

TROPHY CLUB
MUNICIPAL UTILITY DISTRICT NO. 1
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR
ENDED SEPTEMBER 30, 2019

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }
COUNTY OF DENTON }

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

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

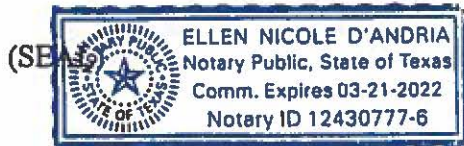
Hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 20st day of January, 2020, its annual audit report for the fiscal year or period ended September 30, 2019 and that copies of the annual audit report have been filed in the district office, located at 100 Municipal Drive, Trophy Club, Texas, 76262.

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

Date: January 24th, 2020 By: [Signature]
(Signature of District Representative)

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

Sworn to and subscribed to before me this 24th day of January, 2020



[Signature]
(Signature of Notary)

My Commission Expires On: March 21st, 2022
Notary Public in the State of Texas



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, 2019, 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 District'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 District'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 District, as of September 30, 2019, 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 41-45 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 District's basic financial statements. The accompanying individual schedules and other supplementary information on pages 46-57 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 20, 2020, on our consideration of District'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 the District's internal control over financial reporting and compliance.

LaFollett & Company PLLC

Tom Bean, Texas
January 20, 2020

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2019

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, 2019.

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

Financial Highlights

At the close of the fiscal year, the assets and deferred outflows of the District exceeded its liabilities and deferred inflows by \$30,435,151. Of this amount, \$3,749,584 is unrestricted net position and may be used to meet the District's ongoing commitments.

The District's net position increased by \$3,406,776 during 2019 (page 12). A significant contributor to this result was the charges for services exceeded water and wastewater operation and expenses by 3,963,647, which lead to a net surplus of \$867,256 for all governmental activities.

At the end of the fiscal year, the District's governmental type funds reported a combined fund balance of \$15,588,422. As of September 30, 2019, the unassigned fund balance of the General Fund was \$8,967,789.

At the end of the fiscal year, the District's governmental type funds reported a combined fund balance of \$15,588,422. As of September 30, 2019, the unassigned fund balance of the General Fund was \$8,967,789.

Long-term debt activity for the District included debt principal repayments totaling \$1,553,967.

Overview of the Financial Statements

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

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2019

Overview of the Financial Statements – continued

1. The Statement of Net Position – (Page 11) this statement presents information on all of the District's assets, deferred inflows, deferred outflows, liabilities, and net position. The net position is the difference between assets plus deferred outflows less deferred inflows plus liabilities. Over an extended period, the increase or decrease in net position will serve as a good indicator of whether the financial position of the District is improving or deteriorating.
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 Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service Fund and Capital Projects Fund.

The District adopts an annual appropriated budget for the General Fund. 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 17-40.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2019

Government-wide Financial Analysis

The Management's Discussion and Analysis highlights the information provided in both the Statement of Net Position and Statement of Activities in the government-wide financial statements. It may serve over an extended period of time, as a useful indicator of the District's financial position. At the end of the fiscal year, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$30,435,151. Of this amount, \$20,735,143 (68%) 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 unspent bond proceeds, \$5,034,528 (17%) restricted for capital projects, and \$915,896 (3%) restricted for debt service.

Table 1
Condensed Statements of Net Position

	Governmental Activities 2019	Governmental Activities 2018
Current and other	\$ 17,473,509	\$ 10,096,851
Capital assets	42,628,151	40,816,044
Total assets	60,101,660	50,912,895
Deferred outflows	166,799	71,774
Total deferred outflows	166,799	71,774
Long-term liabilities	27,887,239	20,465,047
Other liabilities	1,924,373	3,452,401
Total liabilities	29,811,612	23,917,448
Deferred inflows	21,696	38,846
Total deferred inflows	21,696	38,846
Net Position:		
Net investment in capital assets	20,735,143	18,657,642
Restricted for capital projects	5,034,528	-
Restricted for debt service	915,896	682,344
Unrestricted	3,749,584	7,688,389
Total Net Position	\$ 30,435,151	\$ 27,028,375

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2019

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, 2019 and 2018. Governmental activities have increased the District's net position by \$3,406,776 which amounts to a 17% increase in net position for the year ended September 30, 2019.

Table 2
Changes in Net Position

	Governmental Activities 2019	Governmental Activities 2018
Revenue:		
Program revenue		
Charges for services	\$ 8,587,955	\$ 9,308,951
General Revenue		
Ad valorem taxes	1,918,080	1,878,557
Unrestricted investment earnings	233,313	112,040
Contributions not restricted to specific program	298,654	195,528
Gain on sale of asset	52,600	9,477
Miscellaneous	36,873	80,627
Total Revenue	<u>11,127,475</u>	<u>11,585,180</u>
Expenses:		
Water & wastewater operations	4,576,113	4,602,955
General government and other	1,811,602	1,595,960
Fire	765,952	698,845
Interest charges	567,032	569,293
Total Expenses	<u>7,720,699</u>	<u>7,467,053</u>
Increase in net position	<u>\$ 3,406,776</u>	<u>\$ 4,118,127</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2019

Financial analysis of the District's funds

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

At the end of the fiscal year, the District's governmental funds reported combined ending fund balances of \$15,588,422, of which 43%, or \$8,967,789, is unassigned and available to the District for future spending.

