contract would be similar to those set out in this agreement.</p>			
<p><u>Recommendation:</u></p>			
<p>It is recommended that the City Council authorize the City Manager to execute the contract under which water service will be provided to the Denton County Municipal Utility District No. 1.</p>			
<p>WRH:bc Attachment</p>			
<p>SUBMITTED FOR THE CITY MANAGER'S OFFICE BY:</p>		<p>DISPOSITION BY COUNCIL: <input type="checkbox"/> APPROVED <input type="checkbox"/> OTHER (DESCRIBE)</p>	<p>PROCESSED BY  CITY SECRETARY</p>
<p>ORIGINATING DEPARTMENT HEAD: J. L. Robinson</p>		<p>FOR ADDITIONAL INFORMATION CONTACT: J. L. Robinson, ext. 8220</p>	<p>DATE</p>

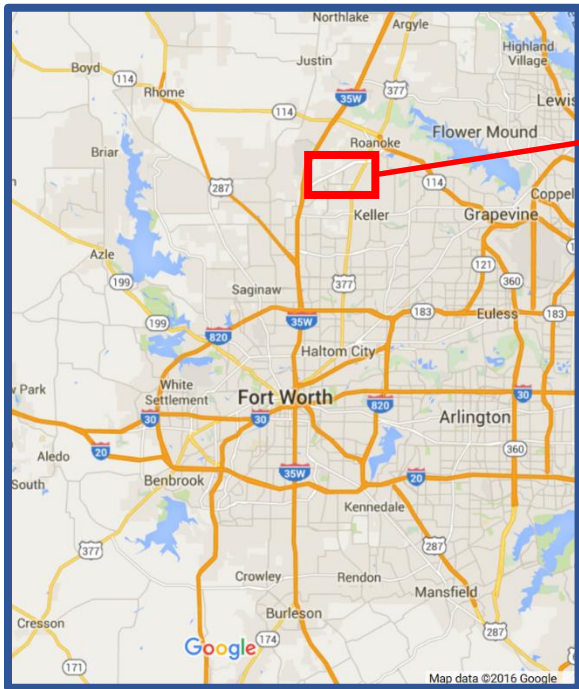
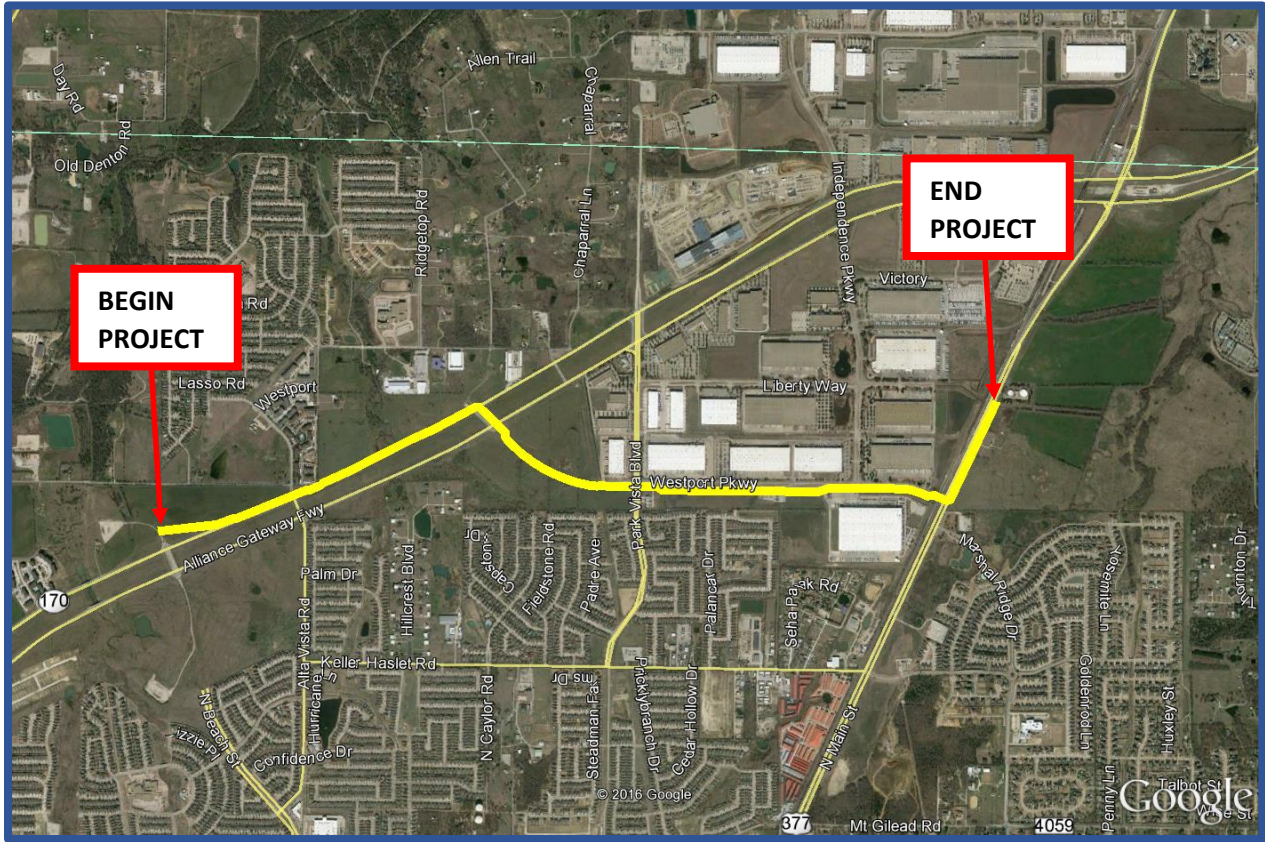
# Attachment – Part D56

Project Map



# Attachment D56

## Northside II Water Transmission TCMUD No.1



**Project Location**  
Northside II water transmission





# Attachment – Part D57

Census Tracts





Attachment D57  
Census Tracts  
TCMUD No.1

TCMUD #1

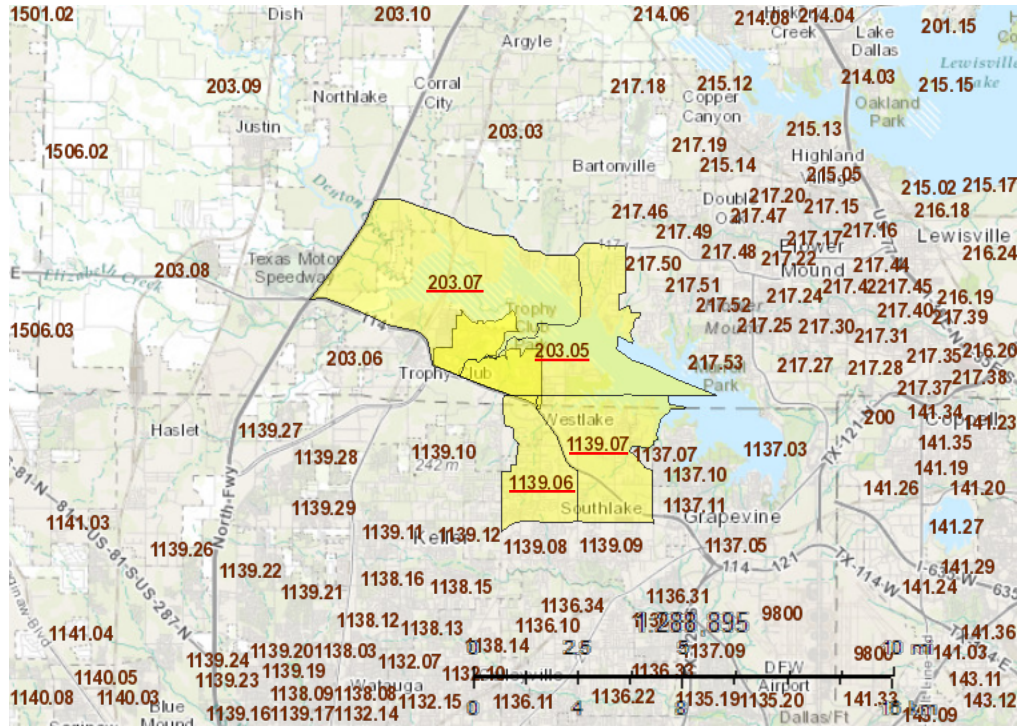
Legend:

Your Selections

2014 boundaries were used to map 'Your Selections'

Selection Results

Boundaries





# Attachment – Part D59

Current and future populations and projected water use or wastewater flows



## Attachment D59

### Trophy Club

Trophy Club has a population of about 10,100 in southern Denton County. Trophy Club MUD #1 provides retail service to the city of Trophy Club. The MUD currently receives its water supply from groundwater (Trinity aquifer) and Fort Worth (TRWD), but plans to discontinue use of groundwater before 2020. Water management strategies for Trophy Club are conservation and additional water from Fort Worth. The additional water from Fort Worth will require an increase in delivery infrastructure, which will take place in two phases. The first phase will be a joint project with Fort Worth and Westlake. The second phase will be an extension of the first phase and will be a dedicated line for Trophy Club MUD #1. The following Table shows the projected population and demand, the current supplies, and the water management strategies for Trophy Club.

**Projected Population and Demand, Current Supplies,  
and Water management Strategies for the City of Trophy Club**

(Values in Ac-Ft/Yr)	Projected Population and Demand					
	2020	2030	2040	2050	2060	2070
Projected Population	14,000	14,000	14,000	14,000	14,000	14,000
Projected Water Demand						
Municipal Demand	6,125	6,094	6,075	6,064	6,061	6,060
<b>Total Projected Demand</b>	<b>6,125</b>	<b>6,094</b>	<b>6,075</b>	<b>6,064</b>	<b>6,061</b>	<b>6,060</b>
<b>Currently Available Water Supplies</b>						
Trinity Aquifer	600	0	0	0	0	0
Fort Worth (TRWD)	5,259	4,915	4,152	3,733	3,414	3,138
<b>Total Current Supplies</b>	<b>5,859</b>	<b>4,915</b>	<b>4,152</b>	<b>3,733</b>	<b>3,414</b>	<b>3,138</b>
<b>Need (Demand - Current Supply)</b>	<b>266</b>	<b>1,179</b>	<b>1,923</b>	<b>2,331</b>	<b>2,647</b>	<b>2,922</b>
<b>Water Management Strategies</b>						
Water Conservation	233	283	302	322	342	362
Additional Water from Fort Worth	33	896	1,621	2,009	2,305	2,560
Phase I-Increase delivery infrastructure from Ft Worth; joint project with Ft Worth, Westlake, Trophy Club	33	896	1,621	2,009	2,305	2,560
Phase II-Increase delivery infrastructure from Ft Worth; 24" line	33	896	1,621	2,009	2,305	2,560
<b>Total Water Management Strategies</b>	<b>266</b>	<b>1,179</b>	<b>1,923</b>	<b>2,331</b>	<b>2,647</b>	<b>2,922</b>
<b>Reserve (shortage)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



# Attachment – Part D60

Project Cost Estimate Budget (TWDB-1201)





PROJECT BUDGET - Entity Name <u>Trophy Club Municipal Utility District NO.1</u>						
Uses	TWDB Funds Series 1	TWDB Funds Series 2	TWDB Funds Series 3	Total TWDB Cost	Other Funds	Total Cost
<b>Construction</b>						
Construction	\$2,830,730	\$0	\$0	\$2,830,730	\$3,795,510	\$6,626,240
<b>Subtotal Construction</b>	<b>\$2,830,730</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,830,730</b>	<b>\$3,795,510</b>	<b>\$6,626,240</b>
<b>Basic Engineering Fees</b>						
Planning + Design	\$0	\$0	\$0	\$0	\$0	\$0
Design	\$254,405	\$0	\$0	\$254,405	\$341,112	\$595,516
Construction Engineering	\$31,143	\$0	\$0	\$31,143	\$41,758	\$72,901
<b>Basic Engineering Other **</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Basic Engineering Fees</b>	<b>\$285,548</b>	<b>\$0</b>	<b>\$0</b>	<b>\$285,548</b>	<b>\$382,869</b>	<b>\$668,417</b>
<b>Special Services</b>						
Application	\$0	\$0	\$0	\$0	\$0	\$0
Environmental	\$0	\$0	\$0	\$0	\$0	\$0
Water Conservation Plan	\$0	\$0	\$0	\$0	\$0	\$0
I/I Studies/Sewer Evaluation	\$0	\$0	\$0	\$0	\$0	\$0
Surveying	\$89,883	\$0	\$0	\$89,883	\$120,518	\$210,401
Geotechnical	\$0	\$0	\$0	\$0	\$0	\$0
Testing	\$0	\$0	\$0	\$0	\$0	\$0
Permits	\$0	\$0	\$0	\$0	\$0	\$0
Inspection	\$0	\$0	\$0	\$0	\$0	\$0
O&M Manual	\$0	\$0	\$0	\$0	\$0	\$0
Project Management (by engineer)	\$17,447	\$0	\$0	\$17,447	\$23,393	\$40,840
Pilot Testing	\$0	\$0	\$0	\$0	\$0	\$0
Water Distribution Modeling	\$0	\$0	\$0	\$0	\$0	\$0
<b>Special Services Other **</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Special Services</b>	<b>\$107,330</b>	<b>\$0</b>	<b>\$0</b>	<b>\$107,330</b>	<b>\$143,911</b>	<b>\$251,241</b>
<b>Other</b>						
Administration	\$0	\$0	\$0	\$0	\$0	\$0
Land/Easements Acquisition	\$645,926	\$0	\$0	\$645,926	\$866,074	\$1,512,000
Water Rights Purchase (If Applicable)	\$0	\$0	\$0	\$0	\$0	\$0
Capacity Buy-In (If Applicable)	\$0	\$0	\$0	\$0	\$0	\$0
Project Legal Expenses	\$0	\$0	\$0	\$0	\$0	\$0
<b>Other **</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Other Services</b>	<b>\$645,926</b>	<b>\$0</b>	<b>\$0</b>	<b>\$645,926</b>	<b>\$866,074</b>	<b>\$1,512,000</b>
<b>Fiscal Services</b>						
Financial Advisor	\$0	\$0	\$0	\$0	\$0	\$0
Bond Counsel	\$0	\$0	\$0	\$0	\$0	\$0
Issuance Cost	\$209,298	\$0	\$0	\$209,298	\$0	\$209,298
Bond Insurance/Surety	\$0	\$0	\$0	\$0	\$0	\$0
Fiscal/Legal	\$0	\$0	\$0	\$0	\$0	\$0
Capitalized Interest	\$0	\$0	\$0	\$0	\$0	\$0
Bond Reserve Fund	\$0	\$0	\$0	\$0	\$0	\$0
Loan Origination Fee	\$0	\$0	\$0	\$0	\$0	\$0
<b>Other **</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Fiscal Services</b>	<b>\$209,298</b>	<b>\$0</b>	<b>\$0</b>	<b>\$209,298</b>	<b>\$0</b>	<b>\$209,298</b>
<b>Contingency</b>						
Contingency	\$566,168	\$0	\$0	\$566,168	\$759,132	\$1,325,300
<b>Subtotal Contingency</b>	<b>\$566,168</b>	<b>\$0</b>	<b>\$0</b>	<b>\$566,168</b>	<b>\$759,132</b>	<b>\$1,325,300</b>
<b>TOTAL COSTS</b>	<b>\$4,645,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,645,000</b>	<b>\$5,947,496</b>	<b>\$10,592,496</b>

NOTE: TCMUD No.1 is responsible for 42.72% of project funding.  
All "Other Funds" will be provided by Fort Worth and Westlake

Other \*\* description must be entered

+ For Planning applications under the EDAP Program, please break down Planning costs as follows:

Category A			0
Category B			0
Category C			0
Category D			0



# Attachment – Part D61

Water Project Information Form (WRD-253d)



# Attachment D61

WRD-253d  
05/18/2010

Texas Water Development Board Water Project Information							
A. Project Name		B. Project No.		C. County		D. Regional Planning Group (A-P)	
E. Program(s)		F. Loan <input type="checkbox"/> / Grant <input type="checkbox"/> Amount:		G. Loan Term:			
H. Water Project Description: (Multiphase project, new or expansion; plant, well, storage, pump station, distribution system, etc)							
<b>Attach map of service area affected by Project or other documentation.</b>							
I. Is an Inter Basin Transfer potentially involved? Yes <input type="checkbox"/> No <input type="checkbox"/>				J. Is project located in a Groundwater District (If yes, identify District by name)? Yes <input type="checkbox"/> No <input type="checkbox"/>			
K. Projected Population from application for <b>at least a 20 year</b> period. <b>Attach justification and list service area populations if different from Planning Area.</b>	Year	Reference Year	2010	2020	2030	2040	
	Population Projection						
Project Design Year				Design Population			
L. Is the proposed project included in a current Regional Water Plan? Yes <input type="checkbox"/> No <input type="checkbox"/> Don't Know <input type="checkbox"/> (If Yes, please specify on what page in the Regional Water Plan - Regional Water Plan Page Number: _____)							
M. What type of water source is <b>associated directly with the proposed project</b> ? Surface Water <input type="checkbox"/> Groundwater <input type="checkbox"/> Reuse <input type="checkbox"/>							
N. Will the project increase the volume of water supply? Yes <input type="checkbox"/> No <input type="checkbox"/>							
O. What volume of water is the project anticipated to deliver/ treat per year? _____ Acre-Feet/Year							
P. Current Water Supply Information							
Surface Water Supply Source / Provider Names		Certificate No.		Source County		Annual Volume and Unit	
Groundwater Source Aquifer		Well Field location		Source County		Annual Volume and Unit	
Q. Proposed Water Supply Associated Directly with the Proposed Project							
Surface Water Supply Source / Provider Names		Certificate No.		Source County		Annual Volume and Unit	
Groundwater Source Aquifer		Well Field location:		Source County		Annual Volume and Unit	
R. Consulting Engineer Name			Telephone No.		E-mail address		
S. Applicant Contact Name, Title			Telephone No.		E-mail address		



# Attachment – Part E71a

Draft Bond Ordinance







open to the public as required by law; and that public notice of the time, place and subject of the meeting was given as required by Chapter 551, Texas Government Code, and Section 49.063, Texas Water Code.

SIGNED AND SEALED on this \_\_\_\_ day of \_\_\_\_\_, 2016.

---

Secretary/Treasurer, Board of Directors

(SEAL)

ORDER AUTHORIZING THE ISSUANCE OF \$4,645,000 TROPHY CLUB MUNICIPAL UTILITY  
DISTRICT NO. 1 WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2016;  
PRESCRIBING THE TERMS AND PROVISIONS THEREOF; MAKING PROVISION FOR THE  
PAYMENT OF THE INTEREST THEREON AND THE PRINCIPAL THEROF; AUTHORIZING THE  
SALE OF THE BONDS; APPROVING A PAYING AGENT/REGISTRAR AGREEMENT; AND  
CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

Adopted: \_\_\_\_\_, 2016



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

## ARTICLE II

### DEFINITIONS, FINDINGS AND INTERPRETATION

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 Bonds” 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.

“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 2016 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 November 15, 2016.

“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 2016, 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.

"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 Bonds.

“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, Austin, 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 Austin, 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 District’s participation in certain regional water transmission improvements.

“Purchaser” shall mean the Texas Water Development Board.

“Record Date” for the interest payable on any Interest Payment Date shall mean the fifteenth (15<sup>th</sup>) day of the month next 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.

“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.

“TWDB” means the Texas Water Development Board.

“TWDB Resolution” means the Resolution adopted by TWDB approving the District's application for financial assistance for the purpose of funding the Project.

Section 2.2            Findings. The declarations, determinations and findings declared, made and found in the preamble to this Order are hereby adopted, restated and made a part of the operative provisions hereof.

Section 2.3            Table of Contents, Titles and Headings. The table of contents, titles and headings of the Articles and Sections of this Order have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions

hereof and shall never be considered or given any effect in construing this Order or any provision hereof or in ascertaining intent, if any question of intent should arise.

Section 2.4 Interpretation.

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

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

ARTICLE III  
AUTHORIZATION; GENERAL TERMS  
AND PROVISIONS REGARDING THE BONDS

Section 3.1 Authorization and Purpose. The District's Bonds to be designated "Trophy Club Municipal Utility District No. 1 Water and Sewer System Revenue Bonds, Series 2016" are hereby authorized to be issued and delivered in accordance with the Constitution and laws of the State of Texas, particularly Section 59 of Article XVI of the Constitution of Texas and Chapters 49 and 54 of the Texas Water Code, as amended. The Bonds shall be issued in the aggregate principal amount of FOUR MILLION SIX HUNDRED THIRTY FIVE THOUSAND AND NO/100 DOLLARS (\$4,645,000) for the purpose of paying the costs of issuing the Bonds and financing the costs of the Project, all under and in strict conformity with the Constitution and laws of the State of Texas.

Section 3.2 Dates, Numbers and Denomination. The Bonds shall be dated the Bond Date. The Bonds shall be numbered R-1 upward and shall be in denominations of principal equal to \$5,000 or any integral multiples thereof.

Section 3.3 Interest Rates and Maturity of the Bonds.

(a) The Bonds shall mature on September 1 in each of the years and in the amounts, respectively, set forth below. Such bonds shall bear interest from the Closing Date at the following per annum rates:

MATURITY SCHEDULE		
STATED MATURITY	PRINCIPAL AMOUNT (\$)	INTEREST RATE (%)
2017	140,000	
2018	155,000	
2019	160,000	
2020	170,000	
2021	175,000	
2022	185,000	
2023	195,000	
2024	200,000	

2025	210,000	
2026	220,000	
2027	230,000	
2028	240,000	
2029	250,000	
2030	265,000	
2031	275,000	
2032	285,000	
2033	300,000	
2034	315,000	
2035	325,000	
2036	340,000	

(b) Said interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months and shall be payable semi-annually on March 1 and September 1 of each year, commencing September 1, 2017, until maturity or redemption of the pertinent Bond.

Section 3.4 Medium, Method and Place of Payment.

(a) The District will duly and punctually pay the principal of and interest on the Bonds in accordance with their terms in lawful money of the United States of America and shall deposit with the Paying Agent/Registrar on or before each Interest Payment Date funds sufficient to pay the principal of and interest on the Bonds then due, as provided in this Section. *Notwithstanding any provision to the contrary herein, so long as TWDB is the Holder of the Bonds, interest and principal payable on any Interest Payment Date shall be paid by wire transfer at no cost to TWDB.*

(b) Interest on the Bonds shall be paid to the Holders thereof as shown in the Register at the close of business on the Record Date by check (dated as of the Interest Payment Date) and sent by the Paying Agent/Registrar to the person entitled to such payment, first class United States mail, postage prepaid, to the address of such person as it appears in the Register, or by such other customary banking arrangements acceptable to the Paying Agent/Registrar and the person to whom interest is paid; provided, however, that such person shall bear all risk and expense of such other customary banking arrangement.

(c) The principal of each Bond shall be paid to the Bondholder on the due date (whether at the Stated Maturity or the date of prior redemption thereof) upon presentation and surrender of such Bond at the Place of Payment.

(d) If the specified date for any payment of principal (or Redemption Price) of or interest on the Bonds shall be a Saturday, Sunday, or legal holiday or equivalent (other than a moratorium) for banking institutions generally in the city in which the Place of Payment 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.

(e) In the event of nonpayment of interest on a Bond on an Interest Payment Date and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the

past due interest (the "Special Payment Date" that shall be fifteen (15) days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Holder of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day of the month next preceding the date of mailing of such notice.

(f) Unclaimed payments shall be segregated in a special escrow account and held in trust, uninvested by the Paying Agent/Registrar, for the account of the Holder of the Bonds to which the unclaimed payments pertain. Subject to Title 6 of the Texas Property Code, payments remaining unclaimed by the Holders entitled thereto for three years after the applicable payment or redemption date shall be applied to the next payment or payments on the Bonds thereafter coming due and, to the extent any such money remains after the retirement of all outstanding Bonds, shall be paid to the District to be used for any lawful purpose related to the System. Thereafter, neither the District, the Paying Agent/Registrar nor any other person shall be liable or responsible to any Holders of such Bonds for any further payment of such unclaimed moneys or on account of any such Bonds, subject to Title 6 of the Texas Property Code.

### Section 3.5 Execution and Registration of Bonds.

(a) The Bonds shall be executed on behalf of the District by the President and Secretary/Treasurer of the Board, by their manual or facsimile signatures, and the official seal of the District shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the District had been manually impressed upon each of the Bonds.

(b) In the event that any officer of the District whose manual or facsimile signature appears on the Bonds ceases to be such officer before the authentication of such Bonds or before the delivery thereof, such manual or facsimile signature nevertheless shall be valid and sufficient for all purposes as if such officer had remained in such office.

(c) Except as provided below, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Order unless and until there appears thereon the Certificate of Paying Agent/Registrar substantially in the form provided herein, duly authenticated by manual execution by an officer or duly authorized signatory of the Paying Agent/Registrar. It shall not be required that the same officer or authorized signatory of the Paying Agent/Registrar sign the Certificate of Paying Agent/Registrar on all of the Bonds. In lieu of the executed Certificate of Paying Agent/Registrar described above, the Initial Bond delivered at the Closing Date shall have attached thereto the Comptroller's Registration Certificate substantially in the form provided herein, manually executed by the Comptroller of Public Accounts of the State of Texas, or by his duly authorized agent, which Certificate shall be evidence that the Bond has been duly approved by the Attorney General of the State of Texas, that it is a valid and binding obligation of the District and that it has been registered by the Comptroller of Public Accounts of the State of Texas.

(d) On the Closing Date, one Initial Bond to be number T-1, payable in stated installments to the Purchaser or its designee, manually signed by the President and Secretary/Treasurer of the Board, approved by the Attorney General and registered and manually signed by the Comptroller of Public Accounts, will be delivered to the Purchaser or its designee. Upon payment for the Initial Bond, the Paying Agent/Registrar shall cancel the Initial Bond and deliver to the Purchaser or its designee one registered Definitive Bond for each year of maturity of the Bonds in the aggregate principal amount of all Bonds for such maturity, registered in the name of Cede & Co., as nominee of DTC.

Section 3.6            Ownership.

(a)     The District, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute Holder of such Bond for the purpose of making and receiving payment of the principal thereof and redemption premium, if any, thereon, for the further purpose of making and receiving payment of the interest thereon and for all other purposes (except interest will be paid to the person in whose name such bond is registered on the Record Date or Special Record Date, as applicable), whether or not such Bond is overdue and neither the District nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary.

(b)     All payments made to the Holder of a Bond shall be valid and effectual and shall discharge the liability of the District and the Paying Agent/Registrar upon such Bond to the extent of the sum paid.

Section 3.7            Registration, Transfer and Exchange.

(a)     So long as any Bonds remain outstanding, the District shall cause the Paying Agent/Registrar to keep at the Place of Payment a register (the "Register") in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with this Order.

(b)     The ownership of a Bond may be transferred only upon the presentation and surrender of the Bond at the Place of Payment with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar. No transfer of any Bond shall be effective until entered in the Register.

(c)     The Bonds shall be exchangeable upon the presentation and surrender thereof at the Place of Payment for a Bond or Bonds of the same maturity and interest rate and in any denomination or denominations of any integral multiple of \$5,000 and in an aggregate principal amount equal to the unpaid principal amount of the Bonds presented for exchange. The Paying Agent/Registrar is hereby authorized to authenticate and deliver Bonds exchanged for other Bonds in accordance with this Section.

(d)     Each exchange Bond delivered by the Paying Agent/Registrar in accordance with this Section shall constitute an original contractual obligation of the District and shall be entitled to the benefits and security of this Order to the same extent as the Bond or Bonds in lieu of which such exchange Bond is delivered.

(e)     No service charge shall be made to the Holder for the initial registration, subsequent transfer, or exchange for a different denomination of any of the Bonds. The Paying Agent/Registrar, however, may require the Holder to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer or exchange of a Bond.

(f)     Neither the District nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Bond called for redemption, in whole or in part, where such redemption is scheduled to occur within 45 calendar days after the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the Holder of the uncalled principal balance of a Bond.

Section 3.8            Cancellation. All Bonds paid or redeemed before scheduled maturity in accordance with this Order, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance with this Order, shall be canceled and proper records shall be made regarding such payment, redemption, exchange or replacement. The Paying Agent/Registrar shall then return such

canceled Bonds to the District or may in accordance with law destroy such canceled Bonds and periodically furnish the District with certificates of destruction of such Bonds.

Section 3.9            Temporary Bonds.

(a)        Following the delivery and registration of the Initial Bond and pending the preparation of Definitive Bonds, the proper officers of the District may execute and, upon the District's request, the Paying Agent/Registrar shall authenticate and deliver, one or more temporary Bonds that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any denomination, substantially of the tenor of the Definitive Bonds in lieu of which they are delivered, without coupons and with such appropriate insertions, omissions, substitutions and other variations as the officers of the District executing such temporary Bonds may determine, as evidenced by their signing of such temporary Bonds.

(b)        Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the benefit and security of this Order.

(c)        The District, without unreasonable delay, shall prepare, execute and deliver to the Paying Agent/Registrar the Bonds in definitive form; thereupon, upon the presentation and surrender of the Bonds in temporary form to the Paying Agent/Registrar, the Paying Agent/Registrar shall cancel the Bonds in temporary form and shall authenticate and deliver in exchange therefor Bonds of the same maturity and series, in definitive form, in the authorized denomination and in the same aggregate principal amount, as the Bonds in temporary form surrendered. Such exchange shall be made without the making of any charge therefor to any Holder.

Section 3.10           Replacement Bonds.

(a)        Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding. The District or the Paying Agent/Registrar may require the Holder of such Bond to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection therewith and any other expenses connected therewith.

(b)        In the event that any Bond is lost, apparently destroyed or wrongfully taken, the Paying Agent/Registrar, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall authenticate and deliver a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding, provided that the Holder first:

- (i) furnishes to the Paying Agent/Registrar satisfactory evidence of his or her ownership of and the circumstances of the loss, destruction or theft of such Bond;
- (ii) furnishes such security or indemnity as may be required by the Paying Agent/Registrar to save it and the District harmless;
- (iii) pays all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Paying Agent/Registrar and any tax or other governmental charge that is authorized to be imposed; and
- (iv) satisfies any other reasonable requirements imposed by the District and the Paying Agent/Registrar.

(c) If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the District and the Paying Agent/Registrar shall be entitled to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the District or the Paying Agent/Registrar in connection therewith.

(d) In the event that any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the Paying Agent/Registrar, in its discretion, instead of issuing a replacement Bond, may pay such Bond if it has become due and payable or may pay such Bond when it becomes due and payable.

(e) Each replacement Bond delivered in accordance with this Section shall constitute an original additional contractual obligation of the District and shall be entitled to the benefits and security of this Order to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

### Section 3.11 Book-Entry Only System.

(a) The Initial Bond shall be issued in the form of a single fully registered Bond for the entire issue amount of \$4,645,000 in the principal amounts for each year and bearing interest at the rates shown in Section 3.3, and delivered at the principal payment office of the Paying Agent/Registrar, and after payment therefor by the Purchaser, shall be canceled and Exchange Bonds for each maturity shall be exchangeable by the Paying Agent/Registrar for Exchange Bonds registered in the name of Cede & Co., as nominee of the Depository Trust Company (“DTC”) as agent for the Purchaser. The Exchange Bonds shall be delivered in denominations of \$5,000 or any integral multiple thereof for any one maturity in accordance with DTC’s Book-Entry-Only System.

(b) With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the District and the Paying Agent/Registrar shall have no responsibility or obligation to any securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC participants (the “DTC Participant”) or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the District and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Holder, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any person, other than a Holder, as shown in the Register of any amount with respect to principal or interest on the Bonds. Notwithstanding any other provision of this Order to the contrary, but to the extent permitted by law, the District and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Register as the absolute owner of such Bond for the purpose of payment of principal and interest, with respect to such Bond, for the purposes of registering transfers with respect to such Bond, and for all other purposes of registering transfers with respect to such Bonds, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal and interest on the Bonds only to or upon the order of the respective Holders, as shown in the Register, as provided in this Order, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Holder, as shown in the Register, shall receive a Bond certificate evidencing the obligation of the District to make payments of principal and interest pursuant to this Order. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC

has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions of this Order with respect to interest checks being mailed to the Holder at the close of business on the Record Date the word “Cede & Co.” in this Order shall refer to such new nominee of DTC.

Section 3.12            Successor Securities Depository; Transfer Outside Book-Entry Only System. In the event that the District determines to discontinue the book-entry system through DTC or successor or DTC determines to discontinue providing its services with respect to the Bonds, the District shall either (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Holders transferring or exchanging Bonds shall designate, in accordance with the provisions of this Order. *Notwithstanding the foregoing, so long as the TWDB is the registered owner of any of the Bonds, the District shall not discontinue the book-entry-only with DTC without written notice to and consent from the TWDB or its authorized representative.*

Section 3.13            Payments to Cede & Co. Notwithstanding any other provision of this Order to the contrary, so long as any Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bonds and all notices with respect to such Bonds, shall be made and given, respectively, in the manner provided in the Representation Letter.

#### ARTICLE IV REDEMPTION OF BONDS BEFORE MATURITY

Section 4.1            Limitation on Redemption. The Bonds shall be subject to redemption before their scheduled maturity only as provided in this Article.

Section 4.2            Optional Redemption.

(a)            The District reserves the option to redeem the Bonds maturing on and after September 1, 2027, in whole or in part, in inverse order of maturity and by lot (or by any other customary method that results in a random selection) within a maturity, before their respective scheduled maturity dates, on September 1, 2026, or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the Redemption Date.

(b)            The District, at least 45 days before the Redemption Date (unless a shorter period shall be satisfactory to the Paying Agent/Registrar), shall notify the Paying Agent/Registrar of such Redemption Date and of the principal amount of Bonds to be redeemed.

(c)            The exercise by the District of its option to redeem Bonds shall be evidenced by an order or resolution of the Board entered into its minutes.

Section 4.3            Partial Redemption.

(a)            A portion of a single Bond of a denomination greater than \$5,000 may be redeemed, but only in a principal amount equal to \$5,000 or any integral multiple thereof. If Bonds are to be partially redeemed, the Paying Agent/Registrar shall assign a separate number for each \$5,000 portion of the



Bonds subject to redemption and select the portion or portions of the Bonds to be redeemed by lot or by any other customary method that results in a random selection.

(b) Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar, in accordance with the provisions of this Order, shall authenticate and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered, such exchange being without charge.

(c) The Paying Agent/Registrar shall promptly notify the District in writing of the Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

#### Section 4.4 Notice of Redemption to Bondholders.

(a) Notice of the redemption shall be mailed by the Paying Agent/Registrar in the name and at the expense of the District not less than 30 days prior to the Redemption Date, to each Holder of Bonds to be redeemed, and to DTC. The notice of redemption shall either (i) explicitly state that the proposed redemption is conditioned on there being on deposit on the Redemption Date sufficient funds to pay the Redemption Price of the Bonds to be redeemed, or (ii) be sent only if sufficient funds to pay the Redemption Price of the Bonds to be redeemed is on deposit. The notice of redemption shall state:

1. the Redemption Date,
2. the Redemption Price,
3. the principal amount, the identification (by Bond and CUSIP number, Stated Maturity, interest rate and Bond Date of the Bonds) and, in the case of partial redemption, the respective principal amounts of the Bonds to be redeemed,
4. that on the Redemption Date the Redemption Price of each of the Bonds to be redeemed will become due and payable and that interest thereon shall cease to accrue from and after said date, and
5. that the Bonds to be redeemed are to be surrendered for the payment of the Redemption Price at the office of the Paying Agent/Registrar, and the address of such Paying Agent/Registrar.

(b) The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than 30 days prior to the Redemption Date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to Bondholders as hereinabove stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

#### Section 4.5 Payment Upon Redemption.

(a) Before or on each Redemption Date, the Paying Agent/Registrar shall make provision for the payment of the Bonds to be redeemed on such date by setting aside and holding in trust an amount received by the Paying Agent/Registrar sufficient to pay the principal of and accrued interest on such Bonds.

(b) Upon presentation and surrender of any Bond called for redemption at the designated office of the Paying Agent/Registrar, on or after the date fixed for redemption, the Paying Agent/Registrar shall pay the principal of, redemption premium, if any, and accrued interest on such Bond from the moneys set aside for such purpose.

Section 4.6 Effect of Redemption.

(a) Notice of redemption having been given as provided in Section 4.4 of this Order, the Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption and, unless the District defaults in the payment of the principal thereof or accrued interest thereon, such Bonds or portions of such Bonds shall cease to bear interest from and after the date fixed for redemption, whether or not such Bonds are presented and surrendered for payment on such date.

(b) If any Bond or portion thereof called for redemption is not so paid upon presentation and surrender thereof for redemption, such Bond or portion thereof shall continue to bear interest at the rate stated on the Bond until paid or until due provision is made for the payment of same.

Section 4.7 Lapse of Payment. Money set aside for the redemption of Bonds and remaining unclaimed by the Holders thereof shall be subject to the provisions of Section 3.4(f).

ARTICLE V  
PAYING AGENT/REGISTRAR

Section 5.1 Appointment of Paying Agent/Registrar. The District shall at all times maintain a paying agent/registrar (“Paying Agent/Registrar”) meeting the qualifications herein described, for the performance of the duties hereunder. BOKF, NA, Austin Texas, is hereby appointed Paying Agent/Registrar for such purposes.

Section 5.2 Approval of Paying Agent/Registrar Agreement. The Paying Agent/Registrar Agreement by and between the District and BOKF, NA, Austin, Texas (“Paying Agent/Registrar Agreement”) in substantially the form and substance attached hereto as **Exhibit “A”** is hereby approved and the President or Vice President of the Board is hereby authorized and directed to complete, amend, modify, and execute the Paying Agent/Registrar Agreement, as necessary, and the Secretary/Treasurer is authorized and directed to attest such agreement. By accepting the appointment as Paying Agent/Registrar and executing the Paying Agent/Registrar Agreement, the Paying Agent/Registrar is deemed to have agreed to the provisions of this Order and that it will perform the duties and functions of Paying Agent/Registrar prescribed hereby.

Section 5.3 Qualifications of Paying Agent/Registrar. Every Paying Agent/Registrar appointed hereunder shall be a commercial bank, trust company organized under the laws of the State of Texas, or other entity duly qualified and legally authorized to serve as, and perform the duties and services of, paying agent and registrar for the Bonds.

Section 5.4 Maintaining Paying Agent/Registrar.

(a) At all times while any Bonds are outstanding, the District will maintain a Paying Agent/Registrar that is qualified under Section 5.3 of this Order.

(b) If the Paying Agent/Registrar resigns or otherwise ceases to serve as such, the District will promptly appoint a replacement.

Section 5.5 Termination of Paying Agent/Registrar.

(a) The District reserves the right to appoint a successor Paying Agent/Registrar by (i) filing with the Person then performing such functions a certified copy of a resolution or order giving forty-five (45) days’ notice of the termination of the agreement and appointing a successor; and (ii) causing not less

than forty-five (45) days' notice to be given to each Bondholder, specifying the substitution of another Paying Agent/Registrar, the effective date thereof and the address of such successor, but no termination shall become effective until such successor shall have accepted the duties of the Paying Agent/Registrar hereunder by written instrument.

(b) If a Paying Agent/Registrar is replaced, such Paying Agent/Registrar, promptly upon the appointment of the successor, will deliver the Register (or a copy thereof) and all other pertinent books and records relating to the Bonds to the successor Paying Agent/Registrar.

ARTICLE VI  
FORM OF THE BONDS

Section 6.1            Form Generally.

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

(b) The Definitive Bonds shall be typewritten, printed, lithographed, or engraved and may be produced by any combination of these methods or produced in any other similar manner, all as determined by the officers executing such Bonds, as evidenced by their execution thereof. The Initial Bond submitted to the Attorney General of the State of Texas may be typewritten and photocopied or otherwise reproduced.

Section 6.2            Form of the Bonds. The form of the Bonds, including the form of the Registration Certificate of the Comptroller of Public Accounts of the State of Texas (which shall only appear on the Initial Bond), the form of Certificate of the Paying Agent/Registrar, and the form of Assignment appearing on the Bonds shall be substantially as follows:

(a)    Form of Bond.

REGISTERED  
No. \_\_\_\_\_

REGISTERED  
\$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF TEXAS  
COUNTIES OF DENTON AND TARRANT  
TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1  
WATER AND SEWER SYSTEM REVENUE BOND  
SERIES 2016

INTEREST: RATE:	MATURITY DATE:	CLOSING DATE:	ISSUE DATE:	CUSIP NUMBER
_____	_____	November 15, 2016	_____	_____

Trophy Club Municipal Utility District No. 1 (the "District"), in the Counties of Denton and Tarrant, State of Texas, for value received, hereby promises to pay to

or registered assigns, on the Maturity Date specified above, the sum of

\_\_\_\_\_ DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provided for, and to pay interest on such principal amount from the later of the Closing Date specified above or the most recent interest payment date to which interest has been paid or provided for until payment of such principal amount has been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on March 1 and September 1 of each year, commencing September 1, 2017.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Austin, Texas, or such other location designated by the Paying Agent/Registrar (the "Place of Payment"), of the Paying Agent/Registrar executing the registration certificate appearing hereon or, with respect to a successor paying agent/registrar, at the Place of Payment of such successor. Interest on this Bond is payable by check dated as of the interest payment date, mailed by the Paying Agent/Registrar to the registered Holder at the address shown on the registration books kept by the Paying Agent/Registrar, or by such other customary banking arrangements acceptable to the Paying Agent/Registrar and the person to whom interest is to be paid; provided, however, that such person shall bear all risk and expense of such other customary banking arrangements. For the purpose of the payment of interest on this Bond, the registered Holder shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the fifteenth (15<sup>th</sup>) day of the month next preceding such interest payment date.

Notwithstanding the foregoing, as long as the Texas Water Development Board is the owner of this Bond, payment of principal on this Bond shall be made by wire transfer to the Texas Water Development Board and at no cost to the Texas Water Development Board.

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

If the date for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Place of Payment is located are required or authorized by law or executive order to close, 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 have the same force and effect as if made on the original date payment was due and no additional interest shall be due by reason of nonpayment on the date on which such payment is otherwise stated to be due and payable.

This Bond is one of a series of fully registered bonds specified in the title hereof and issued in the aggregate principal amount of \$4,645,000 (herein referred to as the “Bonds”), issued pursuant to a certain order of the District (the “Order”) for the purpose of funding the District’s participation in certain regional water transmission improvements and to pay the costs of issuing the Bonds.

This Bond and all the Bonds of the series of which it is a part constitute special obligations of the District and, together with certain outstanding revenue obligations heretofore issued by the District, are payable as to both principal and interest solely from and equally secured by a first lien on the Pledged Revenues (as defined in the Order) of the District’s System (as defined in the Order). Reference is hereby made to the Order for a more complete statement of the covenants and provisions securing the payment of this Bond and the series of which it is one.

The District expressly reserves the right to issue further and additional revenue obligations equally secured by a parity lien on the Pledged Revenues of the System, provided, however, that any and all such additional parity obligations may be issued only in accordance with and subject to the covenants, conditions, limitations and restrictions relating thereto which are set out and contained in the Order and to which reference is hereby made for more complete and full particulars.

The District reserves the option to redeem the Bonds maturing on and after September 1, 2027, in whole or in part, in inverse order of maturity and by lot (or by any other customary method that results in a random selection) within a maturity, before their respective scheduled maturity dates, on September 1, 2026, or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the Redemption Date. If less than all of the Bonds are to be redeemed, the District shall redeem the Bonds in inverse order of Stated Maturity in integral multiples of \$5,000 and shall direct the Paying Agent/Registrar to call by lot the Bonds, or portions thereof, within such maturity and in such principal amounts, for redemption.

Notice of such redemption or redemptions shall be given by first class mail postage prepaid, not less than 30 days before the date fixed for redemption, to the registered Holder of each of the Bonds to be redeemed in whole or in part. Notice having been so given, the Bonds or portions thereof designated for redemption shall become due and payable on the redemption date specified in such notice; from and after such date, notwithstanding that any of the Bonds or portions thereof so called for redemption shall not have been surrendered for payment, interest on such Bonds or portions thereof shall cease to accrue.

As provided in the Order and subject to certain limitations therein set forth, this Bond is transferable upon surrender of this Bond for transfer at the Place of Payment with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar; thereupon, one or more new fully registered Bonds of the same stated maturity, of authorized denominations, bearing the same rate of interest and for the same aggregate principal amount will be issued to the designated transferee or transferees.

Neither the District nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Bond called for redemption where such redemption is scheduled to occur within 45 calendar days of the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the registered Holder of the uncalled principal balance of a Bond.



The following Certificate of Paying Agent/Registrar may be deleted from the Initial Bond if the executed Comptroller's Registration Certificate appears thereon.

CERTIFICATE OF PAYING AGENT/REGISTRAR

It is hereby certified that this Bond has been delivered pursuant to the Bond Order described in the text of this Bond, in exchange for or in replacement of a bond, bonds, or a portion of a bond approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

BOKF, NA, Austin, Texas

Date of Authentication:

\_\_\_\_\_  
Authorized Signature

By: \_\_\_\_\_

(d) Form of Assignment.

ASSIGNMENT

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

\_\_\_\_\_  
\_\_\_\_\_

(Social Security or other identifying number: \_\_\_\_\_) the within Bond and all rights hereunder and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within Bond on the books kept for registration hereof, with full power of substitution in the premises.

Date: \_\_\_\_\_

\_\_\_\_\_

NOTICE. The signature on this Assignment must correspond with the name of the registered owner as it appears on the face of the within Bond in every particular and must be guaranteed in a manner acceptable to the Paying Agent/Registrar.

Signature Guaranteed:

---

(e) The Initial Bond shall be in the form set forth in paragraphs (a) through (d) of this Section, except for the following alterations:

- (1) immediately under the name of the Bond, the headings “Interest Rate,” “Maturity Date” shall be completed with the words “As Shown Below” and the heading “CUSIP No.” deleted.
- (2) in the first paragraph of the Bond, the words “on the Maturity Date specified above, the sum of \_\_\_\_\_ DOLLARS” shall be deleted and the following will be inserted: “on September 1 in each of the years, in the principal amounts and bearing interest at the per annum rates set forth in the following schedule:

Year	Principal	Interest
September 1	Amount	Rate”

(Information to be inserted from schedule  
in Section 3.3 of this Order)

- (3) in the second paragraph of the Bond, the words “executing the registration certificate appearing hereon” shall be deleted and an additional sentence shall be added to the paragraph as follows: “The initial Paying Agent/Registrar is BOKF, NA, Austin, Texas.”;
- (4) the Initial Bond shall be numbered T-1.

Section 6.3 CUSIP Registration. The President of the Board may secure the printing of identification numbers on the Bonds through the CUSIP Service Bureau Division of Standard and Poors Corporation, New York, New York.

Section 6.4 Legal Opinion. The approving opinion of Bond Counsel, Freeman & Corbett, may be printed on the back of the Bonds with the certification of the Secretary/Treasurer of the Board which may be executed in facsimile.

## ARTICLE VII SALE AND DELIVERY OF BONDS

Section 7.1 Sale of Bonds; Approval of Private Placement Memorandum.

(a) The Bonds are hereby authorized to be sold to the Texas Water Development Board for the price of par and no accrued interest. The Bonds initially delivered shall be registered in the name of the TEXAS WATER DEVELOPMENT BOARD.

(b) Delivery of the Bonds shall be made to the Purchaser as soon as may be practicable after the adoption of this Order, upon payment being made therefor in accordance with the terms of the sale. The President and the Vice President of the Governing Body, or either of them, are hereby authorized and instructed to submit the Initial Bond, and a transcript of proceedings relating to the issuance of the Bonds, to the Attorney General of the State of Texas for approval and, following said approval, to submit the Bonds to the Comptroller of Public Accounts of the State of Texas or his duly authorized representative shall manually sign the registration certificate of the Comptroller of Public Accounts of the State of Texas



prescribed herein to be printed and endorsed on each Bond, and the seal of the Comptroller of Public Accounts of the State of Texas shall be impressed on the Initial Bond.

(c) Upon the registration of all of the Bonds, the Comptroller of Public Accounts of the State of Texas is authorized and instructed to deliver all of the Bonds to Freeman & Corbett, or pursuant to such firm's order, for delivery to the Purchaser or to the District's depository.

(d) The obligation of the Purchaser to accept delivery of the Bonds is subject to the Purchaser being furnished with the final, approving opinion of Freeman & Corbett, Bond Counsel for the District, which opinion shall be dated and delivered the Closing Date.

(e) The Private Placement Memorandum prepared in connection with the sale of the Bonds to the Texas Water Development Board in substantially the form attached to this Order as **Exhibit "B"** is approved.

#### Section 7.2 Control and Delivery of Bonds.

(a) The President of the Board is hereby authorized to have control of the Initial Bond and all necessary records and proceedings pertaining thereto pending investigation, examination and approval of the Attorney General of the State of Texas, registration by the Comptroller of Public Accounts of the State and registration with, and initial exchange or transfer by, the Paying Agent/Registrar.

(b) After registration by the Comptroller of Public Accounts, delivery of the Bonds shall be made to the initial purchaser thereof under and subject to the general supervision and direction of the President of the Board, against receipt by the District of all amounts due to the District under the terms of sale.

### ARTICLE VIII DEPOSIT OF PROCEEDS

Section 8.1 Deposit of Proceeds; Approval of Escrow Agreement. Concurrently with the initial delivery of the Bonds, the District shall deposit all proceeds of the Bonds into an escrow fund (the "Escrow Fund") established with BOKF, NA (the "Escrow Agent") pursuant to an Escrow Agreement between the District and the Escrow Agent, in substantially the form attached hereto as **Exhibit "D"**. The Escrow Agent qualifies as a designated state depository or other properly chartered and authorized institution in accordance with Chapter 2256, Texas Government Code, and Chapter 2257, Texas Government Code. The Escrow Agreement, which will govern the disbursement of proceeds of the Bonds upon approval of the Texas Water Development Board, is hereby approved in substantially final form, and the President, Vice President, Secretary/Treasurer and General Manager each are hereby authorized, for and on behalf of the District, to approve any changes in the Escrow Agreement from the form attached hereto and to execute the Escrow Agreement in final form. All funds on deposit in the Escrow Fund which are approved by the Texas Water Development Board to be transferred to the District in order to pay eligible Project costs (instead of the Escrow Agent paying such project costs directly from the escrow fund to the appropriate vendor or service provider) shall be deposited by the District into the Construction Fund. Funds on deposit in the Construction Fund (i) may be invested from time to time in the manner authorized by applicable law, including the Public Funds Investment Act, and (ii) shall be continuously secured by a valid pledge of direct obligations of the United States of America or other collateral meeting the requirements of the Public Funds Collateral Act, Chapter 2257, Texas Government Code, as amended. In satisfaction of the condition imposed in paragraph \_\_\_\_ of the TWDB Resolution, all funds remaining on deposit in the

Escrow Fund and the Construction Fund upon completion of the Project being financed with the proceeds from the Bonds, if any, shall be used for either of the following purposes as approved by GBRA and the Executive Administrator of the Texas Water Development Board: deposit into the Interest and Sinking Fund for the payment of interest or principal on the Bonds owned by the Texas Water Development Board; or (ii) pay eligible Project costs as authorized by the Executive Administrator.

ARTICLE IX  
FUNDS; FLOW OF FUNDS; INVESTMENTS

Section 9.1            Creation of Funds.

- (a)    The following funds are hereby created or affirmed:
  - (i)     “Trophy Club Municipal Utility District No. 1 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 2016, Reserve Fund” (herein called the “Reserve Fund”) is hereby created; and
  - (iii)   “Trophy Club Municipal Utility District No. 1 Water and Sewer System Bonds, Series 2016, 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 2015, Construction Fund” (herein called the “Construction Fund”) is hereby created.

(b)    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 \$ [REDACTED] (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.

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.

(c) 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.

(d) 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.

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

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

Section 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.

## ARTICLE X

### ADDITIONAL BONDS AND REFUNDING BONDS

Section 10.1 Additional Parity Bonds. The District reserves the right to issue notes, bonds and other obligations which, when duly authorized and issued in compliance with law and the terms and conditions hereinafter appearing, shall be on a parity with the Parity Revenue Obligations, payable from and equally and ratably secured by a first lien on and pledge of the Net Revenues of the System; and the Parity Revenue Obligations shall in all respects be of equal dignity. The Additional Parity Obligations may be issued in one or more installments, provided, however, that none shall be issued unless and until the following conditions have been met:

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

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

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

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 Bonds) 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.

## ARTICLE XI SECURITY FOR THE BONDS AND ANY ADDITIONAL BONDS

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.

## ARTICLE XII PARTICULAR REPRESENTATIONS AND COVENANTS

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 12.2            Compliance with Rules and Regulations of, and with Specific Covenants Required By, the Texas Water Development Board.

(a)            Compliance with Applicable Laws, Rules and Regulations. In compliance with 31 TAC §363.42(a)(2)(H), the District covenants to comply with all applicable federal laws, rules, and regulations as well as the laws of the State of Texas (including but not limited to Chapters 15, 16, and 17 of the Texas Water Code, as applicable) and the rules and regulations of the Texas Water Development Board.

(b) Exercise of Remedies. In satisfaction of the condition imposed in paragraph \_\_\_ of the TWDB Resolution, the TWDB may exercise all remedies available to it in law or equity, and any provision of the Bonds that restricts or limits the TWDB's full exercise of such remedies shall be of no force and effect.

(c) Proceeds of Bonds to be Held at a Designated State Depository. In satisfaction of the condition imposed in paragraph \_\_\_ of the TWDB Resolution, and notwithstanding anything to the contrary set forth in this Order, the proceeds of the Bonds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.

(d) Prohibition on Use of Proceeds Related to Contaminated Soil; Indemnification. In satisfaction of the condition imposed in paragraph \_\_\_ of the TWDB Resolution, no proceeds of the Bonds shall be used by the District for the purpose of paying for sampling, testing, removing or disposing of contaminated soils and/or media at the Project site. To the extent permitted by law, the District hereby agrees to indemnify, hold harmless and protect the Texas Water Development Board from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the District, its contractors, consultants, agents, officials and employees as a result of activities relating to the Project.

(e) Report on Use of Project Funds to Compensate Historically Underutilized Businesses In satisfaction of the condition imposed in paragraph \_\_\_ of the TWDB Resolution, the District shall report to the TWDB the amounts of Project funds, if any, that were used to compensate historically underutilized businesses that worked on the Project, in accordance with 31 TAC § 363.1312.

(f) Records and Accounts: Annual Audit. In compliance with 31 TAC §363.42(a)(2)(D) and (G), the District covenants that (i) it will keep current, accurate and complete records and accounts in accordance with generally accepted accounting principles necessary to demonstrate compliance with financial assistance-related legal and contractual provisions, and (ii) following the close of each fiscal year, it will cause an audit of such books and accounts to be made by an independent firm of certified public accountants in accordance with generally accepted auditing standards, and will furnish a copy thereof, within 180 days of the end of such fiscal year, to the Texas Water Development Board, Attention: Executive Administrator.

(g) Maintenance of Insurance. In compliance with 31 TAC 363.42(a)(2)(L), the District covenants and agrees that while the Bonds remain Outstanding, it will maintain casualty and other insurance on the properties of the System. The payment of premiums for all insurance policies required under the provisions hereof shall be considered Maintenance and Operating Expenses of the System.

(h) Compliance with Federal Contracting Law. The District acknowledges that it has a legal obligation to comply with any applicable requirements of federal law relating to contracting with disadvantaged business enterprises.

(i) Compliance with State Contracting Law. The District acknowledges that it has a legal obligation to comply with any applicable requirements of State law relating to contracting with historically underutilized businesses.



Section 12.3 Final Accounting. The District shall render a final accounting to the Texas Water Development Board in reference to the total cost incurred by the District for the Project being financed by the District with proceeds of the Bonds together with a copy of "as built" plans of the Project, if applicable. If the Project as finally completed is built or completed at a total cost less than the amount of available funds for building or completing the Project, or if the Executive Administrator of the Texas Water Development Board disapproves construction or completion of any portion of the Project as not being in accordance with the plans and specifications, the District agrees to immediately, with filing of the final accounting, return to the Texas Water Development Board the amount of any such excess and/or the cost determined by the Executive Administrator of the Texas Water Development Board relating to the parts of the Project not built or completed in accordance with the plans and specifications, to the nearest multiple of the authorized denominations for the Bonds, upon the surrender and cancellation of a like amount of such Bonds held by the Texas Water Development Board in inverse order of their stated maturities. In determining the amount of available funds for building or completing the Project, the District agrees to account for all amounts deposited to the credit of the Construction Fund, including all loan funds extended by the Texas Water Development Board, if any, all other funds available for the Project as described in the project engineer's or fiscal representative's sufficiency of funds statement, and all interest earned by the District on money in the Construction Fund.

### ARTICLE XIII TAX EXEMPTION

#### Section 13.1 Covenants to Maintain Tax Exemption of Interest on the Bonds.

(a) Definitions. When used in this Article, the terms listed below shall have the meanings specified below, unless it is otherwise expressly provided or unless the context otherwise requires:

"Code" means the Internal Revenue Code of 1986, as amended by any amendments thereto enacted prior to the Issue Date.

"Computation Date" has the meaning set forth in section 1.148-3(e) of the Regulations.

"Gross Proceeds" has the meaning set forth in section 1.148-1(b) of the Regulations.

"Investment" has the meaning stated in section 1.148-1(b) of the Regulations and includes:

- (1) Stock: a share of stock in a corporation or a right to subscribe for or to receive such a share;
- (2) Debt: any indebtedness or evidence thereof, including without limitation United States Treasury bonds, notes, and bills (whether or not of the State and Local Government Series) and bank deposits (whether or not certificated or interest bearing or made pursuant to a depository contract);
- (3) Annuities and Deferred Payments: any annuity contract, or any other deferred payment contract acquired to fund an obligation of the District; or
- (4) Other Property: any other investment-type property.

"Issue Date" means the date on which the Bonds are initially authenticated and delivered to the Initial Purchaser against payment therefor.

“Issue Price” of the Bonds of any series and stated maturity means the amounts set out in the Certificate of Underwriter executed on the Issue Date.

“Net Sale Proceeds” has the meaning set forth in section 1.148-1(b) of the Regulations.

“Proceeds” has the meaning set forth in section 1.148-1(b) of the Regulations.

“Rebate Amount” has the meaning set forth in section 1.148-3 of the Regulations.

“Regulations” shall mean the final or temporary Income Tax Regulations applicable to the Bonds issued pursuant to sections 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 141 through 150 of the Code and applicable to the Bonds.

“Sale Proceeds” has the meaning set forth in section 1.148-1(b) of the Regulations.

“Taxable Investment” means any Investment other than:

- (1) *Non-AMT Tax Exempt Obligations: an obligation the interest on which is excluded from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes (or, when such obligation was issued, was purported by the evidence of such obligation to be so excluded) and which is not a preference item, as defined in section 57 of the Code;*
- (2) *Tax Exempt Mutual Funds: an interest in a regulated investment company to the extent that at least 95% of the income to the holders of such interest is interest that is excludable from gross income under section 103(a) of the Code;*
- (3) *Demand SLGS: one-day certificates of indebtedness issued by the United States Treasury pursuant to the Demand Deposit State and Local Government Series program described in 31 C.F.R. part 344, if the District in good faith attempts to comply with all the requirements of such program relating to the investment of Gross Proceeds; and*
- (4) *Exempt Temporary Investments: Taxable Investments which are held for the credit of the 2016 Interest and Sinking Fund.*

“Yield” of:

- (1) *Taxable Investments: Taxable Investments to any date means the actuarial “yield” of all such Taxable Investments on or before such date as “yield” is defined in section 1.148-5(b) of the Regulations; and*
- (5) *Bonds: Any series of bonds means the actuarial “yield” of such Bonds, as defined in section 1.148-4 of the Regulations, and for the Bonds shall be specified in a certificate executed by an officer of the Board on the Issue Date.*

(b) Not to Cause Interest to Become Taxable. The District shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property acquired, constructed, or improved with Gross Proceeds) in a manner which, if made or omitted, respectively, (or take or omit to take any other action which if taken or omitted, respectively), would cause interest on any Bond to be includable in

the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes. The District shall adopt and comply with the provisions of such amendments hereof and supplements hereto as may, in the opinion of nationally recognized bond counsel, be necessary to preserve or perfect such exclusion. Without limiting the generality of the foregoing, the District shall comply with each of the specific covenants in this Section at all times prior to the last maturity of the Bonds, unless and until the District shall have received a written opinion of nationally recognized bond counsel to the effect that failure to comply with such covenant will not adversely affect the excludability of interest on any Bond from the gross income of the owner thereof for federal income tax purposes, and thereafter such covenant shall no longer be binding upon the District to the extent described in such opinion, anything in any other Subsection of this Section to the contrary notwithstanding.