General Fund budgetary highlights

Revenue: Revenues were \$309,680 (3.1 %) more than budgeted

- Water charges were \$164,235 (3.2%) more than budgeted.

Expenditures: Expenditures were \$295,396 (3.4%) less than budgeted

- Capital Outlay expenditures were \$215,243 (11.8%) more than budgeted.
- Wastewater Operations were \$164,578 (13.6%) less than budgeted.
- Administration expenditures were \$150,637 (11.8%) less than budgeted.

Capital Asset and Debt Administration

The District's investment in capital assets for its governmental activities as of September 30, 2019 amounted to \$42,628,151, net of accumulated depreciation. This represents a broad range of capital assets including, but not limited to land, buildings, improvements, machinery and equipment, vehicles, water, wastewater treatment, and wastewater collection systems.

Capital assets increased 4.4% during 2019 primarily due to \$1.5 million of new construction in progress for the water and wastewater system. Additional information about capital assets may be found in Note 5 in the notes to financial statements.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2019

Debt administration

Long-Term Liabilities – at the end of the current fiscal year, the District had \$27,842,242 of general obligation bonds, revenue bonds, notes payable, capital leases, and accrued compensated absences, which is an increase of 26% from the previous fiscal year. Of this amount, \$27,804,967 is backed by the full faith and credit of the District, which does not include compensated absences of \$37,275.

Table 3
Outstanding Debt at Year-end

	Governmental Activities 2019	Governmental Activities 2018
Revenue bonds	\$ 18,995,000	\$ 12,510,000
General obligation bonds	7,970,000	8,725,000
Capital lease obligations	839,967	838,430
Compensated absences	37,275	29,107
Total	<u>\$ 27,842,242</u>	<u>\$ 22,102,537</u>

Economic factors and next year's budgets and rates:

General Fund 2019 budgetary highlights:

Revenue: The District's 2020 General Fund budgeted revenue reflects a projected increase of \$954,378 from the District's 2019 amended budget, and a projected increase of \$1,158,785 when comparing it to the 2019 actual accrued operational revenue.

- Water revenue is budgeted to increase from \$5,243,386 for actual accrued in fiscal year 2019 to \$6,486,623 for budgeted fiscal year 2020 for a total projected increase of \$1,243,237.
- Sewer revenue is budgeted to increase from \$3,124,552 for actual accrued in fiscal year 2019 to \$3,503,885 for budgeted fiscal year 2020 for a total projected increase of \$379,333.
- Even though the District's M&O tax rate decreased for fiscal year 2020 from fiscal year 2019, the District is projected to collect an M&O tax revenue increase of \$118,121. The segregated M&O property tax revenue from fiscal year 2020 to fiscal year 2019 is budgeted to increase by \$108,580 for Fire and increase by \$9,541 for the MUD.

Expenses: The District's 2020 General Fund budgeted expense reflects a projected increase of \$1,367,128 from the amended 2019 budget, and a projected increase of \$1,962,614 when compared to the actual spending for fiscal 2019.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2019

- The primary factors for the District's difference in actual spending in 2019 compared to the 2020 budgeted expense is attributable to reduced or deferred expenses of several significant factors; wholesale water purchases increasing expenses by \$736,861 due to the near record setting above average rainfall in 2019 causing a lack of water purchased and sold in 2019, capital outlay decrease by \$561,314 due to capital improvement projects being completed in 2019 and less projected for 2020, long-term revenue debt payments increase by \$328,109 largely due to an additional revenue bond payment for bond awarded in 2019, and overall salary increase by \$376,156 due to unfilled staff positions during 2019 that are projected to be filled in 2020 including adding a FTE general manager position.

Overall: The District's 2020 operational budget is anticipated to have revenues of \$10,645,077 and expenses of \$10,638,853 netting a projected surplus of \$6,224 for the year.

Debt Service Fund 2019 budgetary highlights:

- The District's Debt Service Fund is budgeted to increase from \$2,092,893 in actual fiscal year 2019 to \$2,406,637 budgeted for fiscal year 2020. This is a total increase of \$313,744.
- Property tax revenues collected for Debt Service Fund are budgeted to increase from \$679,487 in actual fiscal year 2019 to \$685,411 budgeted in fiscal year 2020 for a total increase of \$5,564.