(c) No Private Use or Payments. At all times prior to the last maturity of the Bonds, the District shall neither:

- (1) *use nor permit the use of Gross Proceeds (or any property acquired, constructed or improved with Gross Proceeds or income from the investment thereof) in any trade or business carried on by any Person (or in any activity of any Person other than an individual) other than a state or local government, nor*
- (6) *directly or indirectly impose or accept any charge or other payment for use of Gross Proceeds (or use of any property acquired, constructed, or improved with Gross Proceeds or income from the investment thereof) in any trade or business carried on by any Person (or in any activity of any Person other than an individual) other than a state or local government,*

unless either (i) such use is merely as a member (and, except possibly for the amount of use and any corresponding rate adjustment, is extended by the District on the same terms as to all other members) of the general public or (ii) such charge or payment consists of taxes of general application within the District or interest earned on temporary Investments acquired with Gross Proceeds pending application of such Gross Proceeds for their intended purposes. For purposes of this subsection, property is considered to be “used” by a Person if:

- i. Sale or Lease: it is sold or otherwise disposed of, or leased, to such Person;
- ii. Management Contract: it is operated, managed, or otherwise physically employed, utilized, or consumed by such Person, excluding operation or management pursuant to an agreement which meets the conditions described in I.R.S. Rev. Proc. 97-13, as modified by Notice 2014-67;
- iii. Capacity, Output, or Service Commitment: capacity in or output or service from such property is reserved or committed to such Person under a take-or-pay, output, incentive payment, or similar contract or arrangement;
- iv. Preferential Service: such property is used to provide service to (or such service is committed to or reserved for) such Person on a basis or terms which (except possibly for the amount of use and any corresponding rate adjustment) are different from the basis or terms on which such service is provided (or committed or reserved) to members of the public generally;
- v. Developer: such Person is a developer and a significant amount of property acquired, constructed, or improved with proceeds from the sale of a series of bonds of which the

Bonds are a part serves only a limited area substantially all of which is owned by such Person, or a limited group of developers, unless such property carries out an essential governmental function, use by such Person is during an initial development period, and such property is developed and sold to (and occupied by) members of the general public in accordance with the Regulations; or

- vi. Other Incidents of Ownership: substantial burdens and benefits of ownership of such property are otherwise effectively transferred to such Person, but the temporary investment of Gross Proceeds pending application for their intended purposes shall not constitute “use” of Gross Proceeds.

(d) No Private Loan. The District shall not use Gross Proceeds to make or finance loans to any Person other than a state or local government, excluding loans consisting of temporary investments of Gross Proceeds pending application of such Gross Proceeds for their intended purposes. For purposes of this subsection, Gross Proceeds are considered to be “loaned” to a Person if (1) property acquired, constructed, or improved with Gross Proceeds is sold or leased to such Person in a transaction which creates a debt for federal income tax purposes, (2) capacity in or service from such property is committed to such Person under a take-or-pay, output, or similar contract or arrangement, or (3) indirect benefits, or burdens and benefits of ownership, of Gross Proceeds or such property are otherwise transferred to such Person in a transaction which is the economic equivalent of a loan.

(e) Not to Invest at Higher Yield. The District shall not, at any time prior to the final maturity of the Bonds, directly or indirectly invest Gross Proceeds in any Taxable Investment (or use Gross Proceeds to replace money so invested), if, as a result of such investment, the Yield of all Taxable Investments acquired with (or representing an investment of) Gross Proceeds (or money replaced thereby), whether then held or previously disposed of, to the date of such investment exceeds the Yield of the Bonds. Notwithstanding the foregoing, however, the following Investments shall be excluded from the limitation described in this subsection:

- (1) Three-year Period for Certain Sale Proceeds: Taxable Investments acquired with (or representing an investment of) Net Sale Proceeds of the Bonds or earnings from the investment thereof;
- (7) 2016 Interest and Sinking Fund Deposits: Taxable Investments acquired with (or representing an investment of) amounts held for the credit of the Interest and Sinking Fund for the payment of the debt service on the Bonds during the then current bond year (the “2016 Interest and Sinking Fund”), but only during the first 13 months after the date of deposit of such amounts to the 2016 Interest and Sinking Fund;
- (8) Interest and Sinking Fund Deposits: Taxable Investments acquired with (or representing an investment of) amounts held for the credit of the 2016 Interest and Sinking Fund in excess of the amounts held for the credit of the 2016 Interest and Sinking Fund to the extent such Taxable Investments are held during the first 30 days after the date of deposit of such amounts to the Interest and Sinking Fund or, if held more than 30 days after deposit, do not exceed 10% of the stated principal amount of the Bonds; and
- (9) Other Investments: any other Taxable Investments acquired with (or representing an investment of) Gross Proceeds described in clause (3) of the definition thereof, to the extent the aggregate amount of Gross Proceeds invested in such Taxable Investments does not exceed the lesser of \$100,000 or 5% of the proceeds from sale of the Bonds.

The District shall not use any money to pay principal of or interest on the Bonds, or pledge (or permit to be pledged) or otherwise restrict any money, funds, or Taxable Investments so as to give reasonable assurance of their availability for such purpose, except in each case amounts deposited to the Interest and Sinking Fund.

(f) No Federal Guarantees, Etc. The District shall not either (a) use Gross Proceeds in an amount which exceeds 5% of the proceeds from the sale of the Bonds (i) to make loans which are guaranteed in whole or in part by the United States or any agency or instrumentality thereof, including any entity with statutory authority to borrow from the United States, or (ii) to invest in any deposit or account in a financial institution to the extent such deposit or account is insured under federal law by the Federal Deposit Insurance Corporation, the National Credit Union Administration, or any similar federally-chartered corporation, or (b) otherwise permit payment of principal of or interest on the Bonds to be directly or indirectly guaranteed in whole or in part by the United States or any agency or instrumentality thereof, including any entity with statutory authority to borrow from the United States (e.g., by the investment of amounts held for the credit of the Interest and Sinking Fund in federally-guaranteed or federally-insured obligations). Notwithstanding the foregoing, however, the District may acquire:

- (1) Certain Temporary Investments: *Investments described in subsections (e)(1), (e)(2), and (e)(3) of this section, whether or not federally-guaranteed or federally-insured, to the extent such Investments are held during the period described in such subsection;*
- (10) Treasury Investments: *Investments issued by the United States Treasury; and*
- (11) Investments Permitted by Regulations: *Any other Investments permitted by regulations of the United States Department of Treasury issued under section 149(b)(3)(B)(v) of the Code.*

(g) Not to Divert Arbitrage Profits. Prior to the final maturity of the Bonds, the District shall not at any time invest amounts held for the credit of the Capital Projects Fund or the Interest and Sinking Fund in any Investment purchased at other than an arm's length price or for which there is not an established market at the time of investment, except possibly for Investments described in subsection (e)(2) of this section to the extent such Investments are acquired and mature or are disposed of during the period described in such subsection.

(h) To File Informational Report. The District shall execute and file with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Issue Date occurs (or by such later date as such Secretary may permit for reasonable cause or may prescribe with respect to any portion of such statement), a statement containing the information and in the form required by section 149(e) of the Code or the Regulations promulgated thereunder.

- (i) Not to Cause Bonds to Become Hedge Bonds. The District warrants and represents that:
  - (1) *the District reasonably expects that at least 85% of the Net Sale Proceeds of the Bonds will be used to carry out the governmental purposes of the Bonds within three years from the date each series of the Bonds was issued, and*
  - (12) *not more than 50% of the Proceeds of the Bonds will be invested in nonpurpose investments (as defined in section 148(f)(6)(A) of the Code) having a substantially guaranteed Yield for four years or more.*

(j) Payment of Rebate Amount. Except to the extent otherwise provided in section 148(f) of the Code and the regulations and rulings thereunder:

- (1) *The District shall account for all Gross Proceeds (including all receipts and expenditures thereof) on its books of account separately and apart from all other funds (and receipts, expenditures, and investments thereof) and shall maintain all records of such accounting with the transcript of proceedings relating to the issuance of the Bonds until six years after the final Computation Date. The District may, however, to the extent permitted by law, commingle Gross Proceeds of the Bonds with other money of the District, provided that the District separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;*
- (13) *Not less frequently than each Computation Date, the District shall either (i) cause to be calculated by a nationally recognized accounting or financial advisory firm or (ii) calculate and cause its calculations to be verified by a nationally recognized accounting or financial advisory firm, in either case in accordance with rules set forth in section 148(f) of the Code and section 1.148-3 of the Regulations and rulings thereunder, the Rebate Amount with respect to the Bonds. The District shall maintain such calculations with the official transcript of the proceedings relating to the issuance of the Bonds until four years after the final Computation Date;*
- (14) *As additional consideration for the purchase of the Bonds by the Initial Purchaser and the loan of money represented thereby, and in order to induce such purchase by measures designed to preserve the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the District shall remit to the United States the amount described in paragraph (2) above and the amount described in paragraph (4) below, at the times, in the installments, to the place, in the manner, and accompanied by such forms or other information as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder; and*
- (15) *The District shall exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (2) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by section 1.148-3(h) of the Regulations.*

Section 13.2 Rebate Fund. In order to facilitate compliance with the above covenant, a “Rebate Fund” is hereby established by the District for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation the bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code. Proceeds. The District understands that the term “proceeds” includes “disposition proceeds” as defined in the regulations and rulings promulgated by the U.S. Department of the Treasury pursuant to the Code (“Treasury Regulations”) and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Bonds. It is the understanding of the District that the covenants contained herein are intended to assure compliance with the Code and the Treasury Regulations. In the event that Treasury Regulations are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the District will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that Treasury Regulations are hereafter promulgated which impose additional requirements which are applicable to the

Bonds, the District agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the District hereby authorizes and directs the President to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the District, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

Section 13.4 Allocation of, and Limitation on Expenditures for the Project. The District covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purposes described in Section 3.1 of this Order (the “Project”) on its books and records in accordance with the requirements of the Internal Revenue Code. The District recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the District recognizes that in order for proceeds to be expended under the Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired. The District agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the District shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect Disposition of Project. The District covenants that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the District of cash or other compensation, unless any action taken in connection with such disposition will not adversely affect the tax-exempt status of the Bonds. For purpose of the foregoing, the District may rely on an opinion of nationally-recognized bond counsel that the action taken in connection with such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the District shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 13.6 Designation as Qualified Tax-Exempt Bonds. The District hereby designates the Bonds as “qualified tax-exempt bonds” as defined in section 265(b)(3) of the Code. In furtherance of such designation, the District represents, covenants and warrants the following: (a) that during the calendar year in which the Bonds are issued, the District (including any subordinate entities) has not designated nor will designate bonds, which when aggregated with the Bonds, will result in more than \$10,000,000 of “qualified tax-exempt bonds” being issued; (b) that the District reasonably anticipates that the amount of tax-exempt obligations issued, during the calendar year in which the Bonds are issued, by the District (or any subordinate entities) will not exceed \$10,000,000; and, (c) that the District will take such action or refrain from such action as necessary, and as more particularly set forth in this section, in order that the Bonds will not be considered “private activity bonds” within the meaning of section 141 of the Code.

#### ARTICLE XIV

##### CONTINUING DISCLOSURE OF FINANCIAL INFORMATION

Section 14.1 Compliance with Rule 15c2-12. On the basis of the private placement exception to the continuing disclosure requirements set forth in SEC Rule 15c2-12 (the “Rule”), 17 CFR 240.15c2-1 2, the District has not and does not undertake to provide continuing information about its financial condition, results of operation or other data subsequent to the issuance of the Bonds.

Notwithstanding the foregoing, the District covenants to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by the Rule and determined as if the Texas Water Development Board was a “participating underwriter” with the meaning of the Rule, such continuing disclosure undertaking being for the benefit of the Texas Water Development Board and the beneficial owner of the Bonds if the Texas Water Development Board sells or otherwise transfers any of the Bonds and the beneficial owners of the Texas Water Development Board’s bonds if the District is an obligated person with respect to the Texas Water Development Board’s bonds under the Rule. On that basis, the District hereby agrees to provide continuing disclosure as set forth below:

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

“EMMA” means the Electronic Municipal Market Access system being established by the MSRB.

“MSRB” means the Municipal Securities Rulemaking Board.

“Rule” means SEC Rule 15c2-1 2, as amended from time to time.

“SEC” means the United States Securities and Exchange Commission.

(b) Annual Reports. The District shall provide annually to the MSRB through EMMA within six months after the end of each fiscal year ending in or after 2016, financial information and operating data with respect to the District of the general type described in Exhibit “C” hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in Exhibit “C” hereto, or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation, and (2) audited, if the District commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the District shall provide (1) unaudited financial statements for such fiscal year within such six month period, and (2) audited financial statements for the applicable fiscal year to the MSRB through EMMA when and if the audit report on such statements become available.

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

The financial information and operating data to be provided pursuant to this paragraph (b) may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB through EMMA or filed with the SEC.

(c) Event Notices.

(i) The District shall notify the MSRB through EMMA in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

1. Non-payment related defaults;



2. Modifications to rights of Bondholders;
3. Bond calls;
4. Release, substitution, or sale of property securing repayment of the Bonds;
5. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
6. Appointment of a successor or additional trustee or the change of name of a trustee.

(ii) The District shall notify the MSRB through EMMA in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Bonds, without regard to whether such event is considered material within the meaning of the federal securities laws:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or 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-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds;
6. Tender offers;
7. Defeasances;
8. Rating changes; and
9. Bankruptcy, insolvency, receivership or similar event of an obligated person.

(iii) The District shall notify the MSRB through EMMA, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with

subsection (b) of this Section by the time required by such subsection.

(d) Limitations, Disclaimers, and Amendments. The District shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the District remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the District in any event will give notice of any deposit made in accordance with Section 17.1 of this Order that causes Bonds no longer to be Outstanding.

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

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

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

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

The provisions of this Section may be amended by the District from time to time 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 District, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Order that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but 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. If the District so amends

the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with paragraph (b) of this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided.

## ARTICLE XV DEFAULT AND REMEDIES

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.

ARTICLE XVI  
DISTRICT OFFICERS' DUTIES

Section 16.1 District Officers' Duties.

(a) The President and Secretary/Treasurer of the Board of Directors of the District are hereby instructed and directed to do any and all things necessary in reference to the installation, completion and maintenance of the District's plants, facilities and improvements and to make monies available for the payment of the Bonds in the manner provided by law.

(b) The President of the Board of Directors of the District shall submit the Bonds, the record of the proceedings authorizing the issuance of the Bonds and any and all other necessary orders, certificates and records to the Attorney General of the State of Texas for his investigation. After obtaining the approval of the Attorney General, the President of the Board of Directors shall cause the Bonds to be registered by the Comptroller of Public Accounts of the State of Texas.

(c) The President and Secretary/Treasurer of the Board of Directors are authorized to do any and all things proper and necessary to carry out the intent of this Order.

ARTICLE XVII  
DISCHARGE

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).

ARTICLE XVIII  
MISCELLANEOUS

Section 18.1           District's Successors and Assigns. Whenever in this Order the District is named and referred to, it shall be deemed to include its successors and assigns, and all covenants and agreements in this Order by or on behalf of the District, except as otherwise provided herein, shall bind and inure to the benefit of its successors and assigns whether or not so expressed.

Section 18.2           Benefits of Order Provisions. Nothing in this Order or in the Bonds, expressed or implied, shall give or be construed to give any person, firm or corporation, other than the District, the Paying Agent/Registrar and the Bondholders any legal or equitable right or claim under or in respect of this Order, or under any covenant, condition or provision herein contained, all the covenants, conditions and provisions contained in this Order or in the Bonds being for the sole benefit of the District, the Paying Agent/Registrar and the Bondholders.

Section 18.3           Severability Clause. If any word, phrase, clause, sentence, paragraph, Section or other part of this Order, or the application thereof to any person or circumstance, shall ever be held to be invalid or unconstitutional by any court of competent jurisdiction, the remainder of this Order and the application of such word, phrase, clause, sentence, paragraph, Section or other part of this Order to any other persons or circumstances shall not be affected thereby.

Section 18.4           Open Meeting. It is hereby officially found and determined that the meeting at which this Order was adopted was open to the public, and public notice of the time, place and purpose of said meeting was properly given, all as required by Chapter 551, Texas Government Code, and Section 49.063, Texas Water Code, as amended.

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.

**ARTICLE XIX  
EFFECTIVENESS**

Section 19.1 Effectiveness. This Order shall take effect and be in force from and after its passage and approval.

PASSED AND APPROVED on this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

*[Remainder of this page intentionally left blank.]*

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President, Board of Directors

ATTEST:

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Secretary/Treasurer, Board of Directors

(SEAL)

**Exhibit "A"**  
**Paying Agent/Registrar Agreement**



**Exhibit B**

**Form of Private Placement Memorandum**

## **Exhibit C**

### **DESCRIPTION OF ANNUAL FINANCIAL INFORMATION AND OPERATING DATA**

#### **Information and Data**

The following information and data with respect to the District referred to in Section 14.1 of this Order are the quantitative financial information and operating data as specified and included in the Appendix or under the headings of the Official Statement relating to the Series 2015 Bonds referred to below:

1. The annual audited financial statements of the District or the unaudited financial statements of the District in the event the audited financial statements are not completed within six months after the end of any Fiscal Year.
2. The information in Tables 1, 2, 3, 4, 5, 8, 9 and 10 of Appendix A to the Official Statement relating to the Series 2015 Bonds.

#### **Accounting Principles**

The accounting principles referred to in such Section with respect to the District are the accounting principles described in the Bonds to the financial statements referred to in paragraph 1 above.

**Exhibit "D"**  
**Form of Escrow Agreement**

## Melinda Smith

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**From:** Melinda Smith  
**Sent:** Thursday, May 12, 2016 11:00 AM  
**To:** Jennifer McKnight (jmcknight@tcmud.org); WSI-RWPD-INCOMPLETE-APPLICATION  
**Cc:** kglovier@cpyi.com; 'tcorbett@freemanandcorbett.com'; afriedman@samcocapital.com; 'pamela.liston@listonlaw.net'; 'rodabbott@yahoo.com'; Luis Farias  
**Subject:** Notice of Incomplete Application-Trophy Club MUD-SWIFT,\$4,645,000

Dear Ms. Mcknight:

The Trophy Club Municipal District's (District) State Water Implementation Fund application has been determined Administratively Incomplete. The items listed below are either missing or insufficient for review; please provide answers, documents, or explanations, including "NA" where it's not applicable. These items must be provided to continue to move the process forward as quickly as possible.

### Part B

- B-17 Please submit the resolution from the governing body requesting financial assistance.
- B-19 Please submit the updated Certificate of Secretary.
- B-25 The date of the WCP adoption is missing. Please provide the date.

### Part C

- C-46 The attached document is condensed, please attached a FIVE year comparative system operating statement (**not condensed**) including audited prior years and an unaudited year-to-date statement. Unaudited year-to-date statement must reflect the financial status for a period not exceeding the latest six months.
- C-47 The attachment for this part is missing. Please provide ONE copy of an annual audit of financial statements, including the management letter, for the preceding fiscal year prepared by a certified public accountant or firm of accountants and, if the last annual audit was more than 6 months ago, then, provide interim financial information.
- C-52 The attachment for this part is missing. Please provide a proposed agreement, contract, or other documentation.

Once we receive the corrected or missing information, Texas Water Development Board staff can move forward with your application request quickly without further delay. The District has until **5:00 p.m., May 19, 2016** to provide the information to our office. If the requested information is not submitted by this date, the application will be considered withdrawn and will not be further processed for consideration.

The requested information can be submitted via email to my attention. Originals will also need to be submitted via mail to my attention at:

Texas Water Development Board  
Attention: Melinda Smith  
Regional Water Planning and Development-WSI  
P.O. Box 13231  
Austin, TX 78711-3231.

TWDB staff looks forward to working with the District to make this a successful project. You may contact Luis Farias, Manager of the Northeast Region at (512) 475-4816 should you have any questions.

Sincerely,

Melinda Smith  
Administrative Assistant V  
Regional Water Planning & Development  
Texas Water Development Board  
P.O. Box 13231  
Austin, TX 78711-3231  
Phone: 512/463/6724  
Fax: 512/936/0808

## Melinda Smith

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**From:** Michael Brooks  
**Sent:** Friday, June 03, 2016 10:28 AM  
**To:** Joe Koen; Luis Farias; Melinda Smith; Katherine Calnan; Ben Munguia  
**Subject:** FW: Trophy Club MUD#1 SWIFT (Project #51036)

FW emails below

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**From:** Chi-Babulal, Wendy [<mailto:Wendy.Chi-Babulal@fortworthtexas.gov>]  
**Sent:** Friday, June 03, 2016 10:10 AM  
**To:** Michael Brooks; [jmcknight@tcmud.org](mailto:jmcknight@tcmud.org)  
**Cc:** McCartney, Lawrence A.; Dinyarian, Nowzar; Saucedo, Robert  
**Subject:** RE: Trophy Club MUD#1 SWIFT (Project #51036)

Mr. Brooks – Here are the email information for FW staff.

Everyone – Here are the email information. Please send future email to all of the FW staff staff below on this project so we could be on the same page.

Fort Worth

Capital Finance Manager -McCartney, Lawrence A. <[Lawrence.McCartney@fortworthtexas.gov](mailto:Lawrence.McCartney@fortworthtexas.gov)>;

State Funding Coordinator - Dinyarian, Nowzar <[Nowzar.Dinyarian@fortworthtexas.gov](mailto:Nowzar.Dinyarian@fortworthtexas.gov)>;

Project Manager for the NE Water Main Loop - Saucedo, Robert <[Robert.Saucedo@fortworthtexas.gov](mailto:Robert.Saucedo@fortworthtexas.gov)>;

Water Planning/Development Engineering Manager - Chi-Babulal, Wendy <[Wendy.Chi-Babulal@fortworthtexas.gov](mailto:Wendy.Chi-Babulal@fortworthtexas.gov)>

FW staff: Here are the email addresses for the TCMUD and TWDB.

Trophy Club MUD

Jennifer McKnight [jmcknight@tcmud.org](mailto:jmcknight@tcmud.org)

TWDB

Luis Farias <[Luis.Farias@twdb.texas.gov](mailto:Luis.Farias@twdb.texas.gov)>;

Joe Koen <[Joe.Koen@twdb.texas.gov](mailto:Joe.Koen@twdb.texas.gov)>;

Katherine Calnan <[Katherine.Calnan@twdb.texas.gov](mailto:Katherine.Calnan@twdb.texas.gov)>;

Tony Corbett [tcorbett@freemanandcorbett.com](mailto:tcorbett@freemanandcorbett.com)

Michael Brooks <[Michael.Brooks@twdb.texas.gov](mailto:Michael.Brooks@twdb.texas.gov)>

### **Wendy Chi-Babulal, EMBA, P.E.**

Water Planning and Development Engineering Manager

Fort Worth Water Department

P 817-392-8242

[Wendy.Chi-Babulal@fortworthtexas.gov](mailto:Wendy.Chi-Babulal@fortworthtexas.gov)

*City of Fort Worth –Working together to build a strong community.*

*How am I doing? Please contact my supervisor: [Andy.Cronberg@FortWorthTexas.gov](mailto:Andy.Cronberg@FortWorthTexas.gov)*



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**From:** Jennifer McKnight [<mailto:jmcknight@tcmud.org>]  
**Sent:** Friday, June 03, 2016 8:56 AM  
**To:** Michael Brooks  
**Cc:** Luis Farias; Joe Koen; Katherine Calnan; Tony Corbett; Chi-Babulal, Wendy  
**Subject:** RE: Trophy Club MUD#1 SWIFT (Project #51036)

Michael:

I apologize to just get back to you. I found your email in my junk file last night. Besides myself, Tony Corbett with Freeman and Corbett (bond attorney) and Wendy Chi-Babulal, Engineer with the City of Fort Worth will be on the call. Have a great day and talk to you soon.

Jennifer

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**From:** Michael Brooks [<mailto:Michael.Brooks@twdb.texas.gov>]  
**Sent:** Thursday, June 02, 2016 10:12 AM  
**To:** Jennifer McKnight <[jmcknight@tcmud.org](mailto:jmcknight@tcmud.org)>  
**Cc:** Luis Farias <[Luis.Farias@twdb.texas.gov](mailto:Luis.Farias@twdb.texas.gov)>; Joe Koen <[Joe.Koen@twdb.texas.gov](mailto:Joe.Koen@twdb.texas.gov)>; Katherine Calnan <[Katherine.Calnan@twdb.texas.gov](mailto:Katherine.Calnan@twdb.texas.gov)>  
**Subject:** Trophy Club MUD#1 SWIFT (Project #51036)

Jennifer,

Good morning, my name is Michael Brooks and I am a Project Manager for the Texas Water Development Board. I am working under Luis Farias in the Northeast Region Team (Region 3) which manages infrastructure projects for your region.

I am working on your Trophy Club MUD #1 SWIFT application (TWDB# 51036), and will be your primary contact for engineering. We have several questions or concerns that we wanted to address during tomorrow's 9:00 AM conference call. Melinda in our office sent you a meeting notice for the conference call yesterday. I have attached a list of our questions or concerns, including the page number this issue is addressed on the SWIFT application you submitted. Feel free to share this list with anyone else you need to include in the meeting. If there are other people you plan to include on the conference call tomorrow, can you please also send me their name, contact information and organization they are with.

If you have any questions before tomorrow's conference call, please email or call me today, and I will try to answer your questions. You may contact me directly by email, or at 512-936-4018, or contact Luis Farias, Regional Manager at 512-475-4816 with any questions or concerns you may have.

Respectfully,

Michael Brooks, AICP  
Project Manager, Northeast Region  
Regional Water Planning & Development  
Texas Water Development Board  
[Michael.Brooks@twdb.texas.gov](mailto:Michael.Brooks@twdb.texas.gov)  
512-936-4018



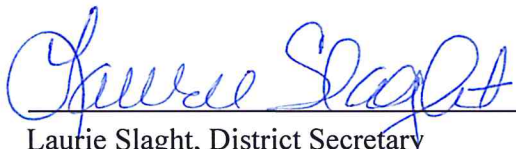


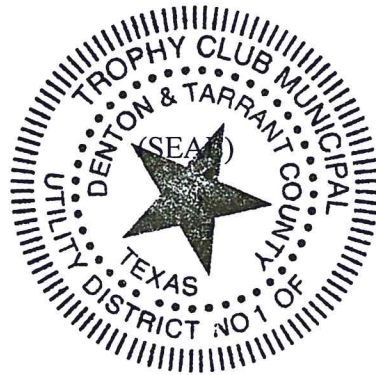
**SIGNED AND SEALED** on this 11th day of May, 2016.

  
\_\_\_\_\_  
Jim Moss, President  
Board of Directors

ATTEST:

  
\_\_\_\_\_  
Kevin R. Carr, Secretary  
Board of Directors

  
\_\_\_\_\_  
Laurie Slaght, District Secretary  
Trophy Club Municipal Utility District No. 1



**RESOLUTION NO. 2016-0511**

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1**

**A RESOLUTION REQUESTING FINANCIAL ASSISTANCE FROM THE TEXAS WATER DEVELOPMENT BOARD; AUTHORIZING THE FILING OF AN APPLICATION FOR ASSISTANCE; AND MAKING CERTAIN FINDINGS IN CONNECTION THEREWITH.**

**WHEREAS**, the Board of Directors of Trophy Club Municipal Utility No. 1, (the “District”) desires to finance the costs of improving, constructing, reconstruction and/or equipping of water supply and distribution system facilities (the “Project”);

**WHEREAS**, the District intends to finance the improving, construction, reconstruction and/or equipping of the Project or portions of the Project with the proceeds of the sale of general obligation bonds or other forms of debt, the interest upon which is excluded from gross income for federal income tax purposes (the “Obligations”); and

**WHEREAS**, the Texas Water Development Board (TWDB) made available financial assistance to implement water supply and distribution system projects in Texas through the State Water Implementation Fund for Texas (SWIFT); and

**WHEREAS**, the TWDB established criteria on how funding will be awarded to applicants for various projects; and

**WHEREAS**, a project priority list of all state-wide projects requesting funding was released by the TWDB, and District projects are ranked high on the list for funding;

**WHEREAS**, the District intends to access the financial assistance for the Project in the form loans up to a maximum amount of \$4,645,000 that are included in the District’s Water System Study and Capital Improvement Plan and also included in the State Water Plan;

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

**SECTION 1:** That an application is hereby approved and authorized to be filed with the Texas Water Development Board seeking financial assistance in an amount not to exceed \$4,645,000 to provide for the costs of the Project.

**SECTION 2:** That the District’s General Manager, is designated the authorized representative of the District and is hereby for purposes of furnishing such information and executing such documents as may be required in connection with the preparation and filing of such application for financial assistance and the rules of the Texas Water Development Board.

**SECTION 3:** That the following firms and individuals are hereby authorized and directed to aid and assist in the preparation and submission of such application and appear on behalf of and represent the before any hearing held by the Texas Water Development Board on such application, to wit:

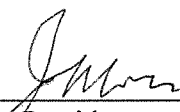
Financial Advisor: Andrew T. Friedman  
SAMCO Capital Markets, Inc.  
1020 NE Loop 410, Suite 640  
San Antonio, Texas 78209

Engineer: Kevin G. Glovier, P.E.  
CP&Y  
115 West 7<sup>th</sup> Street, Suite 1500  
Fort Worth, Texas 76102

Bond Counsel: Anthony S. Corbett  
Freeman & Corbett  
8500 Bluffstone Cove, Suite B-104  
Austin, Texas 78759

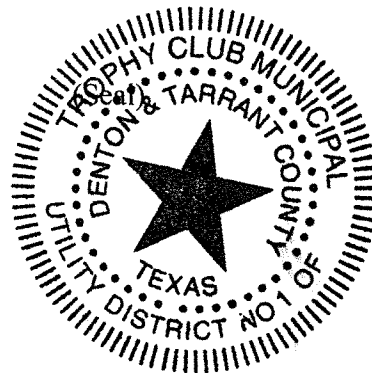
**ADOPTED, SIGNED AND APPROVED this 11th day of May, 2016.**

**TROPHY CLUB MUNICIPAL UTILITY  
DISTRICT NO. 1**

By   
Jim Moss, President  
Board of Directors

**Attest:**

  
Kevin R. Carr, Secretary/Treasurer  
Board of Directors



## Melinda Smith

---

**From:** Andrew Friedman <AFriedman@samcocapital.com>  
**Sent:** Tuesday, May 17, 2016 4:59 PM  
**To:** Melinda Smith  
**Subject:** FW: Notice of Incomplete Application-Trophy Club MUD-SWIFT,\$4,645,000

See below.

Andrew T. Friedman  
*Managing Director*  
**SAMCO Capital Markets, Inc.**

1020 NE Loop 410, Suite 640  
San Antonio, Texas 78209

Office: (210) 832-9760  
Cell: (210) 884-9017  
Email: [afriedman@samcocapital.com](mailto:afriedman@samcocapital.com)

---

**From:** Jennifer McKnight [mailto:[jmcknight@tcmud.org](mailto:jmcknight@tcmud.org)]  
**Sent:** Tuesday, May 17, 2016 4:58 PM  
**To:** Andrew Friedman  
**Subject:** RE: Notice of Incomplete Application-Trophy Club MUD-SWIFT,\$4,645,000

Our Water Conservation Plan was adopted on April 22, 2014. Thanks!

---

**From:** Andrew Friedman [mailto:[AFriedman@samcocapital.com](mailto:AFriedman@samcocapital.com)]  
**Sent:** Tuesday, May 17, 2016 4:49 PM  
**To:** Jennifer McKnight <[jmcknight@tcmud.org](mailto:jmcknight@tcmud.org)>  
**Subject:** FW: Notice of Incomplete Application-Trophy Club MUD-SWIFT,\$4,645,000

Jennifer can you help provide an answer to the question posed below?

Thanks,

Andrew

Andrew T. Friedman  
*Managing Director*  
**SAMCO Capital Markets, Inc.**

1020 NE Loop 410, Suite 640  
San Antonio, Texas 78209

Office: (210) 832-9760  
Cell: (210) 884-9017  
Email: [afriedman@samcocapital.com](mailto:afriedman@samcocapital.com)

---

**From:** Melinda Smith [<mailto:Melinda.Smith@twdb.texas.gov>]  
**Sent:** Tuesday, May 17, 2016 4:46 PM  
**To:** Andrew Friedman  
**Subject:** RE: Notice of Incomplete Application-Trophy Club MUD-SWIFT,\$4,645,000

Thanks Andrew. The only missing item is B-25. I tried to get some information from our WCP staff/division, but haven't been successful. Do you know the date of the adoption?  
Thanks again,

---

**From:** Andrew Friedman [<mailto:AFriedman@samcocapital.com>]  
**Sent:** Tuesday, May 17, 2016 1:46 PM  
**To:** Melinda Smith; Jennifer McKnight ([jmcknight@tcmud.org](mailto:jmcknight@tcmud.org)); WSI-RWPD-INCOMPLETE-APPLICATION  
**Cc:** [kglover@cpyi.com](mailto:kglover@cpyi.com); [corbett@freemanandcorbett.com](mailto:corbett@freemanandcorbett.com); [pamela.liston@listonlaw.net](mailto:pamela.liston@listonlaw.net); [rodabbott@yahoo.com](mailto:rodabbott@yahoo.com); Luis Farias  
**Subject:** RE: Notice of Incomplete Application-Trophy Club MUD-SWIFT,\$4,645,000

Good Afternoon Melinda,

Attached are the missing items for part c of the District's application for SWIFT funding. Please let me know of any items regarding Part C of the District's application that need to be settled in order to mark our application 'Administratively Complete'.

Thanks,

Andrew

Thanks,

Andrew

Andrew T. Friedman  
*Managing Director*  
**SAMCO Capital Markets, Inc.**

1020 NE Loop 410, Suite 640  
San Antonio, Texas 78209

Office: (210) 832-9760  
Cell: (210) 884-9017  
Email: [afriedman@samcocapital.com](mailto:afriedman@samcocapital.com)

---

**From:** Melinda Smith [<mailto:Melinda.Smith@twdb.texas.gov>]  
**Sent:** Thursday, May 12, 2016 11:00 AM  
**To:** Jennifer McKnight ([jmcknight@tcmud.org](mailto:jmcknight@tcmud.org)); WSI-RWPD-INCOMPLETE-APPLICATION  
**Cc:** [kglover@cpyi.com](mailto:kglover@cpyi.com); [corbett@freemanandcorbett.com](mailto:corbett@freemanandcorbett.com); Andrew Friedman; [pamela.liston@listonlaw.net](mailto:pamela.liston@listonlaw.net); [rodabbott@yahoo.com](mailto:rodabbott@yahoo.com); Luis Farias  
**Subject:** Notice of Incomplete Application-Trophy Club MUD-SWIFT,\$4,645,000

Dear Ms. Mcknight:

The Trophy Club Municipal District's (District) State Water Implementation Fund application has been determined Administratively Incomplete. The items listed below are either missing or insufficient for review; please provide

answers, documents, or explanations, including “NA” where it’s not applicable. These items must be provided to continue to move the process forward as quickly as possible.

**Part B**

- B-17 Please submit the resolution from the governing body requesting financial assistance.
- B-19 Please submit the updated Certificate of Secretary.
- B-25 The date of the WCP adoption is missing. Please provide the date.

**Part C**

- C-46 The attached document is condensed, please attached a FIVE year comparative system operating statement (**not condensed**) including audited prior years and an unaudited year-to-date statement. Unaudited year-to-date statement must reflect the financial status for a period not exceeding the latest six months.
- C-47 The attachment for this part is missing. Please provide ONE copy of an annual audit of financial statements, including the management letter, for the preceding fiscal year prepared by a certified public accountant or firm of accountants and, if the last annual audit was more than 6 months ago, then, provide interim financial information.
- C-52 The attachment for this part is missing. Please provide a proposed agreement, contract, or other documentation.

Once we receive the corrected or missing information, Texas Water Development Board staff can move forward with your application request quickly without further delay. The District has until **5:00 p.m., May 19, 2016** to provide the information to our office. If the requested information is not submitted by this date, the application will be considered withdrawn and will not be further processed for consideration.

The requested information can be submitted via email to my attention. Originals will also need to be submitted via mail to my attention at:

Texas Water Development Board  
Attention: Melinda Smith  
Regional Water Planning and Development-WSI  
P.O. Box 13231  
Austin, TX 78711-3231.

TWDB staff looks forward to working with the District to make this a successful project. You may contact Luis Farias, Manager of the Northeast Region at (512) 475-4816 should you have any questions.

Sincerely,

Melinda Smith  
Administrative Assistant V  
Regional Water Planning & Development  
Texas Water Development Board  
P.O. Box 13231  
Austin, TX 78711-3231  
Phone: 512/463/6724  
Fax: 512/936/0808

**THE STATE OF TEXAS**

**KNOW ALL BY THESE PRESENTS**

**COUNTY OF TARRANT**

**AMENDMENT NO.1 TO THE AGREEMENT FOR WATER SERVICE  
BETWEEN THE CITY OF FORT WORTH AND THE TROPHY CLUB  
MUNICIPAL DISTRICT NO. 1 FOR THE CONSTRUCTION OF A NORTHSIDE  
II 30-INCH WATER MAIN AND ALLOCATED CAPACITY**

This Amendment No. 1 (Amendment) is made and entered into by and between the Trophy Club Municipal District No. 1, acting herein by and through its General Manager, Jennifer McKnight, hereinafter referred to as CUSTOMER and the City of Fort Worth, acting herein by and through its Assistant City Manager, Jesus J. Chapa, hereinafter referred to as FORT WORTH, all of Tarrant County, State of Texas, (collectively the "PARTIES").

**WHEREAS**, FORT WORTH and CUSTOMER have entered in an Agreement for Water Service known as Fort Worth City Secretary Contract No. 41112 ("CONTRACT"); and

**WHEREAS**, the PARTIES recognize that there is a need for additional water capacity in the northeast sector of Fort Worth and in Trophy Club Municipal District No. 1 then originally provided for in the CONTRACT; and

**WHEREAS**, to address this need for additional capacity, FORT WORTH is constructing a 30-inch water main along SH 170 from N. Beach Street to 13590 Denton Hwy (Westlake's Wholesale Metering Station), approximately 14,590 linear feet as shown in **EXHIBIT A**; and

**WHEREAS**, CUSTOMER has requested capacity in the 30-inch water main which will increase its total projected water demand; and

**WHEREAS**, Section 3.3 of the CONTRACT states that the CUSTOMER shall pay for each new or enlarged or additional connection to the FORT WORTH system, including the cost of the wholesale meter and the CUSTOMER's proportionate share of the improvements required for that service; and

**WHEREAS**, CUSTOMER recognizes that the Town of Westlake has also requested capacity in the Northside II 30-inch water main;

**WHEREAS**, the PARTIES agree that the CUSTOMER's cost and participation for the Northside II 30-inch water main shall be as stated in this AMENDMENT.

**NOW THEREFORE, the PARTIES agree to amend the CONTRACT as follows:**

- 1.) FORT WORTH shall be responsible for the preparation of plans and specifications, together with any modifications required during construction, and contract documents for the construction of the Northside II 30-inch water main, shown on **Exhibit A**.
- 2.) The future demand for the CUSTOMER is estimated to be 10.3 MGD. CUSTOMER currently has 3.7 MGD capacity from the existing 21-inch water main. CUSTOMER requests an additional 6.6 MGD at this time. The additional 6.6 MGD equals to 42.72 percent of the total 15.45 MGD capacity of the Northside II 30-inch water main. Town of Westlake is cost participating 5.8 MGD capacity and FORT WORTH is cost participating 3.05 MGD capacity of this Northside II 30-inch water main.
- 3.) The estimated total engineering, survey and appraisal cost of the Northside II 30-inch water main is estimated to be \$954,200. CUSTOMER agrees that its proportionate share of this cost is 42.72 percent, estimated to be \$407,635.
- 4.) The Actual Project costs shall include the costs for engineering, project management, easements and right-of-way acquisition and appraisal fees, necessary for the Northside II 30-inch water main.
- 5.) CUSTOMER agrees that the Actual Project costs shall be shared by CUSTOMER, Town of Westlake, and FORT WORTH proportionately. CUSTOMER agrees that the Actual Project cost may differ from the projection stated in subsection 3 and CUSTOMER shall pay FORT WORTH its proportionate share of 42.72 percent of the Actual Project cost.
- 6.) Payments for CUSTOMER's share of the Actual Project Costs shall be due prior to the award of the Northside II 30-inch water main design contract. A payment is late if not paid within 30 days after the full execution of this agreement. Late payments shall accrue interest at the rate of one and one-half percent (1-1/2%) per month until paid.



This AMENDMENT shall become effective upon full and complete execution:

EXECUTED this 11<sup>th</sup> day of May, 2016.

CITY OF FORT WORTH

TROPHY CLUB MUNICIPAL  
DISTRICT NO. 1

\_\_\_\_\_  
JESUS J. CHAPA  
ASSISTANT CITY MANAGER

  
\_\_\_\_\_  
JENNIFER MCKNIGHT  
GENERAL MANAGER

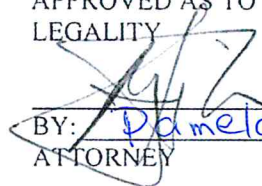
DATE: \_\_\_\_\_

DATE: May 11, 2016

APPROVED AS TO FORM AND  
LEGALITY

APPROVED AS TO FORM AND  
LEGALITY

\_\_\_\_\_  
CHRISTA LOPEZ-REYNOLDS  
SR. ASSISTANT CITY ATTORNEY

  
BY: Pamela Liston  
ATTORNEY

ATTEST

ATTEST

\_\_\_\_\_  
MARY KAYSER  
CITY SECRETARY

  
\_\_\_\_\_  
LAURIE SLEIGHT  
DISTRICT SECRETARY

EXHIBIT "A" –  
30-inch water main along SH170 from N. Beach Street to 13590 Denton Hwy  
(Westlake's Wholesale Metering Station)

Insert Exhibit A here.



AGREEMENT FOR WATER SERVICE BETWEEN  
THE CITY OF FORT WORTH, TEXAS, AND

Trophy Club MUO 1 TEXAS  
STATE OF TEXAS §  
COUNTY OF TARRANT §

This Contract and Agreement ("Agreement") is made and entered into this 16<sup>th</sup> day of November 2010, by and between the City of Fort Worth, a municipal corporation located in Tarrant County, Texas, acting by and through FERNANDO COSTA, its duly authorized Assistant City Manager, hereinafter called "Fort Worth," and Trophy Club MUO 1 located in Denton Tarrant County, Texas, acting by and through Robert Scott its duly authorized District Manager hereinafter called "Customer," and hereinafter collectively referred to as the "Parties".

WHEREAS, Fort Worth has provided at its own expense, and now owns, operates and maintains facilities for processing and distributing a large supply of surface water, and at the present time, is qualified to furnish and deliver treated water, both within and without the corporate boundaries of Fort Worth;

WHEREAS, Customer has provided at its own expense and now owns, operates, and maintains a distribution system, and furnishes water service to the customers within its boundaries;

WHEREAS, Customer does not have and cannot provide economically and within a reasonable period of time, any other source of water supply, fully adequate to meet its present and/or future needs or potential emergency needs;

WHEREAS, it is deemed to be in the best interest of both Fort Worth and Customer that the Parties enter into a mutually satisfactory agreement by means of which Customer may obtain from Fort Worth a supply of treated water at a reasonable rate;

WHEREAS, by the execution of this Agreement, neither Fort Worth nor Customer will surrender any of its rights to the ownership and operation of its present water production and distribution facilities;

WHEREAS, Customer desires to continue to contract for the purchase of treated water and Fort Worth desires to continue to sell treated water to Customer;

WHEREAS Customer and Fort Worth desire to provide for reasonable wholesale contract rates for the purchase of treated water sufficient to assure confidence in the financial soundness of the Fort Worth utility, adequate to maintain and support the utility's credit and sufficient to enable Fort Worth to raise the money necessary for the proper discharge of its public duties in the provision of water service and

WHEREAS, Chapters 552 of the Texas Local Government Code and 791 of the Texas Government Code authorize Fort Worth and Customer to enter into this Agreement.

**OFFICIAL RECORD  
CITY SECRETARY  
FT. WORTH, TX**

NOW, THEREFORE, KNOW ALL BY THESE PRESENTS that for and in consideration of the mutual covenants, promises and agreements contained herein, Fort Worth and Customer do hereby covenant and agree as follows:

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## ARTICLE 1. Definitions

The following definitions, when capitalized, apply throughout this Agreement:

- 1.1 Annual Consumption. The total quantity of water purchased under the terms of this Agreement by Customer during the Fiscal Year as determined by the difference in the annual October meter readings.
- 1.2 Average Daily Use. The Annual Consumption divided by the number of calendar days in the Fiscal Year year.
- 1.3 Calendar Day. The period from midnight of one day to 11:59 PM of the next day.
- 1.4 Capital Improvements. Any of the following facilities which provide utility services and benefits common to all customers (both retail and wholesale) and that have a life expectancy of three (3) or more years, whether such improvements are located within the jurisdictional limits (including the extra-territorial jurisdiction) of Fort Worth or Customer, and consisting of: water treatment facilities; metering facilities; control systems and appurtenances; storage facilities; pumping facilities; and all mains that are sixteen inches (16") and greater in diameter. Capital Improvements include the initial construction or the expansion of such facilities, as necessary to serve new development.
- 1.5 Chapter 395. Chapter 395 of the Texas Local Government Code, as it may be amended or re-codified from time to time.
- 1.6 Customer's Service Area. The area inside the Customer's boundaries and inside the Customer's Certificate of Convenience and Necessity, as shown on **Exhibit A**, except that the Customer may, with written notice to the Director, exclude a contiguous area that receives its entire water service from provider(s) other than Fort Worth.
- 1.7 Customer System. All necessary Customer mains and distribution facilities on the Customer's side of the meter from and beyond the point of delivery of treated water by Fort Worth.
- 1.8 Delivery Facility. Any facility necessary for the transmission of water from the Fort Worth System that is on the Customer's side of the point of delivery that is constructed specifically to allow Fort Worth to serve Customer.
- 1.9 Director. The Director of Fort Worth Water Department or his designee.
- 1.10 Emergency. A situation, event or condition created by unforeseeable mechanical failure, unprecedented high rate of treated water usage (such as might result from a major fire or a major water main break) or circumstances beyond the Party's reasonable control.
- 1.11 Equivalent Meters or EM. A means of relating a large-use customer with a base (residential) use customer. Fort Worth Water Department uses 5/8 x 3/4 inch meter capacity as an EM. The ratio of larger meter's capacity to the 5/8 x 3/4 inch meter capacity is the number of EMs for each meter size.

- 1.12 Facility Expansion. The expansion of the capacity of an existing facility that serves the same function as an otherwise necessary new capital improvement, in order that the existing facility may serve new development. The term does not include the repair, maintenance, modernization, or an expansion of an existing facility to better serve existing development.
- 1.13 Fiscal Year. The fiscal year of Fort Worth, which is from October 1<sup>st</sup> through September 30th.
- 1.14 Fort Worth. The City of Fort Worth, acting by and through its duly authorized Assistant City Manager, who may delegate to the Director.
- 1.15 Fort Worth System. The Fort Worth water treatment and distribution system.
- 1.16 Impact Fee. A capital contribution funding or recouping the cost of Capital Improvements necessitated by and attributable to new development, subject to and as provided in **Article 16** of this Agreement.
- 1.17 Maximum Day Demand. The maximum quantity of water used by Customer during one calendar day of the Fiscal Year.
- 1.18 Maximum Hour Demand. The quantity of water used by Customer during the one hour of the Fiscal Year that more water passed through the meter or meters serving the Customer than during any other hour of the Fiscal Year, multiplied by 24 hours and expressed as MGD.
- 1.19 MG and MGD. MG is million gallons; MGD is million gallons per day.
- 1.20 Parties. Fort Worth and the Customer, or each individually.
- 1.21 Rate of Use Charge. The charge for Maximum Day Demand in excess of Average Daily Use and for Maximum Hour Demand in excess of Maximum Day Demand, as provided in **§ 7.5** and **Exhibit C**.
- 1.22 Raw Water Charge. The rate for 1,000 gallons charged by the Tarrant Regional Water District to Fort Worth for raw water to be sold to the Customer plus four percent (4%), representing Fort Worth system losses of four percent (4%).
- 1.23 Return Water. All water that is returned to Fort Worth via discharge into Fort Worth's wastewater system for treatment by Fort Worth's Village Creek Wastewater Treatment Plant or another wastewater treatment plant that is owned or operated (directly or through contract) by Fort Worth.
- 1.24 Service Charge. A fixed monthly charge per wholesale meter, as set forth in the annual cost-of-service rate study, designed to include a portion of Fort Worth Water Department's cost for wholesale customer billing and accounting.
- 1.25 Street Rental. The Street Rental charged to the wholesale customers of the Fort Worth System is intended to be compensation for use of public rights-of-way. The Street Rental is established at five percent (5%) of the revenue requirements, excluding Payment in Lieu of Taxes

(PILOT). The Street Rental can not be decreased without the consent of Fort Worth in its sole discretion and, in the event of an increase, can only be increased in one percent (1%) increments once every five (5) years starting on the anniversary date of this Agreement in 2016, and shall never exceed the rate being collected from the natural gas franchised utility serving the City of Fort Worth or the rate collected from the retail water customers of Fort Worth, whichever is less.

1.26 Stand-by Charge. The fee set forth in § 7.1.3 and Exhibit B. The Stand-by charge is intended to allow a wholesale customer to rely on the Fort Worth System for stand-by delivery of water for the Customer's Emergency use only, as provided in § 7.6.

1.27 System Cost. System Cost, as provided in § 6.1.2.

1.28 TCEQ. The Texas Commission on Environmental Quality or its successor agency.

1.29 Treatment, Pumping and Transmission Charge. The rate, per 1,000 gallons used, regardless of rate of use, as determined by the annual cost-of-service rate study, and which shall include the maintenance and operation costs, and the capital facilities cost on the part of the production and transmission system related to annual use.

1.30 Volume Charge. The combined total of the Treatment, Pumping and Transmission Charge plus the Raw Water Charge in effect for the current Fiscal Year.

## ARTICLE 2. Delivery of Water

2.1 Delivery. Fort Worth agrees, subject to the amount of raw and treated water available to Fort Worth, to furnish and sell to Customer treated water of potable quality meeting all applicable governmental standards, delivered under the normal operating pressure prevailing in the Fort Worth System at the Customer point or points of delivery mutually agreed upon, without guarantee of a specific minimum pressure. Mutually agreed point(s) of delivery on the Effective Date are shown on **Exhibit A**.

2.2 Acceptance and Payment. Customer agrees to accept delivery of and to pay for the water in accordance with the terms and conditions of this Agreement. Customer understands and acknowledges that Customer is responsible for maintaining water pressure in the Customer's System, and that maintaining a certain water delivery pressure requires use of storage or pumps on Customer's System.

2.3 Operations. Fort Worth is entitled at any and all times to install, repair, maintain, and replace any equipment or devices in the Fort Worth System. In an Emergency, Fort Worth may take necessary action (including reduction or cessation of water service to Customer) as necessary or appropriate to allow Fort Worth at all times to maintain a minimum pressure as required by law at all retail service locations directly served by Fort Worth, and Fort Worth is excused from the requirements of § 2.1 to the extent caused by an Emergency or by Force Majeure or Fort Worth's reasonable efforts to respond to such conditions. In the event of such service interruptions, Fort Worth shall make every reasonable effort to expedite the restoration of service in a timely manner, and shall not unreasonably interrupt, withhold or delay service to Customer.

2.4 Raw Water Contract. In accordance with the terms of Fort Worth City Secretary Contract No. 12720 between Fort Worth, the City of Arlington, the City of Mansfield, Trinity River Authority, and the Tarrant Regional Water District, this Agreement shall be deemed subordinate in all respects to the water requirements of the above contracting Parties as specified in Section 3 of that contract.

2.5 Water Use Restrictions and Conservation.

2.5.1 If Fort Worth in any way restricts, rations or conserves the use of water throughout its CCN during an Emergency declared by the Director, then within 24 hours of being notified of the action of Fort Worth, Customer shall institute and apply the same restrictions and/or measures as to the use of the water by the customers of Customer.

2.5.2 If Fort Worth in any way restricts, rations or conserves the use of water throughout its CCN as authorized by the then Fort Worth City Council and adopted by ordinance, then Customer agrees to institute, apply and enforce the same rationing, conservation measures, or restrictions to the use of water by the customers of Customer for so long as any part of the total water supply of the Customer is being furnished by Fort Worth. Customer shall submit to Fort Worth, within sixty (60) days of the action taken by the City Council of Fort Worth, a copy of the Customer's city council and/or governing board resolution and/or ordinance adopting the same measures as Fort Worth.

2.5.3 If Customer fails to comply with its obligations under this § 2.5 then, in addition to the remedies available under **Article 17**, Fort Worth may install or adjust any rate of flow controllers necessary to physically achieve compliance, regardless of whether the rate of flow controller to be installed or adjusted is on Fort Worth's or Customer's side of the meter.

2.6 Requirements of 30 Tex. Admin. Code Chapter 288 ("Ch. 288").

2.6.1 As required by 30 Tex. Admin. Code § 288.5(1)(G), this Agreement requires Customer to develop and implement a water conservation plan or water conservation measures using the applicable elements of Tex. Admin Code Ch. 288.

2.6.2 As required by 30 Tex. Admin. Code § 288.22(a)(8), this Agreement requires that, in case of a shortage of water resulting from drought, the water to be distributed shall be divided in accordance with Texas Water Code § 11.039.

2.6.3 To the extent that Customer fails to comply with § 2.5 above or meet any additional requirements under 30 Tex. Admin. Code Chapter 288, Customer agrees to implement and comply with Fort Worth's water conservation plans and measures and drought contingency plan until the Customer's own plans and measures are brought into compliance.

2.7 Consultation with WCAC. Except when the Director determines that emergency conditions require short-term restriction, conservation or rationing to meet all necessary water demands, Fort Worth agrees to consult with the Wholesale Customer Advisory Committee, in the development of any restriction, conservation, rationing, or drought contingency plans that the Director determines may be necessary to address operational constraints, whether or not required by any state or federal regulatory agency, or deemed advisable by the Wholesale Customer Advisory Committee to manage long term System Costs, except where emergency conditions may dictate short-term restriction, conservation or rationing requirements as may be determined by the Director to meet all necessary water demands.

### ARTICLE 3. Location and Maintenance of Measuring Devices

3.1 Metered Water. All water furnished under this Agreement by Fort Worth shall be measured by one or more suitable meters equipped with continuous flow, chart recording devices, and telemetering equipment connected with the Fort Worth control center. All meters, recording devices, telemetering equipment and appurtenances (including any flow control equipment required by § 7.2) shall be approved and installed by Fort Worth. Customer shall pay for the meter vault and all metering equipment, including telemetering equipment to the Fort Worth control center, and appurtenances, plus the installation cost thereof. Fort Worth shall pay all costs associated with the operation and maintenance of said equipment and shall pay for the replacement of said equipment as necessary. Such costs, as well as charges for the telelink line and microwave transmitter and the power to operate same, shall be a System Cost.

3.2 Point(s) of Delivery. The point or points of delivery of treated water by Fort Worth shall be the meter vault connection to Customer's side of the meter, and all necessary mains and distribution facilities from and beyond that point shall be the responsibility of Customer. The location of each meter shall be mutually agreed upon in writing by and between the Parties and the meter or meters shall not be moved or relocated except by mutual consent in writing by the Parties.

3.3 Cost of New or Additional Connections. Customer shall pay the cost of each new, enlarged or additional Customer connection to the Fort Worth System, including the cost of the wholesale meter and the Customer's proportionate share of any improvements required for that connection or related service to be provided at the delivery point. The Customer's cost shall be calculated in the same manner as the "developer's cost" for special facilities, including pipelines under Fort Worth's then-existing Water and Wastewater Installation Policy, as determined by the Director. The Customer will pay that amount to Fort Worth before making the new or additional connection to the Fort Worth System, and the amount shall not be a System Cost.

3.4 Check Meter. Either Party, at its own expense, may install a check meter to check or measure the volume of water passing the master meter, provided that, if such check meter is installed, the same rules and regulations relative to its operation, maintenance and reading shall apply as to the master meter being tested.

## ARTICLE 4. Meters

4.1 Testing. Fort Worth shall routinely test for accuracy, and service and calibrate if necessary, the master meter at each point of delivery no less than once during each twelve (12) month period. Copies of the results of such calibration and all related information shall be provided to Customer. Customer shall have access to the metering facilities at all reasonable times; provided, however, that any reading, calibration or adjustment to such metering equipment shall be done by employees or agents of Fort Worth, or other mutually approved third party calibration agent, in the presence of representatives of Customer and Fort Worth, if so requested by Customer. Notification of any proposed test shall be provided to the Customer at least seventy-two (72) hours prior to such test being conducted and Customer may observe such test, if so desired.

4.2 Corrections. Upon any calibration of a Wholesale Customer's meter, if it is determined that the accuracy envelope of such meter is found to be lower than ninety-five percent (95%) or higher than one-hundred-five percent (105%) expressed as a percentage of the full scale of the meter, the registration of the flow as determined by such defective meter shall be corrected for a period extending back to the time such inaccuracy began, if such time is ascertainable; or, if such time is not ascertainable, then for a period extending back one-half (1/2) of the time elapsed since the date of the last calibration, but in no event further back than a period of six (6) months. All meters will be properly sealed, and the seals shall not be broken unless representatives of both Parties have been notified and given a reasonable opportunity to be present. If the meter, after testing, is found to be in error outside the parameters established in this Agreement, the amounts due to or due from Fort Worth shall be determined based upon the prevailing wholesale rates which were in effect at the time the meter was determined to be malfunctioning. The amount due to or due from Fort Worth shall be payable within thirty (30) days from the date of receipt of the invoice for said amounts by Fort Worth or by Customer. In addition, the Wholesale Customer's volume and rate of use records shall be corrected, as determined by the meter testing.

4.3 Requested Testing. Customer shall have the right to request Fort Worth to test any meter(s), but no more frequently than quarterly. Upon any such request, Fort Worth agrees to perform its testing and calibration of the meter(s) with notice to Customer, and the Parties shall be entitled to jointly observe any testing, calibration, and adjustments that are made to the meter(s), in the event such modifications are necessary. For such additional testing request, Fort Worth shall give Customer notice forty-eight (48) hours in advance of the time when that testing will occur. Customer shall pay the cost of the additional test requested for any meter(s) if the test shows that the meter(s) is accurate (within five percent (5%) registration), but Fort Worth shall pay the costs of the additional test if the results indicate that the meter(s) is not accurate (in excess of five percent (5%) registration).

4.4 Out of Service Meter. If any meter used to determine the flow of treated water to Customer is out of service or out of repair so that the amount of water metered cannot be ascertained or computed from reading the meter, then the water delivered during the period that the meter is out-of-service or out of repair shall be estimated and agreed upon by the Parties upon the basis of the best data available. The basis for estimating such flow includes, but is not limited to, extrapolation of past patterns of flow for that metering station under similar

conditions. If the Parties cannot agree on the extrapolated estimate of water volume delivered, then agreement on the flow volume will be determined by § 22.6 dispute resolution.

#### ARTICLE 5. Meter Reading and Billing

5.1 Reading Meters. Fort Worth will read all meters provided for herein at monthly intervals, and the Parties shall have free access to read these respective meters daily, if either Party so desires. Each Party has the duty to give immediate notice to the other of any meter that it finds is not functioning properly. Upon such notice, repairs to such meter shall be made promptly.

5.2 Records. All readings of meters will be entered into the records maintained by Fort Worth. Customer shall have access to such records during reasonable business hours and shall be furnished with monthly readings for each point of delivery metering facility.

5.3 Multiple Meters. If Customer has more than one point of connection to the Fort Worth System, the sum of all meter readings and rates of flow shall be used for the purpose of calculating the water Volume Charge and the Rate of Use Charge.

5.4 October Billing. A review of water usage amounts by Customer for the past twelve (12) months shall be made during the presentation of the October bill each year. The October statements shall be prepared so as to reflect any and all Rate of Use Charges for the Fiscal Year just ended which have not been previously billed and paid. A copy of the rate of flow charts or other records showing the Maximum Day Demand and the Maximum Hour Demand for the Fiscal Year just ended shall be furnished to Customer with the October billing.

5.5 Billing and Payment. Bills for water service shall be rendered to Customer monthly by Fort Worth, and shall be due and payable by Customer not more than thirty (30) days from the billing date. The bills will show current charges, as well as past-due charges, if any. Past-due charges shall be the total amount unpaid from all prior billings as of the current billing date. Payments received by Fort Worth shall first be applied to the past-due charges, if any, and thereafter to the current charges.

5.6 Billing Disputes. If Customer disputes a bill and is unable to resolve the difference informally, Customer shall notify the Director in writing. If the Director and Customer are unable to resolve the disputed bill, agreement on the bill will be determined by § 22.6 dispute resolution procedures. Dispute of a bill shall not be grounds for non-payment. If a bill or other payment is not paid as specified in this Agreement, a finance charge of ten percent (10%) per annum will be calculated from the date which the payment was required to be made. If a billing adjustment is agreed upon or otherwise established by dispute resolution, then the amount found to be incorrect will be credited to Customer's account together with an interest charge of ten percent (10%) per annum calculated from the date payment of the disputed bill was received.

#### ARTICLE 6. Rates

6.1 Method of Rate Determination.

6.1.1 Wholesale water rates will be based upon an annual cost-of-service rate study with a rate study conducted every three years by an independent utility rate

consultant as provided for in § 6.1.4. The independent utility rate consultant shall be selected by the Director from a list of five qualified firms submitted to the Director by the Wholesale Customer Advisory Committee. The cost of any such study shall be a System Cost. All cost-of-service studies shall be conducted utilizing the utility cost basis of determining revenue requirements applicable to the wholesale customer class.