Overall: The District's consolidated budgeted revenue increased from \$12,971,826 in fiscal year 2019 amended budget to \$14,278,444 in fiscal year 2020 budget totaling in a projected increase of 10.07%. The District's consolidated budgeted expenses increased from \$12,382,302 in fiscal year 2019 amended budget to \$14,069,340 in fiscal year 2020 budget totaling in a projected increase of 13.62%.

Sewer and Water rate highlights:

Water base and volumetric rates were not changed during fiscal year 2019. Sewer base and volumetric rates were both increased for residential and commercial customers by the District's Board of Directors, with an effective date of October 1, 2018. The sewer charges are calculated based on the average water consumption for three months of billing; December, January, and February. Effective April 1, 2019 the Sewer volumetric rates were increased for both the commercial and residential customers by the District's Board of Directors to reflect the updated winter average calculations. The District's Board of Directors adopted a new rate order effective October 1, 2019 that will increase the Water base rates, while keeping Sewer base and Water/Sewer volumetric equivalent to current rates.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2019

Legal highlights:

There are two legal matters that will persist into the District's next fiscal year 2020. The first is potential litigation with Webber Cadagua Partners, the contractor responsible for constructing the upgrade to the District's wastewater treatment facility. This project is substantially complete, except for the second crane structure. The District has made a claim against the contractor for defective work which the contractor disputes that it is responsible for the costs of repair/replacement of the crane structure. The District has a second potential claim against the contractor for liquidated damages. The Contractor has also filed a claim against the District related to the project. The second legal matter relates to an unauthorized easement encroachment. The District initiated legal action against Acadia Services, Inc. and MRW Investors, LLC in connection with the unauthorized construction of surface improvements within the District's wastewater easement. The Court granted the District's motion for summary judgement. The remaining dispute is related to the payment of legal representation expenses incurred by the District.

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, 2019

ASSETS	Governmental Activities
Cash and cash equivalents	\$ 3,102,700
Pooled investments	5,844,683
Restricted assets:	
Cash and cash equivalents	4,969,073
Pooled investments	2,152,173
Receivables	
Accounts receivable, net	1,361,921
Taxes	33,461
Due from other governments	1,012
Prepays	8,486
Non-depreciable capital assets:	
Land	648,178
Construction in progress	21,521,727
Water rights	864,678
Depreciable capital assets (net):	
Buildings and other improvements	2,845,560
Machinery, vehicles, and other equipment	2,333,184
Water system	14,402,363
Organization costs	12,461
TOTAL ASSETS	60,101,660
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	164,915
Deferred outflows - OPEB	1,884
TOTAL DEFERRED OUTFLOWS OF RESOURCES	166,799
LIABILITIES	
Accounts payable	1,482,956
Accrued liabilities	47,855
Accrued interest payable	72,753
Customer deposits	320,809
Noncurrent liabilities:	
Due within one year	1,634,990
Due in more than one year	26,181,484
Net pension liability	54,020
Total OPEB liability	16,745
TOTAL LIABILITIES	29,811,612
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	19,244
Deferred inflows - OPEB	2,452
TOTAL DEFERRED INFLOWS OF RESOURCES	21,696
NET POSITION	
Net investment in capital assets	20,735,143
Restricted for:	
Capital projects	5,034,528
Debt service	915,896
Unrestricted	3,749,584
TOTAL NET POSITION	\$ 30,435,151

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Governmental Activities					Net (Expenses) Revenue and Changes in Net Assets
Program Activities	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Water operations	3,325,173	\$ 5,358,205	\$ -	\$ -	\$ 2,033,032
General government	1,561,141	48,195	-	-	(1,512,946)
Wastewater operations	1,250,940	3,181,555	-	-	1,930,615
Fire	765,952	-	-	-	(765,952)
Interest on long term debt	567,032	-	-	-	(567,032)
Non-Departmental	179,748	-	-	-	(179,748)
Wastewater collection system	68,213	-	-	-	(68,213)
Directors	2,500	-	-	-	(2,500)
Total governmental activities	\$ 7,720,699	\$ 8,587,955	\$ -	\$ -	\$ 867,256
General Revenues:					
Ad valorem taxes					1,918,080
Contributions not restricted to specific programs					298,654
Investment income					233,313
Gain on sale of asset					52,600
Miscellaneous					36,873
Total general revenues					2,539,520
Change in net position					3,406,776
Net Position - beginning of year					27,028,375
Net Position - end of year					\$ 30,435,151