- 6.1.2 The System Cost (i.e., the cost-of-service for the wholesale class) shall include allocated reasonable and necessary operation and maintenance expense; depreciation expense; a fair and reasonable return on allocated capital facilities as provided in § 6.1.3; general and administrative costs; commodity charges including the Raw Water Charge; the cost of treated water; transmission losses; Street Rental (calculated as provided in § 1.25); and Payment In Lieu of Taxes (“PILOT” calculated as provided in Exhibit D). To determine the allocation and distribution of costs to the wholesale customer class, the independent utility rate consultant shall consider at least the following factors: total volume, rate of flow, metering, and customer related costs such as accounting, billing, and monitoring. Capital related costs will consist of depreciation expense and return on original cost rate base. The “rate base” shall consist of all allocated capital facilities, net of depreciation and contributions, and shall include construction work in progress, a reasonable allowance for working capital, and a reasonable inventory of materials and supplies necessary for the efficient operation of the Fort Worth System. The methodology shall be that used in the most recent wholesale water rate study completed and approved by the Fort Worth City Council before the Effective Date, which Customer acknowledges having received prior to executing this Agreement. Records of the original cost and the accumulated depreciation of all capital facilities shall be maintained in the Fort Worth Fixed Asset Tracking System. These records shall be available for inspection at the Fort Worth Water Department during reasonable business hours upon request by Customer.
- 6.1.3 Fort Worth shall be allowed to earn and recover in rates a rate-of-return on the rate base as described in § 6.1.2. That rate of return shall be equal to the weighted average imbedded cost of outstanding debt plus one and one-half percent (1-1/2%). The parties agree that this rate of return is reasonable.
- 6.1.4 For the Fiscal Years beginning October 1, 2011, 2014, 2017, 2020, 2023 2026 and 2029, a detailed wholesale water rate study will be performed by an independent utility rate consultant selected by the Director in conformance with § 6.1.1. The same methodology used in the immediate previous rate study will be utilized by the rate consultant so selected. In the interim Fiscal Years between detailed rate studies, Fort Worth will adjust wholesale water rates annually, using the same methodology as the last detailed rate study, and will utilize the actual operating data for the twelve (12) month period ending September 30<sup>th</sup> of the prior year, adjusted for all known and measurable changes in cost data that may have occurred since the last audited financial statement. Such adjustments should allow for year-end trending and the spreading of non-recurring expenses over an appropriate benefit period.



6.1.5 Changes in the wholesale water rate methodology will be allowed if recommended by a majority vote of the Wholesale Customer Advisory Committee and approved by the Fort Worth City Council. For purposes of this **§ 6.1.5**, a majority is defined as any combination of Fort Worth wholesale customers that took more than fifty percent (50%) of the wholesale water delivered by Fort Worth during the immediate past Fiscal Year.

6.2 Rates to be Used.

6.2.1 The rates and charges to be effective upon approval of this Agreement shall be those calculated by the most recent cost of service study and adopted by the Fort Worth City Council to take effect during the current Fiscal Year.

6.2.2 The Raw Water Charge shall be increased or decreased when the raw water cost paid by Fort Worth for water available for treatment and sale to Customer is increased or decreased as determined by the Tarrant Regional Water District in accordance with Fort Worth City Secretary Contract No. 12720.

6.2.3 The Parties agree that services obtained pursuant to this Agreement are essential and necessary to the operation of Customer's waterworks facilities and that all payments made by Customer hereunder shall constitute reasonable and necessary operating expenses of Customer's waterworks and wastewater systems within the meaning of § 1502.056 of the Texas Government Code, and the provisions of any and all ordinances of Customer authorizing the issuance of any revenue bonds of Customer which are payable from its waterworks and wastewater systems.

6.2.4 Customer agrees, throughout the term of this Agreement, to fix and collect such rates and charges for water service to be supplied as will produce revenues in an amount equal to at least (i) all of operation and maintenance expenses of such system, including specifically its payments under this Agreement; and (ii) all other amounts as required by law and the provisions of the ordinances or resolutions authorizing its revenue bonds or other obligations now or hereafter outstanding, including the amounts required to pay all principal of and interest on such bonds and other obligations.

6.2.5 Customer understands that Fort Worth City Council has the right to annually revise the rates charged to cover all reasonable, actual, and expected costs. Revision of rates shall be pursuant to the provisions set forth in this Agreement. Fort Worth shall give Customer a minimum of six (6) months notice of intent to revise rates. Fort Worth will furnish members of the Wholesale Customer Advisory Committee a draft copy of the cost-of-service study of the proposed rates sixty (60) days prior to Fort Worth submitting a rate increase request to its City Council. Within thirty (30) days of receiving the draft study, the Wholesale Customer Advisory Committee will submit its written comments on the draft study to Fort Worth, and Fort Worth will respond to these comments as soon thereafter as possible. If the Wholesale Customer Advisory Committee has not provided its written comments within said period, the Wholesale Customer

Advisory Committee is deemed to have accepted the proposed rates contained in the draft study, and Customer agrees that it will be bound by the rates as approved by the Fort Worth City Council. The rates approved by the Fort Worth City Council shall be the rates to be used in this Agreement for the succeeding Fiscal Year.

#### ARTICLE 7. Payment for Water

Payment of charges to Fort Worth for water used by Customer shall be made as follows:

7.1 Annual Payment. The annual payment will be the charges computed based on all water delivered by Fort Worth to Customer during the current Fiscal Year at rates set pursuant to this Agreement. For purposes of calculating the annual payment, the current year will be the Fiscal Year during which the water usage occurred. However, the minimum annual payment will be the greater of the following:

- 7.1.1 the current Fiscal Year Volume Charge times the current Fiscal Year Annual Consumption, plus the Service Charge, plus the current Fiscal Year Rate of Use Charges (Exhibit C, Example 1); or
- 7.1.2 the current Fiscal Year Volume Charge times the current Fiscal Year Annual Consumption, plus the Service Charge, plus the current Fiscal Year Rate of Use Charges applied to the average of the Maximum Day Demand above Average Daily Use and the average of the Maximum Hour Demand above Maximum Day Demand for the most recently completed three (3) Fiscal Years (to include the current Fiscal Year) (**Exhibit C, Example 2**); or
- 7.1.3 if applicable to Customer, a Stand-by Charge equal to:
  - (a) twelve (12) months;
  - (b) times the total number of EM units for all of the Customer's wholesale meters connected to the System;
  - (c) times 28,800 gallons per day;
  - (d) times a dollar amount equal to a three (3) year numerical average of the Treatment, Pumping and Transmission Charge per 1,000 gallons, using the Treatment, Pumping and Transmission Charge from most recent annual cost-of-service rate study performed by the independent utility rate consultant as provided in § 6.1.4 and the two years prior to the year of that study. This dollar average will remain in effect for purposes of calculating this § 7.1.3 Stand-by Charge until the next cost-of-service rate study is performed by an independent utility rate consultant as provided in § 6.1.4.

**Exhibit B** presents an example calculation of the Stand-by Charge.

7.2 Withdrawal Rate. The rate at which water is withdrawn from the Fort Worth System by Customer shall be regulated by rate-of-flow controllers, pumps, or other approved methods. The rate of withdrawal shall be controlled so that the maximum rate shall not exceed 1.35 times the Maximum Day Demand experienced during the previous year unless Customer has notified the Director at least (6) months before the date of the anticipated increase in the Maximum Day Demand; provided, however that in an Emergency such as a line break, Customer shall advise the Director within 24 hours of the increase in the maximum rate of withdrawal. Customer shall furnish the Director with all pertinent information regarding the proposed increase in maximum rate of withdrawal. The Director may waive the notice requirement if, in his sole opinion, that notice is not necessary to protect the interests of Fort Worth.

7.3 Monthly Payments. The monthly payment will be the sum of (a) plus (b) plus (c):

(a) the greater of:

- (i) one-twelfth (1/12) of the amount calculated in § 7.1, or
- (ii) the Volume Charge times the actual volume of water taken that month;

(b) one-twelfth (1/12) of the sum of the annual Rate of Use Charges, determined as provided in § 7.5 and **Exhibit C**; and

(c) one-twelfth (1/12) of the sum of the Fiscal Year Service Charge.

7.4 Total Annual Payments. The total annual payment for water delivered to Customer shall be based on the annual and peak volumes delivered to Customer during the Fiscal Year, as determined by meters, flow recording devices or other approved methods, and calculated as provided in the annual payment provisions set forth above and in **Exhibits B and C**. The October monthly payment for September's usage shall contain any adjustments necessary to update the Rate of Use Charge calculations as necessary to recover the Annual Payment for the Customer's actual withdrawals from the Fort Worth System (including Rate of Use Charges for Maximum Hour and Maximum Day Demands) for the Fiscal Year just ended, during which the water usage occurred. **Exhibit C** provides examples of the Annual Bill Calculation.

7.5 Rate of Use Charge. As provided in §§ 7.1, 7.3 and 7.4 and shown in **Exhibit C**, Monthly Payments and the Annual Payment shall include Rate of Use Charges, unless the Stand-by Charge applies. The Rate of Use Charges consist of:

(a) Maximum Day Rate of Use Charge, calculated by multiplying the "Excess Max Day Charge" per MGD from the annual cost-of-service rate study, times the Maximum Day Demand (in MGD) in excess of Average Daily Use (in MGD); and

(b) Maximum Hour Rate of Use Charge, calculated by multiplying the "Excess Max Hour Charge" per MGD from the annual cost-of-service rate study, times the Maximum Hour Demand (expressed as MGD) in excess of Maximum Day Demand (in MGD).

**Exhibit C** presents example Rate of Use Charge calculations. Rate of Use Charges are estimated by applying the current Fiscal Year Excess Max Day and Excess Max Hour Charges to the prior Fiscal Year's Maximum Day Demand, Maximum Hour Demand and Average Daily Use in the October through September bills, with adjustments in the October bill as necessary to recover the

Annual Payment based on the Customer's actual withdrawals (including Rate of Use Charges for Maximum Hour and Maximum Day Demands) for the Fiscal Year just ended, during which the water usage occurred.

7.6 Applicability of Stand-by Charge. Customer is subject to the Stand-by Charge if the amount of the Stand-by Charge is the greater of the Annual Payment options listed in § 7.1. Customer is a Stand-by Customer if it receives water from the System for Emergency use only, and the Director has approved that use. A Stand-by Customer's obligations under this Agreement include the requirements of § 3.1 for the location, approval and installation of meters. By execution of this Agreement and approval of the Stand-by service meter, Fort Worth agrees to provide the wholesale Emergency service through the approved meter to the Stand-by Customer, subject to the terms of this Agreement; however, notwithstanding § 2.1, delivery of water to a Stand-by Customer is subordinate to Fort Worth's other delivery obligations. Further, this Agreement does not grant or imply that the Standby Customer has reserved any water service, capacity or delivery from the System, other than for Emergency use as provided in this § 7.6. Any change in the Stand-by Customer's use from Emergency to non-Emergency must be approved in writing by the Director. Unless otherwise agreed in writing by Customer and Director, the Stand-by Customer is not required to pay the Impact Fees required by Article 16 until it requests or takes deliveries of water from the System that exceed the approved Emergency use.

#### ARTICLE 8. Effective Date

The effective date and time of this Agreement for all purposes is January 1, 2011 at 12:01 a.m. Upon the Effective date, the wholesale water service agreement then in effect between Fort Worth and the Customer is terminated and superseded by this Agreement.

#### ARTICLE 9. Term

This Agreement expires on September 30, 2031. It may be renewed on terms mutually agreeable to the Parties.

#### ARTICLE 10. Rights-of-Way

Customer shall grant, without charge to Fort Worth, such easements and rights-of-way along public highways or other property owned by Customer, as requested by Fort Worth, in order to construct or maintain mains or facilities within the Customer's Service Area to provide water to Customer and to other areas. Upon notice from Customer and at Fort Worth's expense incurred as a System Cost, Fort Worth will move such water mains or facilities located in such street rights-of-way, or other property owned by Customer when reasonably necessary to the performance of essential governmental duties by Customer. Fort Worth shall grant, without charge to Customer, such easements and rights-of-way along public highways or other property owned by Fort Worth, as requested by Customer, in order to construct and maintain water mains or facilities within Fort Worth to provide water to Customer. Upon notice from Fort Worth and at Customer's expense, Customer will move such water mains or facilities when located in such street rights-of-way or other property owned by Fort Worth when reasonably necessary to

performance of essential governmental duties by Fort Worth. All work done by or on behalf of Fort Worth under this paragraph will be performed in accordance with specifications equal to those applying to work of a similar nature performed within Fort Worth, and the applicable Party will use its best efforts to restore the others property to as near original condition as feasible unless otherwise mutually agreed in writing. Fort Worth and Customer agree to coordinate the location of the mains and/or facilities in the other's easements and rights-of-way in order to prevent further conflicts insofar as is reasonably practicable.

#### ARTICLE 11. TCEQ Public Water Supply Approval

The Customer System shall be approved by the TCEQ during the life of this Agreement. If, at any time, the Customer System is not approved by the TCEQ, or if Customer does not have an active cross-connection control program, there shall not be any direct physical connection between the Fort Worth System and the Customer System unless an approved backflow prevention device has been provided and installed and this installation has been approved by the TCEQ. All expenses to provide and install backflow prevention device(s) will be borne by Customer.

#### ARTICLE 12. Resale of Water

12.1 Outside Service Area. Customer agrees that it will not share facilities for water system use with any other governmental or corporate entity outside of Customer's Service Area without the express written consent of Fort Worth, which consent shall not be unreasonably withheld. Fort Worth neither recognizes nor approves any existing agreements entered into by Customer with other governmental or corporate entities outside of Customer's Service Area, unless expressly approved in writing by the Director before the Effective Date.

12.2 Exceptions. Only those existing connections outside of the Customer's Service Area shown in **Exhibit E** may continue. Customer agrees that it will not enter into any resale or transportation agreement other than as a part of its normal offering and supply of water to existing and future subscribers to its Customer System without the recommendation of the Wholesale Customer Advisory Committee and express written consent of Fort Worth.

#### ARTICLE 13. Sanitary Sewer Facilities

The Customer agrees that it will require all of its customers, who are provided water from the Fort Worth System, to have adequate sanitary sewage facilities meeting TCEQ requirements.

#### ARTICLE 14. Additional Wholesale Customers

Fort Worth will use its best efforts to provide an adequate water supply for all of its customers. Prior to the approval of additional wholesale customers, Fort Worth will obtain in writing reasonable assurances from the Tarrant Regional Water District that the projected ten (10) year water demands of the then-existing wholesale customers being served and any proposed additional customers can be fulfilled, and will charge the new customer an appropriate connection fee pursuant to § 3.3. Fort Worth will consult with the Wholesale Customer

Advisory Committee and the Tarrant Regional Water District before contracting with additional new wholesale water customers.

#### ARTICLE 15. Wholesale Customer Advisory Committee

Customer's governing body shall annually appoint a representative to be a voting member of the Wholesale Customer Advisory Committee, whose purpose shall be to consult with and advise Fort Worth, through the Director, on matters pertaining to conservation, wholesale planning, improvements, grants, wholesale rate studies, administration, budgets, and additional wholesale customers, whether same be wholesale customers of Customer or Fort Worth. The Wholesale Customer Advisory Committee may establish bylaws governing the election of officers, meeting dates and other matters pertinent to its functioning.

#### ARTICLE 16. Impact Fees

16.1 Calculation and Payment of Impact Fees. On a quarterly basis, Customer agrees to pay to Fort Worth an Impact Fee for each new or enlarged connection for water service made within Customer's Service Area served by the Fort Worth System. The Impact Fee to the Customer for each such connection shall be based upon the size of water meter and shall be equal to the Impact Fee adopted by Fort Worth and collected for the same size water meter and type of connection within the jurisdiction of Fort Worth. The calculation of the Impact Fee shall be consistent with the Fort Worth ordinance adopting the Impact Fee in accordance with all applicable state and federal regulations, including Chapter 395, and shall include only those costs allowed under § 395.012 (or its amended or successor statute) that are associated with Capital Improvements necessary to provide service to new development. Nothing within this Agreement shall be deemed to prevent either Fort Worth or Customer from charging their own retail customers' Impact Fees in excess of the Impact Fee authorized by this Agreement.

16.2 Multiple Surface Water Providers. If Customer receives surface water from more than one water provider for use by potable water customers within its Service Area, then the Customer's impact fees due to Fort Worth shall be proportionately reduced. The charge will be a fractional part of the Impact Fee imposed within Fort Worth for the same size of meter based on the ratio of the annual amounts of water purchased from Fort Worth to the total annual combined amount of surface water purchased from Fort Worth and the Customer's other surface water provider(s). For purposes of calculating this fractional part, this ratio will be the greater of the most recent prior annual ratio or the most recent 3 year average ratio occurring after the first Fiscal Year after the Effective Date.

16.3 Use of Impact Fees. As required by Chapter 395, Fort Worth agrees that all money remitted to it pursuant to this **Article 16** will be placed in an interest bearing account to pay only for the cost of constructing Capital Improvements included in the Chapter 395 capital improvements plan, and will not be used for operation and maintenance expenses. Once expended, such funds and all interest earned thereon will be considered a "contribution" for rate setting purposes only. To the extent that the cost of any Capital Improvement is recovered through Impact Fees, it shall not be included in the System Cost.

16.4 Impact Fee Report. Customer shall provide to Fort Worth information that relates to the making of new and/or enlarged connections within its jurisdiction as may be requested by the Director, including building permits, with each quarterly payment required in this **Article 16**.

16.5 No Waiver. Neither Fort Worth nor Customer shall waive any Impact Fee due from new or enlarged connections to its respective system within its jurisdiction. However, either Fort Worth or Customer may pay such Impact Fee into the interest bearing Impact Fee account required by **§ 16.3**.

16.6 CIFC. The Wholesale Customer Advisory Committee created pursuant to **Article 15** shall select five (5) of its members to a subcommittee to be known as the Customer Impact Fee Committee ("CIFC"). As required by Texas Local Government Code § 395.052, at least every five (5) years, beginning June, 2014, or sooner, Fort Worth will update the land use assumptions and capital improvements plan upon which the Fort Worth Impact Fees are based, or make the determination under Chapter 395 that no update is required. Fort Worth shall submit a copy of the annual report of Fort Worth Impact Fee projects and expenditures to the Wholesale Customer Advisory Committee Rate Subcommittee. In June 2014 and at least every five years thereafter, the CIFC shall submit a list of five qualified engineers or planning consultants to the Director. The Director shall select a consultant from such list to assist Fort Worth in developing land use assumptions, identifying capital improvements, and formulating capital improvement plans and Impact Fees. The consultant shall be responsible to Fort Worth and its citizen's advisory committee, but shall also report to the CIFC. The cost of the consultant shall be deemed a System Cost, except to the extent that such cost is recovered through Impact Fees. If the CIFC fails to submit a list of five consultants to Fort Worth, Fort Worth shall select the consultant.

16.7 Capital Improvements Plan. Fort Worth agrees that only the Capital Improvements as defined in **§ 1.4** shall be included in the capital improvements plan for the purpose of determining Impact Fees; provided however, Fort Worth may include other capital improvements for the purpose of determining Impact Fees to its own retail customers. Fort Worth shall not be required to include all of its capital improvements in its Chapter 395 capital improvements plan. The CIFC shall be responsible for working with Fort Worth and its consultants to determine the Capital Improvements to be included in the calculation of any Impact Fees. The CIFC shall recommend to the Wholesale Customer Advisory Committee which Capital Improvements should be included in the calculation of any Impact Fees. The CIFC shall also meet with Fort Worth's citizen advisory committee as such citizen's advisory committee reviews and considers land use assumptions, the capital improvements plan and Impact Fees.

16.8 Dissemination of Documents. Prior to the adoption of any land use assumptions, capital improvements plan, or Impact Fees assessed by Fort Worth, the CIFC shall be furnished a copy of the proposed land use assumptions, capital improvement plans or Impact Fees at least thirty (30) days prior to any scheduled hearing thereon. Any revised Impact Fee adopted pursuant to such updated capital improvements plan shall not take effect for a period of at least ninety (90) days after adoption by Fort Worth.

16.9 Audited Financial Statement. Upon request, Fort Worth shall make available to the Wholesale Customer Advisory Committee the most recent audited financial statement of the Fort Worth Water Department's records.

16.10 Current Impact Fees. Customer agrees to pay Impact Fees in the amounts determined pursuant to this **Article 16**. On the Effective Date, those impact fees are the Impact Fees most recently adopted by the Fort Worth City Council before the Effective Date. Thereafter the Impact Fees are those in effect by Fort Worth ordinance at the time the new or enlarged connection is made.

16.11 Changes to Chapter 395. Fort Worth and Customer agree that the methodology for the calculation of Impact Fees required by this Agreement shall be consistent with the methodology prescribed by Chapter 395. If that statutory methodology is amended or replaced by a new statute, the Wholesale Customer Advisory Committee may engage legal counsel to work with Fort Worth to propose amendments to this Agreement to conform it to such amendment or new statute. The reasonable cost of such legal counsel shall be a System Cost.

#### ARTICLE 17. Breach, Termination and Other Remedies

17.1 Termination by Mutual Consent. This Agreement may be terminated in whole or in part by the mutual consent of Customer and Fort Worth. Fort Worth's decision on whether to consent to termination remains within its sole discretion; however, before consenting to termination, Fort Worth shall consult with WCAC regarding the circumstances of the proposed termination.

17.2 Termination for Material Breach. Notwithstanding anything in this Agreement to the contrary, any material breach by either Party to perform any of its duties or obligations under this Agreement, or to faithfully keep and perform any of the terms, conditions and provisions of this Agreement, shall be cause for termination of this Agreement by the non-breaching Party in the manner set forth in this § 17.2. Upon such breach, the non-breaching Party may notify the breaching Party of the non-breaching Party's intention to terminate this Agreement if the breaching Party fails to cure such breach within ninety (90) days from the date of the notice. The notice must include a reasonable description of the breach. The non-breaching Party shall notify the breaching Party in writing upon acceptance of the cure of any breach. If by the ninetieth (90th) day the breaching Party fails or refuses to cure such breach pursuant to the terms and conditions of this Agreement, then the non-breaching Party shall have the right to terminate this Agreement with six months additional notice to the breaching Party.

17.3 Termination for Repeated Breach. Upon a second (or any repeated) breach of a similar nature by a Party and irrespective of any cure of such breach, the non-breaching Party may, after six (6) months notice to the breaching Party, terminate this Agreement. That notice must be provided within a reasonable time after the repeated breach that is the basis for the termination.

17.4 Material Breach. The following breach, default or failure to perform a duty or obligation under this Agreement is a material breach:



- a. Failure to comply with §§ 2.5 or 2.6 requirements regarding rationing, conservation measures or restrictions;
- b. Failure to pay any bill, charge, or fee as required by this Agreement, including fees required under Article 16;
- c. Making any connection to the Fort Worth System at any point except as provided in § 3.2;
- d. Failure to correct any potentially hazardous connection in accordance with the terms of Article 11, after notice delivered by certified mail;
- e. Failure to provide Fort Worth ingress and egress for purposes of operation and maintenance of any metering facility;
- f. Failure to provide Fort Worth rights-of-way as required herein; or
- g. Failure to provide Fort Worth an Impact Fee report as required in Article 16.

All other breaches are deemed to be non-material.

17.5 Notice and Cure. In the event of a material or non-material breach, default or failure to perform a duty under this Agreement, the non-breaching Party may send a notice of such default to the breaching Party. The notice must include a reasonable description of the breach. If the breaching Party fails to cure the breach, default or failure within 60 days of that notice, then the non-breaching Party may give the breaching Party a second notice of its failure to cure the breach. Failure to cure the breach within 30 days after the second notice shall constitute a repeated breach, and may result in termination of this Agreement as provided in § 17.3 for repeated breach. Fort Worth may, upon breach by a Customer, surcharge the Customer an amount developed and calculated by Fort Worth intended to reimburse Fort Worth for any damages each month, including 10% interest, until Customer cures that breach. Because failure to perform obligations under this Agreement cannot be adequately compensated in money damages alone, the Parties shall have available to them the equitable remedy of specific performance in addition to any other legal or equitable remedy as may be provided by law.

17.6 Notice and Cure for Nonpayment of Impact Fees. If the breach is based on the non-payment or underpayment of Impact Fees, then the Customer shall pay Fort Worth the amount of the non-payment or under-payment within 60 days of the notice required by §§ 17.2 or 17.5, plus interest at a rate of 10% of the amount owed, accruing from the time at which the payment was due. An additional charge of \$500.00 will be added if no Impact Fee report was filed.

17.7 Notice and Cure for Breach of Water Use Restrictions and Conservation. If Customer breaches §§ 2.5 or 2.6, then the § 17.2 notice provisions do not apply and the Director, in his sole discretion, may, in writing, set such time in which the Customer shall cure the breach. If Customer fails or refuses to cure the breach within the stated time, then Fort Worth shall have the right to declare this Agreement terminated after six (6) months additional notice to Customer.

17.8 Failure to Provide Notice of Withdrawal Rate under § 7.2. Failure to provide § 7.2 notice, provided the Director did not waive notice requirements, will be considered a non-material breach of the Agreement and, in addition to other remedies available under this Agreement, shall result in an automatic surcharge in the amount specified in § 17.5 for such non-material breaches of the Agreement, without further notice requirements.

17.9 Effect of Termination. Upon termination of this Agreement under this **Article 17**, all rights, powers, and privileges of Customer and Fort Worth under this Agreement shall cease and terminate, and neither Party shall make any claim of any kind whatsoever against the other Party, its agents or representatives, by reason of termination or any act incident to termination, if the terminating Party acted reasonably and the termination was not unreasonable, or arbitrary and capricious. If this Agreement is not renewed before it expires, and the Parties are negotiating in good faith regarding the provisions of a new agreement, then the Parties may extend the date for termination, in writing that refers to this § 17.9 and is signed by both Parties. If this Agreement is not renewed, or if the Agreement is terminated by one of the Parties pursuant to this **Article 17**, then, as authorized by Texas Water Code § 11.036, this Agreement requires the Customer to develop alternative or replacement supplies before the expiration or termination of this Agreement; this requirement may be enforced by the equitable remedy of specific performance, sought by court order, in addition to any other legal or equitable remedy as may be provided by law. No continuation of the service obligation exists or will be implied after expiration or termination.

17.10 No Waiver by Fort Worth. Any failure by Fort Worth to terminate this Agreement, or the acceptance by Fort Worth of any benefits under this Agreement, for any period of time after a material breach, default or failure by Customer shall not be determined to be a waiver by Fort Worth of any rights to terminate this Agreement for any subsequent material breach, default or failure.

17.11 No Waiver by Customer. Any failure by Customer to terminate this Agreement, or the acceptance by Customer of any benefits under this Agreement, for any period of time after a material breach, default or failure by Fort Worth shall not be determined to be a waiver by Customer of any rights to terminate this Agreement for any subsequent material breach, default or failure.

#### ARTICLE 18. Ownership and Liability

18.1 No Joint Venture. No provision of this Agreement shall be construed to create any type of joint or equity ownership of any property, any partnership or joint venture, nor shall same create any other rights or liabilities and Customer payments (whether past, present, or future) shall not be construed as granting Customer partial ownership of, pre-paid capacity in, or equity in the Fort Worth System.

18.2 Liabilities. Liabilities for damages arising from the proper treatment, transportation and delivery for all water provided hereunder shall remain with Fort Worth to the point of delivery and, upon passing through the meter, liability for such damages shall pass to the Customer, save and except that Fort Worth's sole responsibility is to provide to Customer water of a quality which meets state and federal drinking water standards. Each Party agrees to save, release and hold harmless the other Party from all claims, demands, and causes of action which may be asserted by anyone on account of the quality, transportation and delivery while water is in the control of such Party. This covenant is not made for the benefit of any third party. Fort Worth takes the responsibility as between the Parties for the proper treatment, quality, transportation, and delivery of all such water provided by it to the point of delivery.

18.3 Contractors. Agreements made and entered into by either Customer or Fort Worth for the construction, reconstruction or repair of any Delivery Facility shall include the requirement that the independent contractor(s) must provide adequate insurance protecting both the Customer and Fort Worth as co-insured. Such Agreement must also provide that the independent contractor(s) covenant to indemnify, hold harmless and defend both the Customer and Fort Worth against any and all suits or claims for damages of any nature arising out of the performance of such Agreement.

#### ARTICLE 19. Force Majeure

19.1 Notice and Suspension. If by any reason of force majeure either Party shall be rendered unable, wholly or in part, to carry out its obligations under this Agreement, other than the obligation of the Customer to make payments required under the terms hereof, then if such Parties shall give notice and full particulars of such force majeure in writing to the other Party within a reasonable time after the occurrence of the event or cause relied on, the obligation of the Party giving such notice, so far as it is affected by such force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and such Party shall endeavor to remove or overcome such inability with all reasonable dispatch.

19.2 Definition. The term "force majeure," as employed herein, shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of public enemy, orders of any kind of the government of the United States or the State of Texas, or any civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraints of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, and inability on the part of Fort Worth to deliver water hereunder or the Customer to receive water hereunder on account of any other cause not reasonably in the control of the Party claiming such inability.

#### ARTICLE 20. Notices

20.1 Required Notice. Except in the case of an Emergency, any notice or other communication that is required, given or provided for under this Agreement shall be in writing, and addressed as follows:

To Fort Worth:           Water Director  
                                  City of Fort Worth  
                                  1000 Throckmorton Street  
                                  Fort Worth, TX 76102

To Customer:           ~~Mayor~~ District Manager  
                                  ~~City of~~ Trophy Club MUD 1  
                                  ~~Address~~ 106 Municipal Drive  
                                  Trophy Club, Texas 76262

With an additional copy to be given to a Customer representative, if designated in writing by Customer.

20.2 Delivery and Receipt. Notice shall be either (a) delivered personally, (b) sent by United States certified mail, postage prepaid, return receipt requested, (c) placed in the custody of a nationally recognized overnight carrier for next day delivery, or (d) sent via telecopy or facsimile (fax) transmission. Notice shall be deemed given when received if delivered personally or sent via telecopy or facsimile transmission with written confirmation of receipt; forty-eight (48) hours after deposit if sent by mail; and twenty-four (24) hours after deposit if sent by nationally recognized overnight carrier for next day delivery.

20.3 Change of Address Notices. Each Party shall provide notice in writing, as provided in § 20.1 of any change in its address.

#### ARTICLE 21. Inspection and Audit

Complete records and accounts required to be maintained by each Party shall be kept for a period of five (5) years. Each Party shall at all times, upon notice, have the right at reasonable times to examine and inspect said records and accounts during normal business hours; and further, if required by any law, rule or regulation, make said records and accounts available to federal and/or state auditors. The responding Party shall make the records available promptly upon request.

#### ARTICLE 22. Miscellaneous

22.1 Favored Nations. Fort Worth and Customer agree that if Fort Worth should enter into any future Agreement for supplying treated water to any municipality under more favorable terms or conditions than set forth herein, this Agreement shall be amended to provide the same terms and conditions with respect to the sale of treated water to Customer.

22.2 Suspension of Rate of Use Charges. During an Emergency it may be necessary that water be withdrawn from the Fort Worth System at a rate of usage in excess of the Customer's contractually established Maximum Daily Demand and Maximum Hour Demand. It is agreed that extra Rate of Use Charges that would normally be applicable shall not apply for such bona fide emergency withdrawals provided that Fort Worth is notified in writing within forty-eight (48) hours of the occurrence of the Emergency. In any event, the normally applicable Rate of Use Charges the Customer would have incurred had it not been an Emergency, plus the Volume Charges for all water delivered, shall be due and payable as described elsewhere in this Agreement.