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, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Assets				
Cash and cash equivalents	\$ 3,102,700	\$ -	\$ -	\$ 3,102,700
Pooled investments	5,844,683	-	-	5,844,683
Restricted assets:				
Cash and cash equivalents	319,159	-	4,649,914	4,969,073
Pooled investments	-	915,896	1,236,277	2,152,173
Receivables:				
Accounts receivables, net	1,361,921	-	-	1,361,921
Taxes	21,611	11,850	-	33,461
Due from other governments	1,012	-	-	1,012
Due from other funds	48,266	-	-	48,266
Prepays	8,486	-	-	8,486
TOTAL ASSETS	<u>\$ 10,707,838</u>	<u>\$ 927,746</u>	<u>\$ 5,886,191</u>	<u>\$ 17,521,775</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 679,559	\$ -	\$ 803,397	\$ 1,482,956
Accrued liabilities	47,855	-	-	47,855
Customer deposits	320,809	-	-	320,809
Due to other funds	-	-	48,266	48,266
Total liabilities	<u>1,048,223</u>	<u>-</u>	<u>851,663</u>	<u>1,899,886</u>
Deferred Inflows of Resources				
Unavailable revenues - property taxes	21,617	11,850	-	33,467
Total deferred inflows of resources	<u>21,617</u>	<u>11,850</u>	<u>-</u>	<u>33,467</u>
Fund Balances				
Non-spendable prepaids	8,486	-	-	8,486
Restricted-debt service	-	915,896	-	915,896
Restricted-capital projects	-	-	5,034,528	5,034,528
Assigned-capital outlays	661,723	-	-	661,723
Unassigned	8,967,789	-	-	8,967,789
Total fund balances	<u>9,637,998</u>	<u>915,896</u>	<u>5,034,528</u>	<u>15,588,422</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	<u>\$ 10,707,838</u>	<u>\$ 927,746</u>	<u>\$ 5,886,191</u>	<u>\$ 17,521,775</u>

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, 2019**

Total fund balances - governmental funds	\$ 15,588,422
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.	42,628,151
Net pension liability is not a financial resource; therefore, it is not reported in the governmental funds.	(54,020)
Total OPEB liability is not a financial resource; therefore, it is not reported in the governmental funds.	(16,745)
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.	33,467
TCDRS pension and OPEB contributions are not current financial resources/burden; therefore they are not reported in the governmental funds. The net of these amounts is:	77,618
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.	(72,753)
Unamortized pension and OPEB investment gains/losses are not current financial resources/burden; therefore they are not reported in the governmental funds. The net of these amounts is:	67,485
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.	(37,275)
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>(27,779,199)</u>
Net position of governmental activities	<u>\$ 30,435,151</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, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues:				
Water and wastewater charges	\$ 8,539,760	\$ -	\$ -	\$ 8,539,760
Taxes	1,231,580	679,487	-	1,911,067
Intergovernmental revenues	298,654	-	-	298,654
Investment income	139,388	37,255	56,670	233,313
Oversize meter reimbursements	41,295	-	-	41,295
Miscellaneous	36,873	-	-	36,873
Inspection and tap fees	6,900	-	-	6,900
Total Revenues	10,294,450	716,742	56,670	11,067,862
Expenditures:				
Water	3,001,947	-	-	3,001,947
Adminstration	1,122,329	-	-	1,122,329
Wastewater	1,048,445	-	-	1,048,445
Fire	692,347	-	-	692,347
Non-Departmental	179,748	-	-	179,748
Board of directors	2,500	-	-	2,500
Capital outlay	2,036,172	-	654,100	2,690,272
Debt Service				
Principal	203,967	1,350,000	-	1,553,967
Interest and fiscal charges	25,540	543,396	-	568,936
Bond administrative fees	-	2,950	-	2,950
Total Expenditures	8,312,995	1,896,346	654,100	10,863,441
Excess (deficiency) of revenues over (under) expenditures	1,981,455	(1,179,604)	(597,430)	204,421
Other Financing Sources (Uses):				
Transfers in	32,080	1,413,156	-	1,445,236
Proceeds from sale of assets	52,600	-	-	52,600
Proceeds from bond issuance	32,080	23,601	7,024,319	7,080,000
Bond issuance cost	(39,160)	(23,601)	(149,672)	(212,433)
Bond premium	-	-	4,224	4,224
Bond discount	-	-	(99,722)	(99,722)
Proceeds from capital lease issuance	205,504	-	-	205,504
Capital lease issuance cost	(1,500)	-	-	(1,500)
Transfers out	(1,389,555)	-	(55,681)	(1,445,236)
Total Other Financing Sources (Uses)	(1,107,951)	1,413,156	6,723,468	7,028,673
Net change in fund balance	873,504	233,552	6,126,038	7,233,094
Fund Balances - beginning of year	8,764,494	682,344	(1,091,510)	8,355,328
Fund Balances - end of year	<u>\$ 9,637,998</u>	<u>\$ 915,896</u>	<u>\$ 5,034,528</u>	<u>\$ 15,588,422</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
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Net change in fund balances - total governmental funds	\$ 7,233,094
Amounts reported for governmental activities in the Statement of Activities are different because:	
Depreciation expense on capital assets reported in the Statement of Activities does not require the use of current financial resources, therefore, depreciation expense is not reported as expenditures in the governmental funds.	(878,299)
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.	2,690,272
Debt principal payments reduces long-term liabilities in the Statement of Net Position, but it is recorded as an expenditure in the governmental funds.	1,553,967
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.	(7,080,000)
Governmental funds report new capital lease issuances as other financing sources. However, these amounts are removed and recognized as new long term debt on the Statement of Net Position.	(205,504)
Governmental funds report the effects of debt premiums, and debt discounts, when debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.	110,740
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing the change in unavailable revenues, pension and OPEB expense, and compensated absences. The net effect of these reclassifications is to decrease net position.	(4,155)
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.	(13,338)
Change in net position of governmental activities	<u>\$ 3,406,777</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, 2019

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, 2019

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 2019, the major funds are the General Fund, Capital Projects Fund, and the Debt Service Fund.

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

General Fund

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

Debt Service Fund

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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, 2019

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

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.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2019

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, 2019, the carrying amount of the District's deposits (cash, restricted cash, and non-pooled savings accounts) was \$8,071,173 and the bank balance was \$8,525,956. Of the District's cash deposits at September 30, 2019 \$3,876,042 were insured by FDIC and Pledged Securities, \$7,995,601 were insured through the Texas Local Government Investment Pool (TexPool), and \$4,649,914 were uninsured. Uninsured funds are held in escrow accounts in agreement with TCEQ.

The District maintains its cash balances in bank accounts that occasionally exceed federally insured limits, as noted above. However, management does not believe it is exposed to any significant credit risk in connection with these accounts.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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, 2019 are classified in the accompanying financial statements as follows:

Primary Government:	
Cash and cash equivalents	\$ 3,102,700
Pooled investments	5,844,683
Restricted cash and cash equivalents	4,969,073
Restricted pooled investments	<u>2,152,173</u>
Total cash and investments	<u>\$ 16,068,629</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Cash and investments as of September 30, 2019 consist of the following:

Petty Cash	\$ 600
Deposits with financial institutions	8,071,173
Unrestricted Texpool investments	5,844,683
Texpool restricted investments	<u>2,152,173</u>
Total Cash and Investments	<u>\$ 16,068,629</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 monitors its interest rate risk, which is governed by adopted Investment Policies.

As of September 30, 2019, the District had the following investment:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Weighted Average Maturity</u>
TexPool	<u>\$ 7,996,856</u>	30 days
Total Investments	<u>\$ 7,996,856</u>	

As of September 30, 2019, the District did not invest in any securities which are highly sensitive to interest rate fluctuations. The fair value of investments in TexSTAR is materially the same as the value of the pooled shares held. Because the carrying value of the investment pool approximates fair value at September 30, 2019, this investment is carried at cost.

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, 2019

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>\$ 7,996,856</u>	AAAm	AAAm
Total Investments	<u>\$ 7,996,856</u>		

Concentration of Credit Risk

As of September 30, 2019, other than external investment pools, the District did not have 5% or more of its investments with one issuer.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the District's investment policy have the following provision for deposits: They require that a financial institution secure deposits made by state or local governmental units by either 1) pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit), or 2) an irrevocable standby letter of credit with the District named as the beneficiary. The market value of pledged securities in the collateral pool or the value of the letter of credit must equal at least the bank balance less FDIC insurance at all times.

Investment in State Investment Pools

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 3. ACCOUNTS RECEIVABLE

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

Accounts Receivable:

MUD water	\$ 758,458
MUD sewer	286,021
Unbilled receivables	186,986
Refuse (as agent for Town of Trophy Club)	74,396
Storm drainage (as agent for Town of Trophy Club)	42,881
Refuse tax (as agent for Town of Trophy Club)	6,396
Miscellaneous	3,866
PID Surcharge (as agent for Town of Trophy Club)	<u>14,968</u>
	1,373,972
Allowance for uncollectible accounts	<u>(12,051)</u>
Total (net)	<u>\$ 1,361,921</u>
Due from Other Governments:	
Town of Trophy Club	<u>\$ 1,012</u>

NOTE 4. INTERFUND TRANSFERS

Transfers between funds during the year are as follows:

Transfer In	Transfer Out	Amount	Purpose
General Fund	Capital Projects	\$ 32,080	Transfer General Fund portion of bond proceeds
Debt Service	Capital Projects	23,601	Transfer Debt Service portion of bond proceeds
Debt Service	General Fund	215,979	Transfer for the fire station bond payment
Debt Service	General Fund	120,053	Transfer of PID surcharge
Debt Service	General Fund	873,139	Assist with revenue bond payments
Debt Service	General Fund	<u>180,384</u>	Transfer to assist with the bond reserve payment
	Total	<u>\$ 1,445,236</u>	