22.3 Water to Adjacent Areas. At the request of the Director, Customer agrees to furnish water to areas and premises situated adjacent to the boundary of Customer and within the boundaries of Fort Worth, subject to the Texas Water Code and TCEQ regulations regarding service areas. The metered quantity of water used in this area each month by Fort Worth shall be the total of all individual customer meter readings. At the option of Customer or Fort Worth, a master meter may be installed where practicable at the expense of Fort Worth to meter all water used by Fort Worth under the terms of this § 22.3. The metered quantity of water furnished by

Customer to Fort Worth shall be deducted from the total quantity of water withdrawn from the Fort Worth System by Customer before the charge for water service to Customer is computed in accordance with the payment computations set forth and based on the Volume Charge, the quantity of water so withdrawn from the Fort Worth System and, if the meter serving those customers has been equipped to measure it, Maximum Day Demand and Maximum Hour Demand.

22.4 Subject to Laws and Permits. This Agreement is subject to all applicable federal and state laws and any applicable permits, amendments, orders, or regulations of any state or federal governmental authority having or asserting jurisdiction, but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, order, rule or regulation in any forum having jurisdiction. Customer agrees to abide by any changes in this Agreement made necessary by any new, amended, or revised state or federal regulation; however the Parties may not enact rules or laws that conflict with this Agreement.

22.5 Entry on Customer's Premises. Upon prior notice by the Director, Customer shall allow any duly authorized employee of Fort Worth who presents proper credentials to access any premises located within Customer's Service Area or served by Customer as may be necessary for the purpose of inspections and observation, measurements, sampling and testing and/or auditing, in accordance with the provisions of this Agreement. Customer may elect to accompany the Fort Worth representative. To the extent permitted by law, Fort Worth agrees to be responsible to Customer for any damage or injury to person or property caused by the negligence of such duly authorized employee while such employee is in the course and scope of their employment.

22.6 Alternative Dispute Resolution.

22.6.1 The parties shall endeavor, but only to the extent permitted by applicable law and at no additional cost to Customer, to settle all disputes arising out of or relating to this Agreement by amicable negotiations.

22.6.2 Any and all disputes arising out of or relating to this Agreement that cannot be resolved informally will be submitted to mediation. The place of mediation shall be in Tarrant County, Texas. A mediator shall be jointly agreed to by both Parties, and the mediator selected shall have expertise in the sale and supply of treated water. Either Party may apply for injunctive relief until the mediation decision is rendered or the controversy is otherwise resolved. Either party may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any interim or provisional relief that is necessary to protect the rights or property of that Party, pending the mediator's determination of the merits of the controversy. Each Party shall initially bear its own costs and expenses; however, unless otherwise agreed in mediation, Fort Worth's costs in mediation, including expenses, reasonable attorneys' fees and other costs, shall be a System Cost. Nothing occurring during mediation shall be considered evidence in court.

22.6.3 If mediation is not successful, either Party may commence litigation to resolve the dispute. Fort Worth's litigation costs shall be a System Cost.

22.7 Information. If requested by the Director, Customer shall provide quarterly the following data or information:

22.7.1 Actual number of customer accounts consuming directly or indirectly from the Customer System within Customer's Service Area;

22.7.2 Classification of domestic and nondomestic accounts within its Customer's Service Area by number and percentage of accounts consuming directly or indirectly from Customer System within its Customer's Service Area;

22.7.3 Customer water usage from all sources other than the Fort Worth System, including ground water, other surface water, and water supply agreements with other entities; and

22.7.4 Additional data which may assist Fort Worth and/or Customer in developing methodology for cost of service studies, planning studies for analyzing federal grants, and Impact Fees; provided, however, that neither Party shall request data that will require either Party to incur unreasonable expenses in providing such data.

22.8 Assignment. Customer may not assign this Agreement without the prior written consent of Fort Worth. Fort Worth may not assign this Agreement without the prior written consent of Customer, except that if Fort Worth's water utility is designated as a regional water agency by a duly authorized regulatory body, or if Fort Worth elects to contract with or assign this Agreement to a regional water authority or utility to provide all or part of the services covered by this Agreement, the Customer hereby agrees and grants Fort Worth the right to assign this Agreement under the following conditions. The regional water authority or utility shall assume and receive the same obligations, responsibilities and benefits as Fort Worth, and Fort Worth or the regional authority or utility will notify the Customer of such assignment at least ninety (90) days prior to its effective date.

22.9 No Waiver. No waiver by either Party of any term or condition of this Agreement, or failure to give notice of any breach, shall be deemed or construed to be a waiver of any other term or condition or subsequent waiver of the same term or condition.

**22.10 VENUE. THE PARTIES AGREE THAT THIS AGREEMENT IS PERFORMABLE IN TARRANT COUNTY, TEXAS AND THAT THE COURTS OF TARRANT COUNTY ARE A PROPER FORUM FOR THE DETERMINATION OF ANY DISPUTE ARISING UNDER THIS AGREEMENT.**

22.11 Construction. As used in this Agreement, the term "including" means "including without limitation," the words "shall" and "will" are mandatory and the word "may" is permissive, and the term "days" means calendar days, not business days. Wherever required by the context, the singular shall include the plural, and the plural shall include the singular.

22.12 Severability. If any term or provision in this Agreement is held to be invalid or unenforceable by any legislative act or court of competent jurisdiction, and the extent of such invalidity or unenforceability does not cause substantial deviation from the underlying intent of the parties as expressed in this Agreement, then such invalid or unenforceable provision shall be

deemed severed from this Agreement without invalidating the remainder of this Agreement, and a new provision shall be deemed substituted in lieu of the provision severed, which new provision shall, to the extent possible, accomplish the intent of the parties as evidenced by the provision severed, and without affecting any other term or provision in this Agreement.

22.13 Use of Return Water. Customer agrees that Fort Worth has the right to own and to use or sell any Return Water. Customer will not seek or receive any compensation, credit, or offset from Fort Worth for making the Return Water available to Fort Worth through discharges into Fort Worth's wastewater collection and treatment system(s), and agrees that it will not provide water service under any ordinance or agreement that conflicts with Fort Worth's rights under this § 22.13.

22.14 System Regulatory Actions. Customer agrees, upon the request of Fort Worth, to give reasonable consideration to supporting Fort Worth, and shall not oppose Fort Worth, on any permit applications or governmental approvals related to the Fort Worth System.

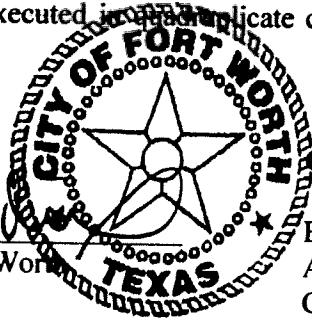
22.15 Additional Contract Terms. Additional contract terms that apply to the Customer, but not Fort Worth's other wholesale customers, are contained in **Exhibit F** "Additional Terms."

22.16 Exhibits. All exhibits attached to this Agreement are incorporated into this Agreement by reference, for all intents and purposes of this Agreement, as follows:

Exhibit A	Customer Service Area and mutually agreed point(s) of delivery on the Effective Date.
Exhibit B	Stand-by Charge (Example Calculation)
Exhibit C	Example of the Annual Bill Calculation
Exhibit D	Calculation of PILOT and Cost of Service Revenue Requirement to Recover the Cost of Pilot
Exhibit E	Map of Existing Connections Outside Customer's Service Area [if any].
Exhibit F	Additional Terms [if any]

[THIS SPACE INTENTIONALLY BLANK]

IN TESTIMONY WHEREOF, after proper action by the respective governing bodies of the Parties, this Agreement has been executed in duplicate copies, each of which is considered to be an original.



ATTEST:

Margherita  
City Secretary, City of Fort Worth

CITY OF FORT WORTH

By: Terrence Cook  
Assistant City Manager  
City of Fort Worth

APPROVED AS TO FORM AND LEGALITY:

Christina K. Reynolds  
City Attorney, City of Fort Worth  
Date: 11.8.10

APPROVAL RECOMMENDED:

Frank  
Director  
City of Fort Worth Water Department

C-24541  
Contract Authorization  
10/12/10  
Date

ATTEST:

Ken  
Secretary

Trophy Club muo 1  
CUSTOMER James C. Thomas  
By: James C. Thomas  
muo 1 President

APPROVED AS TO FORM AND LEGALITY:

[Signature]  
Attorney  
Date: 7-20-10

APPROVAL RECOMMENDED:

Robert Beatt  
Print Name: Robert Beatt  
Title: District manager

OFFICIAL RECORD  
CITY SECRETARY  
FT. WORTH, TX



**EXHIBIT A**

**SERVICE AREA AND POINTS OF CONNECTION**

**OFFICIAL RECORD  
CITY SECRETARY  
FT. WORTH, TX**

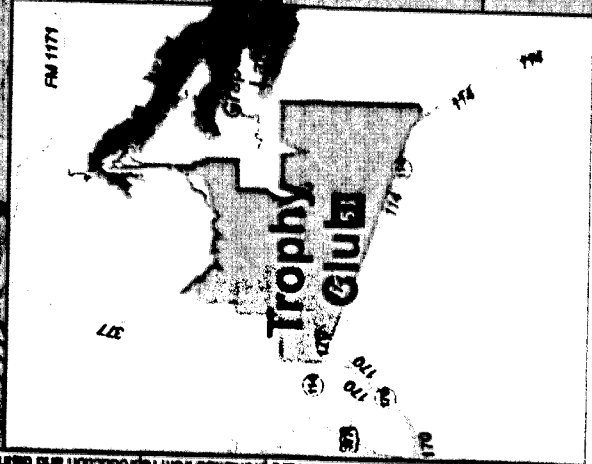
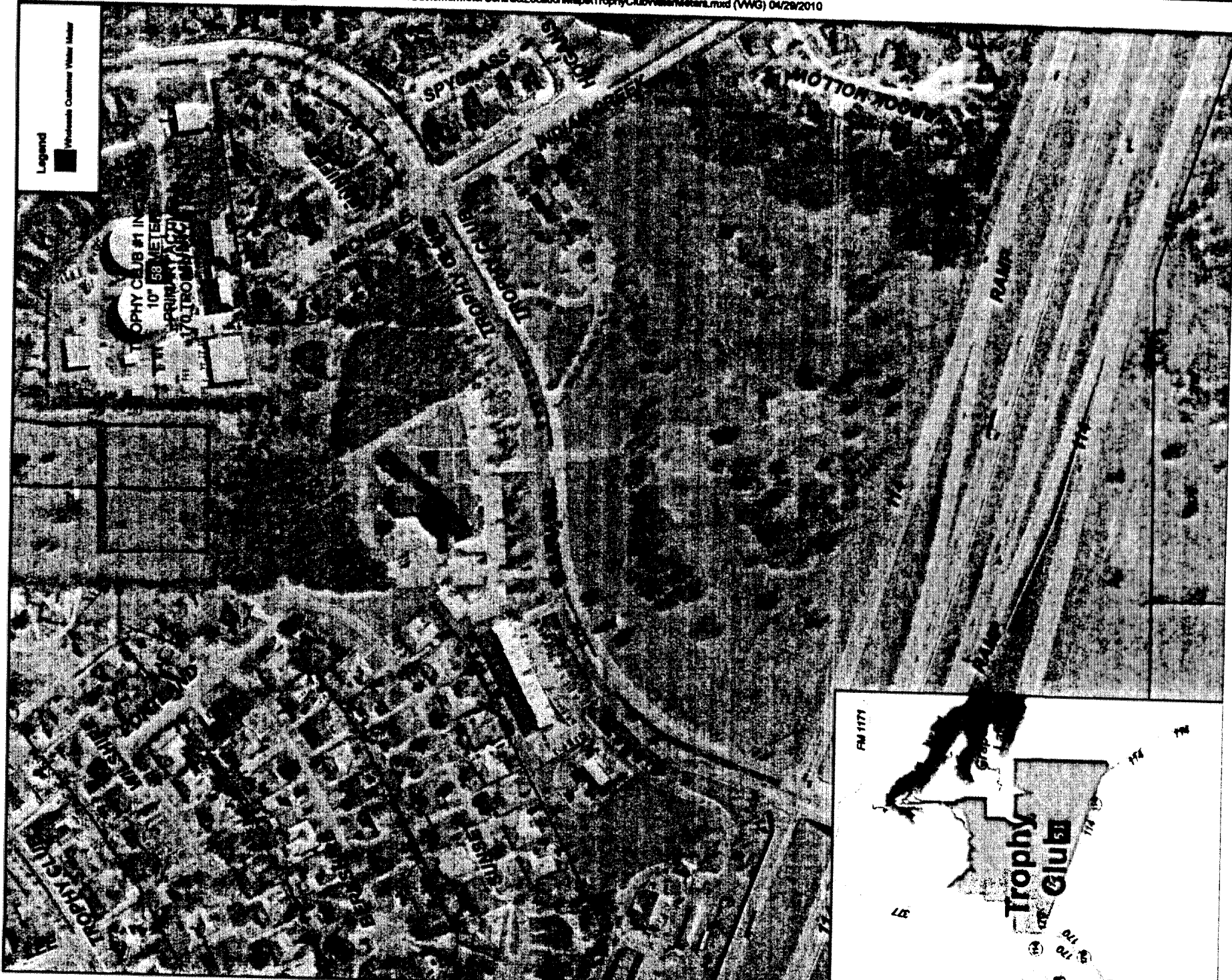
EXHIBIT A  
CUSTOMER METERS

Customer	Meter ID	Address	Meter Size In.	Pressure Plane	Comment	Primary	Standby
Trophy Club	Trophy Club	170 to Trophy Club Rd	10, 2	NS2	Compound	1	
<b>Trophy Club Total</b>						1	

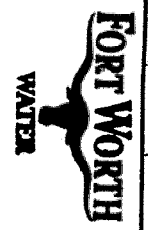


# Wholesale Customer Meters For Trophy Club

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For general purpose only. Contact City of Fort Worth Department of Transportation Public Works at 817-323-6425 to get plan information for design or construction purposes. Maps with aerial and control information are provided from reproduction and distribution without prior consent from the North Central Texas Council of Governments.



# Wholesale Customer Meters For Trophy Club



**Legend**

-  Wholesale Customer Water Meter
-  Adjacent City
-  CFW City Limit

For general purpose only. Contact City of Fort Worth Department of Transportation Public Works at 817-392-8428 to get plan information for design or construction purposes. Maps with aerial and contour information are prohibited from reproduction and distribution without prior consent from the North Central Texas Council of Governments.

\\nwcd01\swen\Group\GIS\projects\prod\ord\NorthBase\_m\man\row\WholesaleCustomerMeter\Contract\ord\Map\Overview\TrophyClubWaterMeters.mxd (VWG) 09/10/2010

**EXHIBIT B**

**SECTION 7.1.3**

**Stand-by Charge Example Calculation**

**1) Stand-by Charge Calculation Inputs:**

- 10 inch meter = 210 EMs
- 1 EM = 20 Gal per Minute X 60 Minutes per Hour X 24 Hours per Day or 28,800 Gallons per Day
- Does not include Cost of Raw Water

3-Year Average Treatment, Pumping and Transmission Charge (\$/1,000 Gals) Calculation:

FY05	FY06	FY07
\$0.5398	\$0.6829	\$0.6291

Three Year Average \$0.6173

**2) Stand-by Charge Calculation:**

Monthly Standby Charge = 28,800 Gallons per Day X 210 EM X \$0.6173 per 1,000 Gallons or \$3,733 per Month.

Annual Standby Charge = 12 Months X \$3,733 per Month or \$44,801.

## STANDBY CHARGE

### ASSUMPTION AND DEFINITIONS:

The Minimum Standby Charge is based on the maximum amount of water a connection could draw in a 24-hour period.

The calculation assumes that any usage would be temporary and of an emergency basis.

The calculation is also based on the number and size of each connection.

The Transmission Charge is the 3-year average for that charge as calculated in the most recent independent cost-of-service study.

Reserved Capacity is defined as the maximum amount of water a connection could draw in a 24-hour period.

“Equivalent Meters” or “EM” is a means of relating a large-use customer with a base (residential) use customer. Fort Worth uses 5/8 x 3/4 inch meter capacity as an EM. The ratio of larger meter's capacity to the 5/8 x 3/4 inch meter capacity is the number of

EMs for each meter. The ratios can be found in the AWWA Standard C700-02.

1 EM delivers 20 Gallons per Minute.

1 EM delivers 28,800 Gallons per Day (20 GPM \* 60 Minutes/Hour \* 24 Hours/Day).

Maximum Reserved Emergency Usage equals EM \* 28,800

## EXHIBIT C

### SECTION 7.4 Total Annual, Monthly and Rate of Use Example Calculations

The calculations shown below assume a customer drawing water from one metering station. **The volumes, peaks, rates and charges in this Exhibit C are for demonstration purposes only and are not based on adopted rates or on actual usage for the Customer.**

The annual Volume Rate is charged as a rate per 1,000 gallons. The Annual Payment also includes the monthly service charge.

Month	Gallons	Volume Rate \$/1,000 Gallons	Volume Charges	Service Charges	Rate of Use Charges*	Total
Oct	1,000,000	\$1.43	\$1,430	\$25	\$2,209	\$3,664
Nov	1,000,000	\$1.43	\$1,430	\$25	\$2,209	\$3,664
Dec	1,000,000	\$1.43	\$1,430	\$25	\$2,209	\$3,664
Jan	1,000,000	\$1.43	\$1,430	\$25	\$2,209	\$3,664
Feb	1,000,000	\$1.43	\$1,430	\$25	\$2,209	\$3,664
Mar	2,000,000	\$1.43	\$2,860	\$25	\$2,209	\$5,094
Apr	3,000,000	\$1.43	\$4,290	\$25	\$2,209	\$6,524
May	3,000,000	\$1.43	\$4,290	\$25	\$2,209	\$6,524
Jun	3,000,000	\$1.43	\$4,290	\$25	\$2,209	\$6,524
Jul	3,000,000	\$1.43	\$4,290	\$25	\$2,209	\$6,524
Aug	4,000,000	\$1.43	\$5,720	\$25	\$2,209	\$7,954
	<u>23,000,000</u>		<u>\$32,890</u>	<u>\$275</u>	<u>\$24,299</u>	<u>\$57,464</u>
Sep	<u>3,000,000</u>	\$1.43	<u>\$4,290</u>	<u>\$25</u>	<u>\$7,021</u>	<u>\$11,336</u>
	<u>26,000,000</u>		<u>\$37,180</u>	<u>\$300</u>	<u>\$31,320</u>	<u>\$68,800</u>

\* Example calculation for Rate of Use Charges is on Page 2 of 4.

**EXHIBIT C**

**SECTION 7.4 Total Annual Payment Example Calculation (con't)**

**Example Calculation for monthly Rate of Use Charges**

	<b>Gallons</b>
Average Daily Use for the prior year	60,000
Maximum Day Demand for the prior year	175,000
Maximum Hour Demand for the prior year (converted to gallons per day)	480,000
Maximum Day Demand above Average Daily Use (Max Day - Avg Day)	115,000
Maximum Hour Demand above Maximum Day Demand (Max Hour - Max Day)	305,000

Monthly Excess Maximum Day and Excess Maximum Hour Payment Calculation:

	MGD	Excess Max Charges/MGD*	Total
Max Day Above Avg Day	0.115	\$135,000	\$15,525
Max Hour Above Max Day	0.305	\$36,000	\$10,980
			\$26,505
Monthly Rate of Use Charge Payment (Total Divided by 12)			\$2,209

\*The Excess Max Charges/MGD are the Excess Max Day Charge and the Excess Max Hour Charge, each in \$/MGD, taken from the current Fiscal Year annual cost-of-service rate study

As shown, the monthly Rate of Use Charges are calculated using the prior year's Average Daily Use, Maximum Day Demand and Maximum Hour Demand, times the current Fiscal Year Excess Max Charges/MGD. The final Annual Payment required by Article 7 is calculated using the current Fiscal Year Average Daily Use, and the Maximum Day Demand and Maximum Hour Demand for the current Fiscal Year or for the average of the most recent three (3) Fiscal Years, whichever is greater (as provided in § 7.1 and shown in the following Examples 1 and 2), times the current Fiscal Year Excess Max Charges/MGD.



**EXHIBIT C**

**SECTION 7.4 Total Annual Payment Example Calculation (con't)**

**Example 1 – Current year exceeds the average of the most recent three Fiscal Years**

	<u>Gallons</u>
Average Daily Use for the year	71,233
Maximum Day Demand for the current year	215,000
Maximum Hour Demand for the current year (converted to gallons per day)	545,000
Maximum Day Demand above Average Daily Use	143,767
Maximum Hour Demand above Maximum Day Demand	330,000

**Fiscal Year Average of Most Recent Three Years**

	Average	<b>Current FY</b>	FY 2008	FY 2007
Max Day Above Avg Day (MG)	129,178	<b>143,767</b>	115,000	128,766
Max Hour Above Max Day (MG)	318,333	<b>330,000</b>	305,000	320,000

**Annual Payment Calculation**

<u>Gallons</u>		<u>Volume Rate \$/1,000 Gallons</u>		<u>Total</u>
26,000,000	x	\$1.43	=	\$37,180

<u>Service Charge</u>		<u>Months</u>		
\$25	x	12	=	\$300

<u>Max Day Above Avg Day (MGD)</u>		<u>Excess Max Charges/MGD</u>		
0.144	x	\$135,000	=	\$19,440

<u>Max Hour Above Max Day (MGD)</u>		<u>Excess Max Charges/MGD</u>		
0.330	x	\$36,000	=	\$11,880

Total Annual Payment Due	\$68,800
Previous Billings for October through August Usage	\$57,464
October Billing for September Usage	<u>\$11,336</u>

**EXHIBIT C**

**SECTION 7.4 Total Annual Payment Example Calculation (con't)**

**Example 2 – The average of the most recent three Fiscal Years exceeds Current year.**

	Gallons
Average Daily Use for the year	71,233
Maximum Day Demand for the current year	190,000
Maximum Hour Demand for the current year (converted to gallons per day)	500,000
Maximum Day Demand above Average Daily Use	118,767
Maximum Hour Demand above Maximum Day Demand	310,000

**Fiscal Year Average of Most Recent Three Years**

	Average	CURRENT FY	FY 2008	FY 2007
Max Day Above Avg Day (MG)	120,844	118,767	115,000	128,766
Max Hour Above Max Day (MG)	311,667	310,000	305,000	320,000

**Annual Payment Calculation**

<u>Gallons</u>		<u>Volume Rate</u>		<u>Total</u>
26,000,000	x	<u>\$/1,000 Gallons</u>	=	<u>\$37,180</u>
		\$1.43		
<u>Service Charge</u>		<u>Months</u>		
\$25	x	12	=	\$300
<u>Max Day Above Avg Day (MGD)</u>		<u>Excess Max Charges/MGD</u>		
0.121	x	\$135,000	=	\$16,335
<u>Max Hour Above Max Day (MGD)</u>		<u>Excess Max Charges/MGD</u>		
0.312	x	\$36,000	=	\$11,232

Total Annual Payment Due	\$65,047
Previous Billings for October through August Usage	\$57,464
October Billing for September Usage	<u>\$7,583</u>

## **EXHIBIT D**

### **Calculation of PILOT and Cost of Service Revenue Requirement to Recover the Utility's Cost of PILOT**

#### **DESCRIPTION**

A payment in lieu of taxes ("PILOT") assessed against the Water Operating Fund is an annual assessment to offset the ad valorem taxes lost, due to the non-profit status of the Water System. The Water Operating Fund pays the amount of the assessment into the General Fund.

PILOT assessed against the Water Operating Fund is calculated by applying the most recently adopted property tax rate per \$100 assessed value to the net book value of the applicable assets. These assets are limited to the assets classified as Plant and Property (in the specific NARUC accounts listed on the next page), and do not include Transmission Mains, Connections, Collection Structures and Meters.

The PILOT is a component of the Water Operating Fund Cost of Service. The Cost of Service Revenue Requirement that is necessary to recover PILOT is allocated between Retail and Wholesale customer classes according to the volume usage in the most recently completed fiscal year, prorated between the two customer classes.

The Wholesale Cost of Service component of PILOT is then allocated amongst the wholesale customers according to each wholesale customer's percentage of the wholesale customer class's volume usage in the most in the most recently completed fiscal year.

#### **EXAMPLE**

The following example further explains the calculation of the City's PILOT, the related revenue requirement, and its recovery through rates. The methodology applied in this example will remain in effect for the life of the Agreement; however, the specific dollar figures, volumes and other numerical values used in the following example will be updated from the sources identified below for each fiscal year that the contract is in effect.

**NET BOOK VALUE CALCULATION FOR PILOT ASSESSMENT**

PILOT assessed against the Water Operating Fund is calculated by applying the most recently adopted property tax rate per \$100 assessed value to the net book value of the applicable assets, calculated as:

**Historical Cost of Water System Assets** at most recent audited year end;

**LESS Historical Cost of Non-Plant and Non-Property Water System assets** defined by NARUC (National Association of Regulatory Utility Commissioners) codes:

- 316 Raw Water Conduit and Valves
- 343 Transmission Mains
- 345 Service Connections
- 346 Meters
- 347 Meter Installation
- 348 Hydrant
- 372 Structures & Improvements / Collection

(If any of these account codes are amended, the equivalent code will be substituted.)

**LESS Accumulated Depreciation on Plant and Property** at most recent audited year end;

**PLUS Construction Work in Progress on Plant and Property** at most recent audited year end;

Example calculation:

**NET BOOK VALUE CALCULATION**

<b>Total Historical Cost of Water System</b>	<b>LESS Historical Cost of Non-Plant and Non- Property Assets</b>	<b>LESS Life-to-Date Accumulated Depreciation</b>	<b>PLUS Construction Work In Progress</b>	<b>EQUALS NET BOOK VALUE</b>
\$982,385,273	(\$655,261,618)	(\$105,793,316)	\$26,990,180	\$248,320,519

(Dollar figures from most recent Cost of Service Study.)

## NET BOOK VALUE ALLOCATION BETWEEN RETAIL AND WHOLESALE

The Cost of Service Revenue Requirement necessary to recover PILOT is allocated between Retail and Wholesale customer classes according to the volume usage in the most recently completed fiscal year, prorated between the two customer classes.

Example Retail/Wholesale allocation calculation:

	<u>Volume (MG)</u>
<b>Total Annual Volume (MG)</b>	66,917
<b>Wholesale Volume (MG)</b>	21,639
<b>Wholesale Allocation</b>	32.34%
<b>Retail Allocation</b>	67.66%

(Dollar figures and percentages from most recent Cost of Service Study.)

<b>Total Net Book Value Base</b>	\$248,320,519
<b>Wholesale Net Book Value Base</b>	\$80,299,602

### CALCULATION OF WHOLESALE REVENUE REQUIREMENT (PILOT COST OF SERVICE COMPONENT)

<b>FY 2010 Tax Rate per \$100 Value</b>	\$0.8550
<b>Total PILOT Cost of Service</b>	\$2,123,140
<b>Wholesale Allocation</b>	32.34%
<b>Wholesale PILOT Cost of Service</b>	\$686,562

**EXHIBIT E**  
**Map of Existing Connections Outside Customer's Service Area**



# CITY COUNCIL AGENDA



**COUNCIL ACTION: Approved on 10/12/2010**

**DATE:** 10/12/2010 **REFERENCE NO.:** C-24541 **LOG NAME:** 60WHOLESALE WATER AGREEMENT  
**CODE:** C **TYPE:** NON-CONSENT **PUBLIC HEARING:** NO  
**SUBJECT:** Authorize the Execution of a Standard Wholesale Water Agreement with Various Municipalities/Authorized Entities

**RECOMMENDATION:**

It is recommended that the City Council authorize the City Manager to execute a Standard Wholesale Water Agreement with various municipalities/authorized entities to sell them treated water.

**DISCUSSION:**

The Fort Worth Water Department has agreements with 29 municipalities/entities to sell them treated water. Those agreements expire on December 31, 2010.

The department selected R W Beck and a team of local experts and legal counsel to review the current contract, to update it as needed, to assess needs and opinions of the wholesale customers and to assist in negotiations and approvals of a new agreement. During the study, staff briefed the Infrastructure and Transportation Committee on the process in December 2009 and June 2010.

While the new agreement remains mostly the same as the expiring one, the following significant changes are included in the new agreement:

- \* Revises the Standby Charge for "emergency-only" customers to more accurately capture the cost of reserving capacity
- \* Enhances water system operation and emergency preparedness requirements
- \* Clarifies Fort Worth's Ownership of Return Flows
- \* Raises Street Rental from four percent to five percent to match Fort Worth Retail customer charge
- \* Adds a Payment in Lieu of Taxes (PILOT) cost component to System Charge

The new agreement begins on January 1, 2011 and expires on September 30, 2031. The following municipalities/entities have approved the new agreement:

Aledo	Grand Prairie	River Oaks*
Bethesda Water Supply Corp.	Haltom City	Roanoke
Burleson	Haslet	Saginaw
Crowley	Hurst	Sansom Park*
Dalworthington Gardens	Keller	Southlake
Dallas-Fort Worth Airport	Kennedale	



		No. 1
Edgecliff Village	LakeWorth	Westlake
Everman	Northlake	Westover Hills
Forest Hill	North Richland Hills	Westworth Village
	Richland Hills	White Settlement

\*These customers are for emergency standby service.

Benbrook Water Authority has determined that it does not need emergency standby services.

**FISCAL INFORMATION/CERTIFICATION:**

The Financial Management Services Director certifies that the Water Department is responsible for the collection and deposit of funds due to the City.

**TO Fund/Account/Centers**

PE45 493122 0601000 \$0.00

**FROM Fund/Account/Centers**

**Submitted for City Manager's Office by:**

Fernando Costa (6122)

**Originating Department Head:**

S. Frank Crumb (8207)

**Additional Information Contact:**

Skipper Shook (8402)

**ATTACHMENTS**

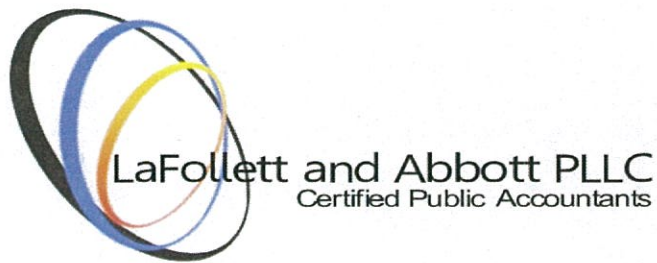
**Trophy Club MUD**  
**Part C: Financial Information - C-46**

**WATERWORKS AND SEWER SYSTEM OPERATING STATEMENTS**

	<b>Fiscal Year Ended September 30</b>					
	<u>2016*</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Water and Wastewater Charges	\$ 3,274,037	\$ 6,138,766	\$ 5,730,872	\$ 5,467,371	\$ 5,210,077	\$ 5,323,244
Investment Income	7,136	6,117	6,071	4,641	5,706	5,534
Other Revenues and Fees	<u>89,843</u>	<u>211,321</u>	<u>203,206</u>	<u>175,793</u>	<u>214,237</u>	<u>160,060</u>
Total Revenues	\$ 3,371,015	\$ 6,356,204	\$ 5,940,149	\$ 5,647,805	\$ 5,430,020	\$ 5,488,838
Expenses:						
Operating and Maintenance Expenses	<u>2,942,328</u>	<u>5,163,671</u>	<u>4,840,819</u>	<u>5,000,351</u>	<u>4,526,474</u>	<u>4,228,316</u>
Total Expenses	\$ 2,942,328	\$ 5,163,671	\$ 4,840,819	\$ 5,000,351	\$ 4,526,474	\$ 4,228,316
Net Available for Debt Service	<u>\$ 428,687</u>	<u>\$ 1,192,533</u>	<u>\$ 1,099,330</u>	<u>\$ 647,454</u>	<u>\$ 903,546</u>	<u>\$ 1,260,522</u>
Supplemental Utility Fees	\$ 55,200	\$ 239,200	\$ 331,200	\$ 508,300	\$ 647,080	\$ 165,600
Annual Revenue Bond Debt Service Requirements	\$ 444,838	\$291,188	\$530,690	\$387,037	\$386,556	\$0
Revenue Debt Service Coverage	0.96X	4.10X	2.07X	1.67X	2.34X	N/A

Sources: City's Comprehensive Annual Financial Reports and additional information from the District.