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019, was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Ending Balance</u>
Capital assets - Non-Depreciable				
Land	\$ 648,178	\$ -	\$ -	\$ 648,178
Construction in progress	20,002,235	1,519,492	-	21,521,727
Water rights	796,145	68,533	-	864,678
Total capital assets not being depreciated	<u>21,446,558</u>	<u>1,588,025</u>	<u>-</u>	<u>23,034,583</u>
Capital assets - Depreciable				
Buildings	3,479,008	-	-	3,479,008
Improvements other than buildings	324,334	-	-	324,334
Machinery and equipment	1,867,867	64,482	-	1,932,349
Organization costs	2,331,300	-	-	2,331,300
Vehicles	2,402,929	591,930	(160,876)	2,833,983
Water system	12,387,756	274,458	-	12,662,214
Wastewater treatment system	5,684,772	88,333	-	5,773,105
Wastewater collection system	4,437,894	83,180	-	4,521,074
Total capital assets being depreciated	<u>32,915,860</u>	<u>1,102,383</u>	<u>(160,876)</u>	<u>33,857,367</u>
Less accumulated depreciation for:				
Buildings	(604,814)	(75,277)	-	(680,091)
Improvements other than buildings	(268,269)	(9,422)	-	(277,691)
Machinery and equipment	(1,003,483)	(121,309)	-	(1,124,792)
Organization costs	(2,311,566)	(7,273)	-	(2,318,839)
Vehicles	(1,241,735)	(227,497)	160,876	(1,308,356)
Water system	(4,043,068)	(218,275)	-	(4,261,343)
Wastewater treatment system	(2,471,687)	(140,363)	-	(2,612,050)
Wastewater collection system	(1,601,754)	(78,883)	-	(1,680,637)
Total accumulated depreciation	<u>(13,546,376)</u>	<u>(878,299)</u>	<u>160,876</u>	<u>(14,263,799)</u>
Governmental activities capital assets, net	<u>\$ 40,816,042</u>	<u>\$ 1,812,109</u>	<u>\$ -</u>	<u>\$ 42,628,151</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 5. CAPITAL ASSETS - CONTINUED

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

General government	\$ 318,355
Water operations	219,252
Wastewater operations	198,874
Fire department	73,605
Wastewater collection systems	68,213
Total depreciation expense	<u>\$ 878,299</u>

NOTE 6. LONG-TERM DEBT

At September 30, 2019, the District's long-term debt payable consisted of the following:

Description	Interest Rate Payable	Year of Issue	Final Maturity	Average Annual Payment	Original Amount	Outstanding 9/30/2018
Tax and revenue bonds:						
Improvements	3.50-5.00%	2010	2031	\$ 148,205	\$2,000,000	\$ 1,405,000
Refunding	2.00-3.00%	2012	2023	251,373	2,355,000	945,000
Refunding	2.00-3.50%	2013	2023	224,734	1,905,000	825,000
Improvements	1.50-3.50%	2015	2034	199,898	5,765,000	4,795,000
Improvements	2.00-3.25%	2015	2035	305,174	9,230,000	7,900,000
Improvements	0.53-2.12%	2016	2036	275,259	4,635,000	4,015,000
Improvements	3.00-3.50%	2019	2049	244,138	7,080,000	7,080,000
						<u>\$ 26,965,000</u>
Capital leases payable:						
Capital lease obligations	2.50%	2015	2022	\$ 127,149	\$1,057,316	\$ 363,139
Capital lease obligations	2.95%	2018	2023	78,456	360,100	290,174
Capital lease obligations	3.95%	2019	2024	45,681	205,504	186,654
						<u>\$ 839,967</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Tax, revenue, and refunding bonds	\$ 21,235,000	\$ 7,080,000	\$ (1,350,000)	\$ 26,965,000	\$ 1,370,000
Deferred loss on refunding	(4,331)	-	868	(3,463)	-
Bond premium	89,304	4,225	(19,328)	74,201	-
Bond discount	-	(99,722)	3,217	(96,505)	-
	<u>21,319,973</u>	<u>6,984,503</u>	<u>(1,365,243)</u>	<u>26,939,233</u>	<u>1,370,000</u>
Capital lease obligations	<u>838,430</u>	<u>205,504</u>	<u>(203,968)</u>	<u>839,966</u>	<u>227,715</u>
	838,430	205,504	(203,968)	839,966	227,715
Compensated absences	<u>29,107</u>	<u>8,168</u>	<u>-</u>	<u>37,275</u>	<u>37,275</u>
	29,107	8,168	-	37,275	37,275
Total Governmental Activities					
Long-term Liabilities	<u>\$ 22,187,510</u>	<u>\$ 7,198,175</u>	<u>\$ (1,569,211)</u>	<u>\$ 27,816,474</u>	<u>\$ 1,634,990</u>
Long-term liabilities due in more than one year				<u>\$ 26,181,484</u>	

The annual requirements to amortize all debt outstanding as of September 30, 2019, are as follows:

Year Ending September 30,	Principal	Interest	Total
2020	\$ 1,370,000	842,906	2,212,906
2021	1,565,000	710,269	2,275,269
2022	1,610,000	674,310	2,284,310
2023	1,655,000	635,584	2,290,584
2024	1,225,000	593,635	1,818,635
2025-2029	6,650,000	2,504,444	9,154,444
2030-2034	7,300,000	1,532,832	8,832,832
2035-2039	2,415,000	683,930	3,098,930
2040-2044	1,460,000	436,800	1,896,800
2045-2049	<u>1,715,000</u>	<u>179,806</u>	<u>1,894,806</u>
Total	<u>\$ 26,965,000</u>	<u>\$ 8,794,516</u>	<u>\$ 35,759,516</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 6. LONG-TERM DEBT – CONTINUED

The future lease payments for capital lease obligations at September 30, 2019 are as follows:

Year Ending September 30,	Principal	Interest	Total
2020	\$ 227,715	\$ 23,587	\$ 251,302
2021	233,257	16,983	250,240
2022	238,949	10,213	249,162
2023	117,648	3,271	120,919
2024	22,398	442	22,840
Total	<u>\$ 839,967</u>	<u>\$ 54,496</u>	<u>\$ 894,463</u>

Tax and Revenue Bonds

Tax and revenue bonds are payable from the proceeds of ad valorem taxes levied upon all property subject to taxation within the District, without limitation as to rate or amount, and are further payable from, and secured by a lien on and pledge of the net revenue to be received from the operation of the District's waterworks and sanitary sewer system. The outstanding bonds are callable for redemption prior to maturity at the option of the District as follows:

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

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

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

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

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

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

Series 2019 – All maturities from 2028 to 2049 are callable in principal increments of \$100,000 on or after September 1, 2027 at par plus unpaid interest to the fixed date for redemptions.

Contractual obligations and notes payable are liquidated from the General Fund. Tax and revenue bonds are liquidated from the Debt Service Fund.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 6. LONG-TERM DEBT – CONTINUED

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, 2019.

NOTE 7. PROPERTY TAXES

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

Property taxes are recorded as receivables when levied. Following is information regarding the 2019 tax levies:

Adjusted taxable values		<u>\$ 1,652,594,439</u>
O & M and Fire tax levy	\$0.067384/\$100	1,113,591
I & S tax levy	\$0.048796/\$100	<u>806,393</u>
Total tax levy	\$0.116180/\$100	<u>\$ 1,919,984</u>

NOTE 8. FUND BALANCE CLASSIFICATIONS

The District authorized the District Manager to designate certain fund balances as assigned. Excluding unassigned fund balances, the following describes the District's fund balance classifications at September 30, 2019:

Non-Spendable Fund Balances

The District's \$8,486 non-spendable fund balance represents expenses prepaid at fiscal year-end.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 8. FUND BALANCE CLASSIFICATIONS – CONTINUED

Assigned Fund Balances

The District assigned a total of \$2,863,718 of General Fund balances for the following future capital outlays: \$2,230,872 for wastewater system improvements, \$535,041 for vehicles, and \$97,805 for other improvements.

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various nature. Commercial insurance is purchased for the risks of loss to which the District is exposed. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the District's basic financial statements.

Additionally, the District must operate in compliance with rules and regulations mandated for public water supply systems by federal and state governments. The District is subject to compliance oversight by the Texas Commission on Environmental Quality (TCEQ).

NOTE 10. DUE TO AND FROM OTHER FUNDS

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated for the Statement of Net Position presentation.

Due to:	
Due from:	<u>General Fund</u>
Capital Projects Fund	48,266
Total	<u>\$ 48,266</u>

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, 2018 actuarial valuation as established by state law, administrative rule and action by the TCDRS Board of Trustees (the board). The policy serves as a comprehensive funding overview and complies with the GASB reporting requirements for an agent multiple-employer plan.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 11. RETIREMENT PLAN (CONTINUED)

TCDRS Funding Overview

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

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

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

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

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

Methodology for Determining Employer Contribution Rates

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

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

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 11. RETIREMENT PLAN (CONTINUED)

Actuarial Cost Method

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

Amortization Policy

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

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

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

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

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

Asset Valuation Method

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 11. RETIREMENT PLAN (CONTINUED)

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

Actuarial Assumptions

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

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

Oversight

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

Review of Actuarial Assumptions

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

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 11. RETIREMENT PLAN (CONTINUED)

Review of Employer Contribution Rates

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

Review and Modification of Funding Policy

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

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2018 information for a 7-10 year time horizon.