\* Unaudited year-to-date financials as of April 30, 2016. Note: the District will receive the bulk of its revenue during the summer months and will meet its debt service coverage requirements and other bond covenants by the end of fiscal year end.



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

January 19, 2016

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

We have audited the financial statements of Trophy Club Municipal Utility District No. 1 (the District), for the year ended September 30, 2015, and have issued our report thereon dated January 19, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the *Water District Financial Management Guide* issued by the Texas Commission on Environmental Quality, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 08, 2015. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. The District adopted one new policy during fiscal year 2015, which is GASB No. 68, Accounting and Financial Reporting for Pensions. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's allocations of costs to various departments. We evaluated the key factors and assumptions used to develop these allocations in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

- The disclosure of long-term debt in Note 6 to the financial statements. This disclosure provides detail of debt terms, future payments, and other information.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. See Attachment #1 for the list of adjustments.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 19, 2016.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Other Information in Documents Containing Audited Financial Statements*

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the audit committee, board members, and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*LaFollett and Abbott PLLC*

LaFollett and Abbott PLLC

ATTACHMENT 1  
Trophy Club MUD  
Adjusting Journal Entries  
FYE 9/30/15

AJE #	W/P Ref	Account #	Account Description	Debit	Credit
1	C-2	135-49141	Interfund Transfer In	36,767	
		135-49026	Proceeds on Sale of Asset		46,750
		135-49900	Miscellaneous Income	9,983	
				46,750	46,750
<i>To reclassfiy proceeds from sale of assets to correct account.</i>					
2	E-5	135-11810	A/R Unbilled MUD	17,342	
		135-25040	Town-Storm Drainage		5,789
		135-25000	Refuse		10,239
		135-25010	Refuse Tax		843
		135-25045	TCEQ Reg Assessment Charge		471
			17,342	17,342	
<i>To properly state unbilled receivables.</i>					
3	H-8	135-40025	<i>PID Surcharges</i>	110,571	
		135-25041	<i>PID Surcharge Liability</i>		110,571
			110,571	110,571	
<i>PBC AJE To properly state amount due to the Town for PID surcharges.</i>					

**TROPHY CLUB  
MUNICIPAL UTILITY DISTRICT NO. 1  
BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR  
ENDED SEPTEMBER 30, 2015**

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS )  
COUNTY OF DENTON )

I, Jennifer McKnight, General Manager  
(Name of Duly Authorized District Representative)

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

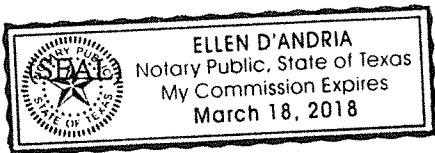
Hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 19th day of January, 2016, its annual audit report for the fiscal year or period ended September 30, 2015 and that copies of the annual audit report have been 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: 1-22, 2016 By: Jennifer McKnight  
(Signature of District Representative)

Jennifer McKnight, General Manager  
(Typed Name & Title of above District Representative)

Sworn to and subscribed to before me this 22nd day of JANUARY, 2016.



Ellen D'Andria  
(Signature of Notary)

My Commission Expires On: March 18, 2018  
Notary Public in the State of Texas



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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, 2015, 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, 2015, 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 40-42 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 43-57 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 19, 2016, 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 Falzett and Abbott PLLC*

Tom Bean, Texas  
January 19, 2016

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2015**

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, 2015.

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

**Financial Highlights**

At the close of the fiscal year, the assets of the District exceeded its liabilities by \$17,739,443. Of this amount, \$3,800,758 is unrestricted net position and may be used to meet the District's ongoing commitments.

The District's net position increased by \$793,049 during 2015. One contributor to this was \$387,739 in capital contributions.

At the end of the fiscal year, the District's governmental type funds reported a combined fund balance of \$16,724,406. As of September 30, 2015, the unassigned fund balance of the General Fund was \$2,848,351.

Long-term debt activity for the District included debt principal repayments totaling \$625,991. New debt totaling \$15,802,316 was issued by the District during 2015.

**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.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2015**

**Overview of the Financial Statements – continued**

The government-wide financial statements consist of two statements:

1. The Statement of Net Position – (Page 11) this statement presents information on all of the District's assets and liabilities; the difference between the two is reported as net position. Over an extended period, the increase or decrease in net position will serve as a good indicator of whether the financial position of the District is improving or deteriorating.
2. The Statement of Activities – (Page 12) gives information showing how the District's net position has changed during the fiscal year. All revenues and expenses are reported on the full accrual basis.

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

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

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

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

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

Notes to the Basic Financial Statements – The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 17-39.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2015**

**Government-wide Financial Analysis**

The Management's Discussion and Analysis highlights the information provided in both the Statement of Net Position and Statement of Activities in the government-wide financial statements. It may serve over an extended period of time, as a useful indicator of the District's financial position. At the end of the fiscal year, the District's assets exceeded liabilities by \$17,739,443. Of this amount, \$937,899 (5%) 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 \$13,000,786 restricted for capital projects. The District uses these capital assets to provide service to the community; therefore these assets are not available for future spending.

Table 1  
Condensed Statements of Net Position

	Governmental Activities 2015	Governmental Activities 2014
	<u>2015</u>	<u>2014</u>
Current and other	\$ 18,858,744	\$ 4,485,026
Capital assets	<u>22,112,163</u>	<u>19,849,794</u>
Total assets	40,970,907	24,334,820
Deferred outflows	<u>135,002</u>	-
Total deferred outflows	135,002	-
Long-term liabilities	21,197,497	6,031,304
Other liabilities	<u>2,162,794</u>	<u>1,499,173</u>
Total liabilities	23,360,291	7,530,477
Deferred inflows	<u>6,175</u>	-
Total deferred inflows	6,175	-
Net Position:		
Net investment in capital assets	937,899	13,843,103
Restricted for capital projects	13,000,786	-
Unrestricted	<u>3,800,758</u>	<u>2,961,240</u>
Total Net Position	<u>\$ 17,739,443</u>	<u>\$ 16,804,343</u>

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2015**

**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, 2015 and 2014. Governmental activities have increased the District's net position by \$793,049, which amounts to a 4.7% increase in net position for the year ended September 30, 2015.

Table 2  
Changes in Net Position

	Governmental Activities 2015	Governmental Activities 2014
Revenue:		
Program revenue		
Charges for services	\$ 6,447,364	\$ 6,150,179
Grants and Contributions	397,739	946,481
General Revenue		
Ad valorem taxes	1,880,390	1,740,079
Unrestricted investment earnings	25,454	6,255
Contributions not restricted to specific programs	30,645	-
Miscellaneous	142,130	115,102
<b>Total Revenue</b>	<b>8,923,722</b>	<b>8,958,096</b>
Expenses:		
Water & Wastewater operations	4,342,704	4,083,929
General government and other	2,351,712	2,113,413
Fire	954,698	901,351
Loss on sale of disposed assets	21,450	-
Interest charges	460,109	205,210
<b>Total Expenses</b>	<b>8,130,673</b>	<b>7,303,903</b>
<b>Increase in net position</b>	<b>\$ 793,049</b>	<b>\$ 1,654,193</b>

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2015**

**Financial analysis of the District's funds**

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

At the end of the fiscal year, the District's governmental funds reported combined ending fund balances of \$16,724,406, of which 17%, or \$2,848,351, is unassigned and available to the District for future spending.

**General Fund budgetary highlights**

The most significant amendment to the General Fund 2015 budget involved increasing capital outlays by \$1,292,307 for a fire truck and other additions.

**Revenue: Revenues were \$1,028,522 (11.3%) less than budgeted**

- Water and wastewater charges were \$1,056,820 (14.7%) less than budgeted.
- Utility fees were \$55,200 (30%) more than budgeted.

**Expenses: Expenses were \$1,940,744 (18.5%) less than budgeted**

- Water operations expenditures were \$908,132 (22.3%) less than budgeted.
- Capital Outlay expenditures were \$900,710 (33.9%) less than budgeted.

**Capital Asset and Debt Administration**

The District's investment in capital assets for its governmental activities as of September 30, 2015 amounted to \$22,112,163, net of accumulated depreciation. This represents a broad range of capital assets including, but not limited to land, buildings, improvements, machinery and equipment, vehicles, and water, wastewater treatment, and wastewater collection systems.

Capital assets increased 10.2% during 2015 primarily due to approximately \$1.2 million of motor vehicles, \$1.2 million of construction in progress, and \$0.5 million of water and wastewater system improvements and \$387,739 of capital contributions. 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, 2015**

**Debt administration**

Long-Term Liabilities – at the end of the current fiscal year, the District had \$21,057,549 of general obligation bonds, revenue bonds, notes payable, capital leases, and accrued compensated absences, which is an increase of 249.1% from the previous fiscal year. Of this amount, \$21,034,316 is backed by the full faith and credit of the government. New debt totaling \$15,802,316 was issued for the District during 2015.

Table 3  
Outstanding Debt at Year-end

	Governmental Activities 2015	Governmental Activities 2014
General obligation bonds	\$ 10,845,000	\$ 5,668,700
Revenue bonds	9,230,000	-
Notes payable	152,000	337,991
Capital lease obligations	807,316	-
Compensated absences	23,233	24,613
<b>Total</b>	<b>\$ 21,057,549</b>	<b>\$ 6,031,304</b>

**Economic factors and next year's budgets and rates:**

**General Fund fiscal year 2016 budgetary highlights:**

**Revenue: The District's 2016 operational revenue is budgeted to decrease by \$893,335.**

- Property tax revenue is budgeted to decrease from \$1,040,716 for fiscal year 2015 to \$948,144 for fiscal year 2016 for a total decrease of \$92,572.
- Water and wastewater revenue is budgeted to increase by \$475,249 due to an increase in the number of utility customers and to a rate increase that was effective September 1, 2015.
- Utility fee revenue is budgeted to decrease by \$115,000 due to less new home construction in the Public Improvement District as it is reaching total buildout.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2015**

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

**Expenses: The District's 2016 operational expense is budgeted to decrease by \$893,335.**

- Even with an increase of \$20,434 for wholesale water costs, a higher cost of goods and supplies, higher contract labor expenses, additional maintenance costs for replacement meters and aged infrastructure and increased legal expenses for a retail customer rate challenge with the Public Utility Commission of Texas, the operational expenses are budgeted to decrease due to conservative fiscal management.

**Overall:**

The District's 2016 operational budget is anticipated to have expenses of \$9,413,168 and revenues of \$9,413,168.

**Debt Service Fund 2016 budget:**

- Debt service revenues are budgeted to increase from \$898,567 in fiscal year 2015 to \$1,451,061 in fiscal year 2016. This is an increase of \$552,494 and is attributable issuance of new debt in fiscal year 2015. There was an issuance of \$5,765,000 in tax bonds and \$9,230,000 in revenue bonds in fiscal year 2015.
- Property tax revenues for the Debt Service Fund are budgeted to increase by \$205,979 due to an increase in the debt service tax rate.

The consolidated District's overall budget for revenue decreased from \$11,205,070 in fiscal year 2015 to \$10,864,229 in fiscal year 2016, which is a 3.04% decrease. The overall budgeted expenses decreased from \$11,170,026 to \$10,862,539 which is a 2.75% decrease.

Water and sewer rates were increased by the District's Board of Directors with an effective date of September 1, 2015. A petition for a rate challenge by retail customers was submitted to the Public Utility Commission of Texas (PUCT) in August 2015. The rate challenge will result in a review of water and sewer rates set by the Board of Directors and its outcome is still unknown. The rate challenge before the PUCT may impact District water and sewer rates negatively or positively and will therefore impact operational revenues for FY 2016.

Although the O&M tax rate decreased and the debt service tax rate increased, the overall tax rate decreased for fiscal year 2016 from the overall tax rate for year 2015.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2015**

**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, 2015**

<b>ASSETS</b>	<u><b>Governmental Activities</b></u>
Cash and cash equivalents	\$ 2,436,612
Pooled investments	2,089,312
Restricted pooled investments	13,000,786
Restricted certificate of deposit	35,000
Receivables	
Accounts receivable, net	1,175,869
Taxes	29,035
Due from other governments	48,985
Prepays	35,630
Net pension asset	7,515
Non-depreciable capital assets:	
Land	648,178
Construction in progress	2,148,106
Depreciable capital assets: (net)	
Buildings and other improvements	3,031,789
Machinery, vehicles, and other equipment	2,319,356
Water system	13,923,161
Organization costs	41,573
<b>TOTAL ASSETS</b>	<u><u>\$ 40,970,907</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred TCDRS contributions	126,978
Deferred unamortized investment gains	8,024
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>135,002</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 1,646,596
Accrued liabilities	44,011
Accrued interest payable	65,004
Construction and retainage payable	65,901
Other deposits payable	35,000
Customer deposits	306,282
Noncurrent liabilities:	
Debt due within one year	1,153,966
Debt due in more than one year	20,043,531
<b>TOTAL LIABILITIES</b>	<u><u>23,360,291</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred unamortized investment losses	6,175
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><u>6,175</u></u>
<b>NET POSITION</b>	
Net investment in capital assets	937,899
Restricted for capital projects	13,000,786
Unrestricted	3,800,758
<b>TOTAL NET POSITION</b>	<u><u>\$ 17,739,443</u></u>

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, 2015**

Program Activities	Governmental Activities				Net (Expenses) Revenue and Changes in Net Assets
	Expenses	Program Revenues		Capital Grants and Contributions	
		Charges for Services	Operating Grants and Contributions		
Governmental Activities					
General government	\$ 1,463,048	\$ 308,598	\$ -	\$ -	\$ (1,154,450)
Water operations	3,311,141	3,892,467	-	218,514	799,840
Wastewater operations	953,289	2,246,299	-	169,225	1,462,235
Wastewater collection system	78,274	-	-	-	(78,274)
Non-Departmental	864,123	-	-	-	(864,123)
Directors	24,541	-	-	-	(24,541)
Fire	954,698	-	10,000	-	(944,698)
Interest on long term debt	460,109	-	-	-	(460,109)
<b>Total governmental activities</b>	<b>\$ 8,109,223</b>	<b>\$ 6,447,364</b>	<b>\$ 10,000</b>	<b>\$ 387,739</b>	<b>\$ (1,264,120)</b>

General Revenues:

Ad valorem taxes	1,880,390
Investment income	25,454
Contributions not restricted to specific programs	30,645
Miscellaneous	142,130
Loss on sale of disposed assets	(21,450)
Total general revenues	<u>2,057,169</u>

**Change in net position** 793,049

Net Position - beginning of year	16,804,343
Prior period adjustments	<u>142,051</u>
Net Position - end of year	<u>\$ 17,739,443</u>

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, 2015**

	<b>ASSETS</b>			<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ 2,431,766	\$ 4,846	\$ -	\$ 2,436,612
Pooled investments	2,048,524	19,326	21,462	2,089,312
Restricted investments	-	87,030	12,913,756	13,000,786
Restricted certificate of deposit	35,000	-	-	35,000
Receivables:				
Accounts receivables, net	1,171,338	-	-	1,171,338
Taxes	19,182	9,853	-	29,035
Other receivables	4,531	-	-	4,531
Due from other governments	48,985	-	-	48,985
Due from other funds	16,430	-	-	16,430
Prepays	35,630	-	-	35,630
<b>TOTAL ASSETS</b>	<b>\$ 5,811,386</b>	<b>\$ 121,055</b>	<b>\$ 12,935,218</b>	<b>\$ 18,867,659</b>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 1,448,505	\$ -	\$ 198,091	\$ 1,646,596
Construction and retainage payable	65,901	-	-	65,901
Deposits payable	35,000	-	-	35,000
Accrued liabilities	44,011	-	-	44,011
Customer deposits	306,282	-	-	306,282
Due to other funds	-	-	16,430	16,430
<b>Total liabilities</b>	<b>1,899,699</b>	<b>-</b>	<b>214,521</b>	<b>2,114,220</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenues - property taxes	19,182	9,851	-	29,033
<b>Total deferred inflows of resources</b>	<b>19,182</b>	<b>9,851</b>	<b>-</b>	<b>29,033</b>
<b>Fund Balances</b>				
Non-spendable prepaids	35,630	-	-	35,630
Assigned-Capital outlays	1,008,524	-	12,720,697	13,729,221
Assigned-Debt service	-	111,204	-	111,204
Unassigned	2,848,351	-	-	2,848,351
<b>Total fund balances</b>	<b>3,892,505</b>	<b>111,204</b>	<b>12,720,697</b>	<b>16,724,406</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>	<b>\$ 5,811,386</b>	<b>\$ 121,055</b>	<b>\$ 12,935,218</b>	<b>\$ 18,867,659</b>

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, 2015**

Total fund balances - governmental funds	\$ 16,724,406
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.	22,112,163
Net pension asset is not a financial resource; therefore, it is not reported in the governmental funds.	7,515
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.	29,033
TCDRS contributions are not current financial resources/burden; therefore they are not reported in the governmental funds. The net of these amounts is:	126,978
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.	(65,004)
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:	1,849
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.	(23,233)
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>(21,174,264)</u>
Net position of governmental activities	<u><u>\$ 17,739,443</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, 2015**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Water and wastewater charges	\$ 6,138,766	\$ -	\$ -	\$ 6,138,766
Taxes	1,419,548	470,215	-	1,889,763
Utility Fees	239,200	-	-	239,200
Miscellaneous	141,923	-	-	141,923
Oversize meter reimbursements	58,023	-	-	58,023
Intergovernmental revenues	40,645	-	-	40,645
Investment income	6,117	13,976	5,361	25,454
Inspection and tap fees	11,375	-	-	11,375
<b>Total Revenues:</b>	<u>8,055,597</u>	<u>484,191</u>	<u>5,361</u>	<u>8,545,149</u>
<b>Expenditures</b>				
Water	3,151,532	-	-	3,151,532
Adminstration	1,123,293	-	-	1,123,293
Wastewater	864,305	-	-	864,305
Fire	928,610	-	-	928,610
Non-Departmental	524,289	-	-	524,289
Board of Directors	24,541	-	-	24,541
Permits & Fees	-	-	14,377	14,377
Capital Outlay	1,755,603	-	862,749	2,618,352
Debt Service				
Principal	185,991	440,000	-	625,991
Interest and fiscal charges	5,584	420,972	-	426,556
Bond Administrative Fees	-	1,750	-	1,750
<b>Total Expenditures:</b>	<u>8,563,748</u>	<u>862,722</u>	<u>877,126</u>	<u>10,303,596</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(508,151)</u>	<u>(378,531)</u>	<u>(871,765)</u>	<u>(1,758,447)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,074,337	465,409	-	1,539,746
Transfers out	(465,409)	-	(1,074,337)	(1,539,746)
Bond Proceeds	-	-	14,995,000	14,995,000
Bond Premiums	-	9,573	-	9,573
Bond Issuance Costs	-	-	(338,469)	(338,469)
Proceeds from Sale of Assets	46,750	-	-	46,750
Capital Lease Financing	807,316	-	-	807,316
<b>Total Other Financing Sources (Uses):</b>	<u>1,462,994</u>	<u>474,982</u>	<u>13,582,194</u>	<u>15,520,170</u>
Net change in fund balance	954,843	96,451	12,710,429	13,761,723
Fund Balances - beginning of year	<u>2,937,662</u>	<u>14,753</u>	<u>10,268</u>	<u>2,962,683</u>
Fund Balances - end of year	<u>\$ 3,892,505</u>	<u>\$ 111,204</u>	<u>\$ 12,720,697</u>	<u>\$ 16,724,406</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, 2015**

Net change in fund balances - total governmental funds	\$ 13,761,723
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>	
Depreciation expense on capital assets reported in the Statement of Activities does not require the use of current financial resources, therefore, depreciation expense is not reported as expenditures in the governmental funds.	(675,370)
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.	2,618,352
Debt principal payments reduces long-term liabilities in the Statement of Net Position, but it is recorded as an expenditure in the governmental funds.	625,991
Current year contributions of capital assets are not recorded in the governmental funds, but are recognized for the government-wide financial statements.	387,739
Governmental funds report the effects of debt premiums, debt discounts, and deferred losses on refunding when debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.	18,325
Governmental funds recognize the full amount received as revenue for sale of disposed assets, but net book value of the assets are factored in for the government-wide financial statements.	(68,200)
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.	(15,811,889)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing the change in deferred revenue and various other items. The net effect of these reclassifications is to decrease net position.	(13,494)
Current year changes in accrued interest payable do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(50,128)</u>
Change in net position of governmental activities	<u>\$ 793,049</u>

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

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**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, 2015**

**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 2015, the major funds are the General Fund and Capital Projects Fund. The non-major fund is 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, 2015**

**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, 2015**

**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, 2015**

**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, 2015**

**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, 2015, the carrying amount of the District's deposits (cash, certificates of deposit, and non-pooled savings accounts) was \$2,471,013 and the bank balance was \$2,484,173. The District's cash deposits at September 30, 2015, 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, 2015**

**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, 2015 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Primary Government:	
Cash and cash equivalents	\$ 2,436,613
Pooled Investments	2,089,313
Restricted certificate of deposit	35,000
Restricted pooled investments	13,000,786
Total cash and investments	<u>\$ 17,561,712</u>

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 2. CASH AND INVESTMENTS – CONTINUED**

Cash and investments as of September 30, 2015 consist of the following:

Petty Cash	\$	600
Deposits with financial institutions		2,436,013
Restricted Certificate of Deposit		35,000
Restricted Pooled Investments		13,000,786
Texpool Investments		<u>2,089,313</u>
Total cash, certificate of deposit, and pooled investments	\$	<u>17,561,712</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, 2015, the District had the following investment:

Investment Type	Amount	Weighted Average Maturity
TexPool	\$ 15,090,099	53 days
Total Investments	\$ 15,090,099	

As of September 30, 2015, 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, 2015**

**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>\$ 15,090,099</u>	AAAm	AAAm
Total Investments	<u>\$ 15,090,099</u>		

**Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2015, other than external investment pools, the District did not have 5% or more of its investments with one issuer.

**Custodial Credit Risk**

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

**Investment in State Investment Pools**

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

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 3. ACCOUNTS RECEIVABLE**

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

Accounts Receivable:		
MUD water	\$	638,818
MUD sewer		273,651
Unbilled receivables		147,672
Refuse (as agent for Town of Trophy Club)		64,723
Refuse tax (as agent for Town of Trophy Club)		5,539
PID Surcharge (as agent for Town of Trophy Club)		12,066
Miscellaneous		4,531
Storm drainage (as agent for Town of Trophy Club)		40,920
		1,187,920
Allowance for uncollectible accounts		(12,051)
Total (net)	\$	1,175,869
Due from Other Governments:		
Town of Trophy Club	\$	48,985

**NOTE 4. INTERFUND TRANSFERS**

Transfers between funds during the year are as follows:

Transfer In	Transfer Out	Amount	Purpose
Debt Service	General Fund	\$ 211,829	Assist with fire station bond payment
Debt Service	General Fund	14,000	Supplement for decrease in tax revenue
Debt Service	General Fund	30,645	Transfer of PID surcharges
Debt Service	General Fund	71,946	Bond reserve account required payments
Debt Service	General Fund	136,989	Interest on revenue bonds
General Fund	Capital Projects	1,074,337	To repay advances for project costs
	<b>Total</b>	<b>\$ 1,539,746</b>	

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2015, was as follows:

	Beginning Balances	Additions	Retirements/ Transfers	Ending Balance
<u>Governmental Activities:</u>				
Capital assets - Non-Depreciable				
Land	\$ 648,178	\$ -	\$ -	\$ 648,178
Construction in progress	1,366,502	1,187,226	(405,622)	2,148,106
Total capital assets not being depreciated	2,014,680	1,187,226	(405,622)	2,796,284
Capital assets - Depreciable				
Buildings	3,344,790	-	-	3,344,790
Improvements other than buildings	303,492	10,967	-	314,459
Machinery and equipment	1,666,641	83,597	(179,283)	1,570,955
Organization costs	2,331,300	-	-	2,331,300
Vehicles	1,477,017	1,194,353	(74,945)	2,596,425
Water system	10,347,489	360,572	290,134	10,998,195
Wastewater treatment system	6,004,961	-	(341,641)	5,663,320
Wastewater collection system	3,502,103	169,225	457,129	4,128,457
Total capital assets being depreciated	28,977,793	1,818,714	151,394	30,947,901
Less accumulated depreciation for:				
Buildings	(325,862)	(66,888)	-	(392,750)
Improvements other than buildings	(223,410)	(11,301)	-	(234,711)
Machinery and equipment	(737,991)	(88,850)	111,083	(715,758)
Organization costs	(2,273,742)	(15,985)	-	(2,289,727)
Vehicles	(1,092,286)	(114,925)	74,945	(1,132,266)
Water system	(3,249,378)	(175,960)	-	(3,425,338)
Wastewater treatment system	(1,920,473)	(138,342)	2,635	(2,056,180)
Wastewater collection system	(1,319,538)	(63,119)	(2,635)	(1,385,292)
Total accumulated depreciation	(11,142,680)	(675,370)	186,028	(11,632,022)
Governmental activities capital assets, net	\$ 19,849,793	\$ 2,330,570	\$ (68,200)	\$ 22,112,163

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 5. CAPITAL ASSETS - CONTINUED**

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

General government	\$ 335,024
Water operations	160,585
Fire department	26,088
Non-Departmental	1,365
Wastewater operations	88,411
Wastewater collection systems	63,897
Total depreciation expense	<u>\$ 675,370</u>

**NOTE 6. LONG-TERM DEBT**

At September 30, 2015, 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 9/30/2015
Tax and revenue bonds:						
Improvements	3.50-5.00%	2010	2031	\$ 148,205	\$2,000,000	\$ 1,730,000
Refunding	2.00-3.00%	2012	2023	251,373	2,355,000	1,785,000
Refunding	2.00-3.50%	2013	2023	224,734	1,905,000	1,565,000
Improvements	1.50-3.50%	2015	2034	199,898	5,765,000	5,765,000
Improvements	2.00-3.25%	2015	2035	305,174	9,230,000	9,230,000
						<u>\$20,075,000</u>
Capital lease payable:						
Capital lease obligations	2.50%	2015	2022	127,149	807,316	807,316
						<u>\$ 807,316</u>
Notes payable:						
Water/Wastewater Imp.'s	1.85%	2013	2016	153,588	445,000	152,000
						<u>\$ 152,000</u>

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**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, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Tax, revenue, and refunding bonds	\$ 5,520,000	\$ 14,995,000	\$ (440,000)	\$ 20,075,000	\$ 895,000
Deferred loss on refunding	(7,799)	-	867	(6,932)	-
Premium on bonding	156,499	9,573	(19,192)	146,880	-
	<u>5,668,700</u>	<u>15,004,573</u>	<u>(458,325)</u>	<u>20,214,948</u>	<u>895,000</u>
Notes payable	337,991	-	(185,991)	152,000	152,000
	<u>337,991</u>	<u>-</u>	<u>(185,991)</u>	<u>152,000</u>	<u>152,000</u>
Capital lease obligations	-	807,316	-	807,316	106,966
	<u>-</u>	<u>807,316</u>	<u>-</u>	<u>807,316</u>	<u>106,966</u>
Compensated absences	24,613	-	(1,380)	23,233	-
	<u>24,613</u>	<u>-</u>	<u>(1,380)</u>	<u>23,233</u>	<u>-</u>
Total Governmental Activities					
Long-term Liabilities	<u>\$ 6,031,304</u>	<u>\$ 15,811,889</u>	<u>\$ (645,696)</u>	<u>\$ 21,197,497</u>	<u>\$ 1,153,966</u>

The annual requirements to amortize all debt outstanding as of September 30, 2015, are as follows:

Tax, revenue, and refunding bonds:

Year Ending September 30,	Principal	Interest	Total
2016	\$ 895,000	\$ 551,821	\$ 1,446,821
2017	1,075,000	531,221	1,606,221
2018	1,100,000	506,847	1,606,847
2019	1,135,000	481,897	1,616,897
2020	1,155,000	456,096	1,611,096
2021-2025	5,390,000	1,834,015	7,224,015
2026-2030	4,730,000	1,181,078	5,911,078
2031-2035	4,595,000	419,863	5,014,863
Total	<u>\$ 20,075,000</u>	<u>\$ 5,962,838</u>	<u>\$ 26,037,838</u>

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 6. LONG-TERM DEBT – CONTINUED**

Notes and capital leases payable:

Year Ending September 30,	Principal	Interest	Total
2016	\$ 258,966	\$ 21,589	\$ 280,555
2017	109,640	17,509	127,149
2018	112,381	14,768	127,149
2019	115,190	11,958	127,148
2020	118,070	9,078	127,148
2021	121,022	6,127	127,149
2022	124,047	3,101	127,148
Total	<u>\$ 959,316</u>	<u>\$ 84,130</u>	<u>\$ 1,043,446</u>

*Tax Revenue Bonds*

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

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

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

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

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

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.

Contractual obligations and notes payable are liquidated from the General Fund. Tax and revenue bonds are liquidated from the Debt Service Fund.



**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 7. PROPERTY TAXES**

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, 2015.

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 2015 tax levies:

Adjusted taxable values		<u>\$ 1,380,463,303</u>
O & M and Fire tax levy	\$0.09213/\$100	1,382,018
I & S tax levy	\$0.04126/\$100	<u>459,382</u>
Total tax levy	\$0.13339/\$100	<u>\$ 1,841,400</u>

**NOTE 8. FUND BALANCE CLASSIFICATIONS**

The District's authorized their Director to designate certain fund balances as assigned. Excluding unassigned fund balances, the following describes the District's fund balance classifications at September 30, 2015:

*Non-Spendable Fund Balances*

The District's \$3,486 non-spendable fund balance represents expenses prepaid at fiscal year-end.

*Assigned Fund Balances*

The District assigned a total of \$1,008,524 of General Fund fund balances for the following future capital outlays: \$868,924 for wastewater system improvements, \$88,707 for vehicles, and \$50,893 for other improvements. Total fund balances for the Debt Service Fund and Capital Projects Fund have been assigned by the District for those respective purposes.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 9. RISK MANAGEMENT**

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

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

**NOTE 10. DUE TO AND FROM OTHER FUNDS**

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

At September 30, 2015, the General Fund was due \$16,430 from the Capital Projects Fund for capital project expenditures paid for by the General Fund.

**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, 2014 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.

*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.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 11. RETIREMENT PLAN (CONTINUED)**

- 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.

*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.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 11. RETIREMENT PLAN (CONTINUED)**

*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.

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.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 11. RETIREMENT PLAN (CONTINUED)**

*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.

*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.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 11. RETIREMENT PLAN (CONTINUED)**

*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 2015 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, 2013 for more details.

Asset Class	Benchmark	Long-term Expected	
		Target Allocation	Real of Return (arithmetic)
US Equities	Dow Jones U.S. Total Stock Market Index	16.50%	5.35%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	12.00%	8.35%
Global Equities	MSCI World (net) Index	1.50%	5.65%
International Equities- Developed	50% MSCI World Ex USA (net) + 50% MSCI World ex USA 100% Hedged to USD (net) Index	11.00%	5.35%
International Equities- Emerging	50% MSCI EM Standard (net) + 50% MSCI EM USA 100% Hedged to USD (net) Index	9.00%	6.35%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	0.55%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.75%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	5.00%	5.54%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.80%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	6.75%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.00%
Commodities	Bloomberg Commodities Index	2.00%	-0.20%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	3.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.15%
<b>Total</b>		<b>100.00%</b>	<b>74.89%</b>

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 11. RETIREMENT PLAN (CONTINUED)**

*Contributions*

SCHEDULE OF CONTRIBUTIONS

Last 10 Calendar Years (will ultimately be displayed)

		2013	2014
Actuarially Determined Contribution	\$	84,476	93,694
Contributions in relation to the actuarially determined contribution	\$	198,219	93,694
Contribution deficiency (excess)	\$	(113,743)	-
Covered employee payroll	\$	963,243	1,068,342
Contributions as a percentage of covered employee payroll		20.6%	8.8%

*Deferred Inflows/Outflows of Resources*

As of December 31, 2014, the deferred inflows and outflows of resources are as follows:

<b>Deferred Inflows/Outflows of Resources</b>		<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>
Differences between expected and actual experience	\$	6,175	\$ -
Changes of assumptions		-	-
Net difference between projected and actual earnings		-	8,024
Contributions made subsequent to measurement date		N/A	\$ 126,978

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
2015	\$	1,124
2016		1,124
2017		1,124
2018		1,124
2019		(882)
Thereafter		(1,764)
Total	\$	1,850

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 11. RETIREMENT PLAN (CONTINUED)**

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

<b>Valuation Timing:</b>	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
 <b>Methods and Assumptions Used to Determine Contribution Rates:</b>	
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	5 Year non-asymptotic; no corridor
Inflation	3.0%
Salary Increases	3.50% including inflation
Investment Rate of Return	8.10%
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	Experience-based table or rates that are specific to the District's plan of benefits.
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 with the projection scale AA.
Service retirees, beneficiaries and non-depositing members	The Rp-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA



**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 12. PRIOR PERIOD RESTATEMENTS**

The following schedule itemizes the effects of prior period restatements related to the implementation of GASB 68 on the government-wide financial statements:

<u>Government-wide effects</u>	Governmental Activities
Unrestricted Net Position - beginning	\$ 2,961,240
Prior period adjustment - Deferred outflows for TCDRS contributions	130,277
Prior period adjustment - Net pension asset per GASB 68	11,774
Unrestricted Net Position - beginning as adjusted	<u>\$ 3,103,291</u>

**NOTE 13. SUBSEQUENT EVENTS**

The date of the independent auditor's report represents the date of issuance and the date through which subsequent events have been evaluated. There are 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, 2015**

	<u>Budgeted amounts</u>			<b>Variance with Final Budget</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Water and wastewater charges	\$ 7,715,258	\$ 7,195,586	\$ 6,138,766	\$ (1,056,820)
Taxes	1,404,328	1,404,328	1,419,548	15,220
Utility fees	184,000	184,000	239,200	55,200
Intergovernmental revenues	143,997	143,997	40,645	(103,352)
Miscellaneous	83,614	101,258	141,923	40,665
Oversize meter reimbursements	84,000	42,000	58,023	16,023
Inspection and tap fees	7,700	7,950	11,375	3,425
Investment income	5,000	5,000	6,117	1,117
<b>Total revenues</b>	<u>9,627,897</u>	<u>9,084,119</u>	<u>8,055,597</u>	<u>(1,028,522)</u>
Expenditures:				
Water operations	4,089,407	4,059,664	3,151,532	908,132
Fire	945,899	980,210	928,610	51,600
Wastewater operations	895,576	888,388	864,305	24,083
Non-Departmental	286,291	503,694	524,289	(20,595)
Administration	1,145,690	1,196,375	1,123,293	73,082
Directors	22,881	28,264	24,541	3,723
Capital Outlay	1,364,006	2,656,313	1,755,603	900,710
Debt Service	399,876	191,614	191,575	39
<b>Total expenditures</b>	<u>9,149,626</u>	<u>10,504,522</u>	<u>8,563,748</u>	<u>1,940,774</u>
Excess of revenues over expenditures	<u>478,271</u>	<u>(1,420,403)</u>	<u>(508,151)</u>	<u>912,252</u>
Other financing sources (uses):				
Transfers In	-	19,607	1,074,337	1,054,730
Transfers out	(569,367)	(500,019)	(465,409)	34,610
Proceeds from Sale of Assets	-	-	46,750	46,750
Capital Lease Financing	-	807,316	807,316	-
<b>Total other financing sources (uses)</b>	<u>(569,367)</u>	<u>326,904</u>	<u>1,462,994</u>	<u>1,136,090</u>
Net change in fund balance	(91,096)	(1,093,499)	954,843	2,048,342
Fund Balances - beginning of year	<u>2,937,662</u>	<u>2,937,662</u>	<u>2,937,662</u>	<u>-</u>
Fund Balances - end of year	<u>\$ 2,846,566</u>	<u>\$ 1,844,163</u>	<u>\$ 3,892,505</u>	<u>\$ 2,048,342</u>

*Notes to Required Supplementary Information:*

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

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**YEAR ENDED SEPTEMBER 30, 2015**

	<b>2014</b>
<b>A. Total pension liability</b>	
1. Service Cost	\$ 170,600
2. Interest (on the Total Pension Liability)	27,449
3. Changes of benefit terms	-
4. Difference between expected and actual experience	(7,057)
5. Changes of assumptions	-
6. Benefit payments, including refunds of employee contributions	(3,156)
7. Net change in total pension liability	\$ 187,836
8. Total pension liability - beginning	256,784
9. Total pension liability - ending	\$ 444,620
 <b>B. Plan fiduciary net position</b>	
1. Contributions - employer	\$ 93,694
2. Contributions - employee	74,784
3. Net investment income	18,561
4. Benefit payments, including refunds of employee contributions	(3,156)
5. Administrative Expense	(285)
6. Other	(21)
7. Net change in plan fiduciary net position	\$ 183,577
8. Plan fiduciary net position - beginning	268,557
9. Plan fiduciary net position - ending	\$ 452,134
 <b>C. Net pension liability [A.9 - B.9]</b>	 \$ (7,514)
 <b>D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]</b>	101.69%
 <b>E. Covered-employee payroll</b>	\$ 1,068,342
 <b>F. Net pension liability as a percentage of covered employee payroll [C / E]</b>	-0.70%

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1**  
**SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

Last 10 Years (will ultimately be displayed)

	2014
<b>Total pension liability</b>	
Service Cost	\$ 170,600
Interest (on the Total Pension Liability)	27,449
Changes of benefit terms	-
Difference between expected and actual experience	(7,057)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(3,156)
<b>Net Change in Total Pension Liability</b>	187,836
<b>Total Pension Liability - Beginning</b>	256,784
<b>Total Pension Liability - Ending (a)</b>	\$ 444,620
 <b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 93,694
Contributions - Employee	74,784
Net Investment Income	18,561
Benefit payments, including refunds of employee contributions	(3,156)
Administrative Expense	(285)
Other	(21)
<b>Net Change in Plan Fiduciary Net Position</b>	183,577
<b>Plan Fiduciary Net Position - Beginning</b>	268,557
<b>Plan Fiduciary Net Position - Ending (b)</b>	\$ 452,134
<b>Net Pension Liability - Ending (a) - (b)</b>	\$ (7,514)
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	101.69%
<b>Covered Employee Payroll</b>	\$ 1,068,342
 <b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	 -0.70%

**Notes to Schedule:**

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

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1  
 TS-1 SERVICES AND RATES  
 SEPTEMBER 30, 2015

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

Water Base Rates		Water Volumetric Rates		
Meter Size	Base Rate	Rates per 1,000 Gallons Over		Gallons
		Base		
5/8"	\$12.99			
1"	20.39	\$3.03		0 to 6,000
1.5"	32.23	3.53		6,001 to 17,000
2"	46.43	4.09		17,001 to 25,000
3"	79.58	4.75		25,001 to 50,000
4"	126.93	5.52		50,001 +
6"	245.29			
<u>Base Fee</u>				
WASTEWATER	\$ 15.35	0	No	\$ 2.63
			No	-
				0 to 18,000 Caps at 18,000

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

NOTE: all rates noted above were amended effective September 1, 2015.

District employs winter averaging for wastewater usage? No

Total water and wastewater charges per 10,000 gallons usage (including surcharges) effective September 1, 2015 (based on 5/8" & 3/4")

First 10,000 gallons used	\$ 86.94
Next 10,000 gallons used	58.02
Next 10,000 gallons used	44.20
Next 10,000 gallons used	47.50
Next 10,000 gallons used	47.50
Next 10,000 gallons used and subsequent	55.20

Maximum residential wastewater charge is for 18,000 gallons or \$62.69

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1  
TS-1 SERVICES AND RATES  
SEPTEMBER 30, 2015

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"	2,522.0	2,497.0	1.0	2,497.0
1"	689.0	689.0	2.5	1,722.5
1 1/2"	21.0	20.0	5.0	100.0
2"	94.0	87.0	8.0	696.0
3"	27.0	26.0	15.0	390.0
4"	14.0	14.0	25.0	350.0
6"	3.0	3.0	50.0	150.0
8"	-	-	80.0	-
10"	-	-	115.0	-
Total Water	<u>3,370.0</u>	<u>3,336.0</u>		<u>5,905.5</u>
Total Wastewater	<u>3,376.0</u>	<u>3,342.0</u>	<u>1.0</u>	<u>3,342.0</u>

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

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

Note: District provides wholesale services to the Town of Trophy Club through 1,368 connections

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

Gallons pumped into the system	902,398
Gallons billed to customers	818,827
Water accountability ratio	90.7%

4. Standby Fees:

Does the District assess standby fees? No

For the most recent fiscal year, FY2015:

	Total Levy	Total Collected	Percentage Collected
Debt Service	\$ 468,147	\$ 466,286	99.6%
Operations and Maintenance	\$ 1,045,333	\$ 1,041,176	99.6%

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



TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1  
TS-1 SERVICES AND RATES  
SEPTEMBER 30, 2015

5. Location of District:

Counties in which District is located:	a) Denton	
	b) Tarrant	
Is the District located entirely in one county?	No	
Is the District located within a city?	Partially	
Cities in which District is located:	Town of Trophy Club	
	Town of Westlake	
Is District located within a city's extra territorial jurisdiction (ETJ)?		Unknown
ETJ's in which District is located:		Unknown
Is the general membership of the Board appointed by an office outside the District?	No	

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1  
 TSI - 2  
 General Fund Expenditures and Other Financing Uses  
 Year Ended September 30, 2015

	<u>Current Year</u> 2015	<u>Prior Year</u> 2014
Administrative	\$ 1,672,124	\$ 1,779,470
Water Operations	3,151,533	3,031,672
Wastewater Operations	864,305	* 621,108
Wastewater Collection Systems	* 0	* 185,561
Contribution to Trophy Club Fire Dept	928,607	879,830
Capital Outlay	1,755,603	990,311
Transfers Out and Debt Service	<u>656,985</u>	<u>993,451</u>
Total Expenditures	<u>\$ 9,029,157</u>	<u>\$ 8,481,403</u>

\* FY 2015 Wastewater Operations and Wastewater Collection Systems has been merged together.

Number of employees employed by the District:

Full time Equivalents (FTEs)	18 *	18
Part time	0	0

\* The Fire Department personnel is paid by the Town and receive Town benefits. The MUD reimburses the Town 50/50% of Payroll and related expenses. Fire Department personnel have been excluded from FTE's.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 CONSOLIDATED  
TSI-3 TEMPORARY INVESTMENTS  
September 30, 2015

Funds	Identification Number	Interest Rate	Maturity Date	Balance End of Year	Accrued Interest End of Year
General Fund TexPool	613300002	0.073	Demand	\$ 2,048,524	Paid daily
General Fund Bank of the West	4526372	0.250	Demand (money market)	\$ 1,508,870	Paid monthly
Debt Service Fund TexPool	613300003	0.073	Demand	\$ 19,326	Paid daily
Debt Service-Revenue Bond Texpool	613300013	0.073	Demand	\$ 15,068	Paid daily
Revenue Bond Reserve Texpool	613300014	0.073	Demand	\$ 71,962	Paid daily
Capital Projects Texpool	613300010	0.073	Demand	\$ 21,462	Paid daily
Capital Projects Tax Bond Construction Texpool	613300011	0.073	Demand	\$ 4,378,563	Paid daily
Capital Projects Revenue Bond Construction Texpool	613300012	0.073	Demand	\$ 8,535,193	Paid daily
Total - All Funds				<u>\$ 16,598,968</u>	

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1  
TSI-4 TAXES LEVIED AND RECEIVABLE  
SEPTEMBER 30, 2015

	General Fund			Debt Service	Total
	Operations	Fire	Total		
Taxes receivable beginning of year	\$ 2,191	\$ 25,860	\$ 28,051	\$ 9,995	\$ 38,046
2014 tax levy	165,449	1,216,569	1,382,018	459,382	1,841,400
Total to be accounted for	167,641	1,242,429	1,410,070	469,377	1,879,447
Less collections and adjustments:					
Current year	(164,780)	(1,212,737)	(1,377,517)	(457,520)	(1,835,037)
Prior years	(504)	(12,868)	(13,372)	( 2,004)	(15,376)
Total to be accounted for	(165,284)	(1,225,605)	(1,390,889)	(459,524)	(1,850,413)
Taxes receivable, end of year	\$ 2,357	\$ 16,824	\$ 19,181	\$ 9,853	\$ 29,034

Taxes receivable by year					
1996 and prior	\$ 19	\$ 108	\$ 127	\$ 454	\$ 581
1997	7	41	48	150	198
1998	7	44	51	140	191
1999	7	48	55	108	163
2000	7	34	41	122	163
2001	7	36	43	120	163
2002	7	61	68	136	204
2003	49	89	138	94	232
2004	17	145	162	210	372
2005	59	199	258	283	541
2006	88	409	497	632	1,129
2007	52	508	560	621	1,181
2008	96	754	850	612	1,462
2009	225	906	1,131	570	1,701
2010	159	1,976	2,135	1,393	3,528
2011	197	2,175	2,372	1,112	3,484
2012	227	2,390	2,617	448	3,065
2013	457	3,069	3,526	785	4,311
2014	670	3,832	4,502	1,861	6,363
	\$ 2,357	\$ 16,824	\$ 19,181	\$ 9,853	\$ 29,034

Property valuations (in 000's)	F/Y 14/15	F/Y 13/14	F/Y 12/13	F/Y 11/12	F/Y 10/11
Land	\$ 474,068	\$ 439,499	\$ 431,312	\$ 432,801	\$ 442,492
Improvements	630,249	573,454	551,135	516,182	518,390
Personal property	80,605	95,598	84,548	92,311	74,566
Exemptions	(52,617)	(45,150)	(46,788)	(43,476)	(42,737)
	\$ 1,132,305	\$ 1,063,401	\$ 1,020,207	\$ 997,818	\$ 992,711

Tax rate per \$100 valuation					
Operations	0.014860	0.009350	0.009890	0.009890	0.008790
Fire department	0.077270	0.087380	0.104000	0.109250	0.109250
Debt service	0.041260	0.036660	0.019500	0.055860	0.076960
Tax rate per \$100 valuation	0.133390	0.133390	0.133390	0.175000	0.195000

Tax levy:	\$ 1,870,728	\$ 1,726,648	\$ 1,581,619	\$ 1,714,788	\$ 1,934,045
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Percent of taxes collected to taxes levied	98.91%	99.42%	99.72%	99.44%	99.59%
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TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1  
 TSI-5 LONG-TERM SERVICE REQUIREMENTS- BY YEARS  
 SEPTEMBER 30, 2015

Due During Fiscal Years Ending	All Bonded Debt Series		Total
	Principal Due 1-Sep	Interest Due Mar 1/ Sep 1	
2016	\$ 895,000	\$ 551,821	\$ 1,446,821
2017	1,075,000	531,221	1,606,221
2018	1,100,000	506,847	1,606,847
2019	1,135,000	481,897	1,616,897
2020	1,155,000	456,096	1,611,096
2021	1,195,000	428,083	1,623,083
2022	1,230,000	398,408	1,628,408
2023	1,270,000	366,308	1,636,308
2024	835,000	331,333	1,166,333
2025	860,000	309,883	1,169,883
2026	880,000	287,783	1,167,783
2027	915,000	263,943	1,178,943
2028	945,000	238,281	1,183,281
2029	980,000	210,408	1,190,408
2030	1,010,000	180,663	1,190,663
2031	1,050,000	147,751	1,197,751
2032	935,000	113,538	1,048,538
2033	970,000	84,563	1,054,563
2034	1,010,000	53,538	1,063,538
2035	630,000	20,475	650,475
	<u>\$ 20,075,000</u>	<u>\$ 5,962,835</u>	<u>\$ 26,037,835</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1  
 TSI-5 LONG-TERM SERVICE REQUIREMENTS- BY YEARS  
 SEPTEMBER 30, 2015

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

Due During Fiscal Years Ending	Principal Due 1-Sep	Interest Due Mar 1/ Sep 1	Total
2016	\$ 75,000	\$ 71,283	\$ 146,283
2017	80,000	68,658	148,658
2018	85,000	65,858	150,858
2019	85,000	62,883	147,883
2020	90,000	59,908	149,908
2021	95,000	56,758	151,758
2022	100,000	53,433	153,433
2023	105,000	48,433	153,433
2024	110,000	43,183	153,183
2025	115,000	37,683	152,683
2026	115,000	33,083	148,083
2027	125,000	28,368	153,368
2028	130,000	23,243	153,243
2029	135,000	17,783	152,783
2030	140,000	12,113	152,113
2031	145,000	6,163	151,163
	<u>\$ 1,730,000</u>	<u>\$ 688,833</u>	<u>\$ 2,418,833</u>

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

Due During Fiscal Years Ending	Principal Due 1-Sep	Interest Due Mar 1/ Sep 1	Total
2016	\$ 200,000	\$ 49,350	\$ 249,350
2017	205,000	44,350	249,350
2018	210,000	39,226	249,226
2019	225,000	33,976	258,976
2020	225,000	28,350	253,350
2021	230,000	21,600	251,600
2022	240,000	14,700	254,700
2023	250,000	7,500	257,500
	<u>\$ 1,785,000</u>	<u>\$ 239,052</u>	<u>\$ 2,024,052</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1  
 TSI-5 LONG-TERM SERVICE REQUIREMENTS- BY YEARS  
 SEPTEMBER 30, 2015

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

Due During Fiscal Years Ending	Principal Due 1-Sep	Interest Due Mar 1/ Sep 1	Total
2016	\$ 175,000	\$ 48,025	\$ 223,025
2017	185,000	42,775	227,775
2018	185,000	37,225	222,225
2019	195,000	31,675	226,675
2020	195,000	25,825	220,825
2021	205,000	19,975	224,975
2022	210,000	13,825	223,825
2023	215,000	7,525	222,525
	<u>\$ 1,565,000</u>	<u>\$ 226,850</u>	<u>\$ 1,791,850</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
2016	\$ 235,000	\$ 148,325	\$ 383,325
2017	240,000	144,800	384,800
2018	245,000	141,200	386,200
2019	250,000	137,525	387,525
2020	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>\$ 5,765,000</u>	<u>\$ 1,831,138</u>	<u>\$ 7,596,138</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1  
 TSI-5 LONG-TERM SERVICE REQUIREMENTS- BY YEARS  
 SEPTEMBER 30, 2015

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

Due During Fiscal Years Ending	Principal Due 1-Sep	Interest Due Mar 1/ Sep 1	Total
2016	\$ 210,000	\$ 234,838	\$ 444,838
2017	365,000	230,638	595,638
2018	375,000	223,338	598,338
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>\$ 9,230,000</u>	<u>\$ 2,976,963</u>	<u>\$ 12,206,963</u>



TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1  
TSI-6 CHANGES IN LONG-TERM BONDED DEBT  
SEPTEMBER 30, 2015

	Series 2010 GO Bonds	Series 2012 GO Bonds	Series 2013 GO Bonds	Series 2014 GO Bonds	Series 2015 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%	
Date interest payable	3/1 & 9/1	3/1 & 9/1	3/1 & 9/1	3/1 & 9/1	3/1 & 9/1	
Maturity date	9/1/2031	9/1/2023	9/1/2023	9/1/2034	9/1/2035	
Bonds outstanding at beginning of year	\$ 1,800,000	\$ 1,980,000	\$ 1,740,000	\$ -	\$ -	\$ 5,520,000
Retirements of principal	\$ 70,000	\$ 195,000	\$ 175,000	\$ -	\$ -	\$ 440,000
Bonds outstanding at end of fiscal year	<u>\$ 1,730,000</u>	<u>\$ 1,785,000</u>	<u>\$ 1,565,000</u>	<u>\$ 5,765,000</u>	<u>\$ 9,230,000</u>	<u>\$ 20,075,000</u>
Retirements of interest	<u>\$ 73,733</u>	<u>\$ 53,250</u>	<u>\$ 51,525</u>	<u>\$ 105,476</u>	<u>\$ 136,989</u>	<u>\$ 420,972</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	
<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>\$ -</u>					

The general obligation bonds were authorized on October 7, 1975

Debt Service Fund cash and cash equivalents balance as of September 30, 2015: \$ 111,203

Average annual debt service payment (principal & interest) for remaining term of debt: \$ 1,301,892

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1  
GENERAL FUND  
SEPTEMBER 30, 2015

REVENUE	Amounts						Percent of total revenue				
	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011	
Ad valorem property taxes	\$ 1,419,548	\$ 1,340,502	\$ 1,426,185	\$ 1,374,808	\$ 1,313,027	14.2%	17.6%	16.1%	16.1%	18.8%	
Water and wastewater charges	6,138,766	5,730,872	5,467,371	5,210,788	5,323,244	61.5%	75.2%	60.9%	60.9%	76.3%	
Utility Fees	239,200	331,200	508,300	647,080	165,600	2.4%	4.3%	7.6%	7.6%	2.4%	
Inspection and tap fees	11,375	10,725	9,600	10,250	7,800	0.1%	0.1%	0.1%	0.1%	0.1%	
Interest earned	6,117	6,071	4,641	5,706	5,534	0.1%	0.1%	0.1%	0.1%	0.1%	
Debt proceeds	-	-	-	1,100,000	-	0.0%	0.0%	12.8%	12.8%	0.0%	
Transfers In	1,074,337	-	-	-	-	10.8%	0.0%	0.0%	0.0%	0.0%	
Proceeds from Sale of Assets	46,750	-	-	-	-	0.5%	0.0%	0.0%	0.0%	0.0%	
Capital Lease Financing	807,316	-	-	-	-	8.1%	0.0%	0.0%	0.0%	0.0%	
Miscellaneous and other	240,591	202,481	214,294	213,277	159,221	2.4%	2.7%	2.5%	2.5%	2.3%	
<b>Total revenue</b>	<b>\$ 9,984,000</b>	<b>\$ 7,621,851</b>	<b>\$ 7,630,391</b>	<b>\$ 8,561,909</b>	<b>\$ 6,974,426</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	
<b>EXPENDITURES</b>											
Administrative	\$ 1,672,123	\$ 1,779,470	\$ 1,476,468	\$ 1,097,547	\$ 1,042,073	16.7%	23.3%	12.8%	12.8%	14.9%	
Water operations	3,151,532	3,031,672	2,623,822	2,503,331	2,737,946	31.6%	39.8%	29.2%	29.2%	39.3%	
Wastewater operations	864,305	621,108	896,538	614,102	727,272	8.7%	8.1%	7.2%	7.2%	10.4%	
Wastewater collection system	-	185,561	322,017	260,895	300,215	0.0%	2.4%	3.0%	3.0%	4.3%	
Information systems	-	-	-	173,386	150,516	0.0%	0.0%	2.0%	2.0%	2.2%	
Contribution to Trophy Club Fire Dept	928,610	879,830	790,779	822,307	1,429,159	9.3%	11.5%	9.6%	9.6%	20.5%	
Capital outlay	1,755,603	990,311	462,876	1,562,809	-	17.6%	13.0%	18.3%	18.3%	0.0%	
Transfers Out and Debt Service	656,984	993,450	1,115,390	1,011,260	308,000	6.6%	13.0%	11.8%	11.8%	4.4%	
<b>Total expenditures</b>	<b>\$ 9,029,157</b>	<b>\$ 8,481,402</b>	<b>\$ 7,687,890</b>	<b>\$ 8,045,637</b>	<b>\$ 6,695,181</b>	<b>90.4%</b>	<b>111.3%</b>	<b>94.0%</b>	<b>94.0%</b>	<b>96.0%</b>	
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ 954,843</b>	<b>\$ (859,551)</b>	<b>\$ (57,499)</b>	<b>\$ 516,272</b>	<b>\$ 279,245</b>	<b>9.6%</b>	<b>-11.3%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>4.0%</b>	
<b>Total active retail water and/or wastewater connections</b>	<b>3,376</b>	<b>3,140</b>	<b>3,096</b>	<b>3,887</b>	<b>3,554</b>						

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1  
 TSI-7 COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES-FIVE YEARS (Continued)  
 DEBT SERVICE FUND  
 SEPTEMBER 30, 2015

	Amounts					Percentage				
	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011
<b>REVENUE</b>										
Ad valorem property taxes	\$ 468,194	\$ 386,992	\$ 201,207	\$ 547,587	\$ 771,631	48.8%	62.4%	28.0%	62.9%	57.9%
Penalties and interest	2,021	2,676	1,688	3,226	6,018	0.2%	0.4%	0.2%	0.4%	0.5%
Intergovernmental	465,409	230,804	503,000	308,000	554,100	48.5%	37.2%	70.1%	35.4%	41.6%
Interest earned	13,976	97	11,900	5,956	985	1.5%	0.0%	1.7%	0.7%	0.1%
Miscellaneous and other	9,573	-	-	6,120	-	1.0%	0.0%	0.0%	0.7%	0.0%
<b>Total revenue</b>	<b>959,173</b>	<b>620,569</b>	<b>717,795</b>	<b>870,889</b>	<b>1,332,734</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>EXPENDITURES</b>										
Principal retirement	440,000	425,000	605,000	565,000	1,115,000	45.9%	68.5%	84.3%	64.9%	83.7%
Interest and fiscal charges	422,722	198,695	231,333	277,319	382,019	44.1%	32.0%	32.2%	31.8%	28.7%
<b>Total expenditures</b>	<b>862,722</b>	<b>623,695</b>	<b>836,333</b>	<b>842,319</b>	<b>1,497,019</b>	<b>89.9%</b>	<b>100.5%</b>	<b>116.5%</b>	<b>63.2%</b>	<b>112.3%</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ 96,451</b>	<b>\$ (3,126)</b>	<b>\$ (118,538)</b>	<b>\$ 28,570</b>	<b>\$ (164,285)</b>	<b>10.1%</b>	<b>-0.5%</b>	<b>-16.5%</b>	<b>36.8%</b>	<b>-12.3%</b>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 CONSOLIDATED  
 TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
 September 30, 2015

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

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

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

Name and Address	Term of Office Elected/Expires or Date Hired	Fees of Office Paid FY15	Expense Reimbursements FY15	Title at Year End
Board Members:				
James Moss 979 Trophy Club Drive Trophy Club, TX 76262	05/12-05/16	\$ 2,500	\$ -	President
Jim Hase 315 Lakewood Drive Trophy Club, TX 76262	05/14-05/18	\$ 3,100	\$ 1,210	Director
Kevin Carr 15 Edgemere Drive Trophy Club, TX 76262	05/14-05/18	\$ 2,700	\$ 476	Secretary/Treasurer
Neil Twomey 203 Oakmont Drive Trophy Club, TX 76262	06/14-05/16	\$ 3,000	\$ 1,793	Vice-President
James C. Thomas 7 Meadowbrook Lane Trophy Club, TX 76262	05/14-05/18	\$ 2,700	\$ -	Director

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1**  
**TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)**  
**SEPTEMBER 30, 2015**

Name and Address	Term of Office Elected/Expires or Date Hired	Fees of Office Paid FY15	Title at Year End
Key Personnel:			
Jennifer McKnight 122 Reatta Drive Justin, Texas 76247	3/19/2012	\$ -	General Manager
Consultants:			
Denton Central Appraisal District P.O. Box 2816 Denton, TX 76202	4/1/1981	\$ 7,529	Appraiser
Tarrant Appraisal District 2500 Handley-Ederville Rd. Fort Worth, TX 76262	10/1/2007	\$ 2,318	Appraiser
LaFollett & Abbott PLLC P.O. Box 717 Tom Bean, TX 75489	10/1/2010	\$ 21,983	Auditors
The Wallace Group P.O. Box 22007 Waco, TX 76702	5/1/2012	\$ 365,810	Engineers
Whitaker, Chalk, Swindle & Sawyer, L.L.P. 3500 City Center, Tower II Fort Worth, TX 76102	10/1/1999	\$ 259,171	Legal Counsel
Liston Law Firm 2801 Weems Way, Suite B Rowlett, TX 75088	7/1/2002	\$ 98,867	Legal Counsel
Freeman & Corbett 8500 Bluffstone Cove Suite B-104 Austin, TX 78759	12/17/2012	\$ 32,221	Legal Counsel
Norton Rose Fulbright US LLP Fulbright & Jaworski LLP P. O. Box 844284 Dallas, Texas 75284-4284	4/1/2014	\$ 175,714	Legal Counsel
Southwest Securities 1201 Elm St., Suite 3500 Dallas, TX 75270	7/1/2013	\$ 10,280	Legal/Financial Advisor

**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, 2015, 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 19, 2016.

**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*.

We noted certain matters that we reported to management of the District in a separate letter dated January 19, 2016.

### **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.



Tom Bean, Texas  
January 19, 2016