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

Asset Class	Benchmark	Allocation	Rate of Return
US Equities	Dow Jones U.S. Total Stock Market Index	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	18.00%	8.40%
Global Equities	MSCI World (net) Index	2.50%	5.70%
International Equities- Developed	MSCI World Ex USA (net)	10.00%	5.40%
International Equities- Emerging	MSCI EM Emerging Markets (net) Index	7.00%	5.90%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	1.60%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	4.39%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.95%
Distressed Debt	Cambridge Associates Distressed Securities Index	2.00%	7.20%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	13.00%	3.90%
Total		100.00%	

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 11. RETIREMENT PLAN (CONTINUED)

Contributions

SCHEDULE OF PENSION CONTRIBUTIONS
Last 10 Calendar Years (will ultimately be displayed)

	2018	2017	2016	2015	2014	2013
Actuarially Determined Contribution	\$ 92,561	\$ 102,802	\$ 97,875	\$ 97,043	\$ 93,694	\$ 84,476
Contributions in relation to the actuarially determined contribution	94,803	102,802	97,875	97,043	93,694	198,219
Contribution deficiency (excess)	(2,242)	-	-	-	-	(113,743)
Covered payroll	\$ 1,055,433	\$ 1,140,976	\$ 1,119,822	\$ 1,116,721	\$ 1,068,342	\$ 963,243
Contributions as a percentage of covered payroll	9.0%	9.0%	8.5%	8.7%	8.8%	20.6%

Deferred Inflows/Outflows of Resources

At September 30, 2019, the District reported deferred inflows and outflows of resources are as follows:

Deferred Outflows / (Inflows) of Resources	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ (19,244)
Changes of assumptions	7,824	-
Net difference between projected and actual earnings	81,357	-
Contributions made subsequent to measurement date	75,734	-
	<u>\$ 164,915</u>	<u>\$ (19,244)</u>

The \$75,734 contributions made after the measurement date of the net pension liability but before the end of the City's reporting period will be recognized as a reduction of the net pension liability in the subsequent fiscal period. The other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Net deferred outflows (inflows) of resources
2020	\$ 24,044
2021	12,266
2022	10,157
2023	21,182
2024	2,288
Thereafter	-
Total	<u>\$ 69,937</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 11. RETIREMENT PLAN (CONTINUED)

NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 12. OTHER POST EMPLOYMENT BENEFITS

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

A brief description of benefit terms:

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

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

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

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

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

Membership information is shown in the chart below.

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	6
Active employees	18
Total:	25

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

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

Deferred Inflows/Outflows of Resources

At September 30, 2019, the District reported deferred inflows and outflows of resources are as follows:

Deferred Outflows / (Inflows) of Resources	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	\$ -	(1,642)
Changes of assumptions	-	(810)
Contributions made subsequent to measurement date	1,884	-
	\$ 1,884	\$ (2,452)

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 12. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

The \$1,884 contributions made after the measurement date of the total OPEB liability but before the end of the District's reporting period will be recognized as a reduction of the total OPEB liability in the subsequent fiscal period. The other amount reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Net deferred outflows (inflows) of resources
2020	\$ (394)
2021	(394)
2022	(394)
2023	(394)
2024	(394)
Thereafter	(482)
Total	<u>\$ (2,452)</u>

NOTE 13. SUBSEQUENT EVENTS

The District has evaluated all events and transactions that occurred after September 30, 2019 up through audit report date, which is the date the financial statements were issued. The District has no subsequent events to disclose.

REQUIRED SUPPLEMENTARY INFORMATION

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenues				
Water charges	\$ 6,752,902	\$ 5,193,970	\$ 5,358,205	\$ 164,235
Wastewater charges	3,472,665	3,172,665	3,181,555	8,890
Taxes	1,334,837	1,249,984	1,231,580	(18,404)
Intergovernmental revenues	171,983	171,983	298,654	126,671
Investment income	20,000	130,000	139,388	9,388
Oversize meter reimbursements	18,522	18,522	41,295	22,773
Miscellaneous	28,146	41,646	36,873	(4,773)
Inspection and tap fees	6,000	6,000	6,900	900
Total revenues	11,805,055	9,984,770	10,294,450	309,680
Expenditures:				
Water operations	4,234,026	3,081,969	3,001,947	(80,022)
Administration	1,295,333	1,272,966	1,122,329	(150,637)
Wastewater operations	1,243,523	1,213,023	1,048,445	(164,578)
Fire	852,305	792,452	692,347	(100,105)
Non-Departmental	184,314	184,314	179,748	(4,566)
Directors	13,230	13,230	2,500	(10,730)
Capital Outlay	1,063,000	1,820,929	2,036,172	215,243
Debt Service	286,116	229,508	229,507	(1)
Total expenditures	9,171,847	8,608,391	8,312,995	(295,396)
Excess of revenues over expenditures	2,633,208	1,376,379	1,981,455	14,284
Other financing sources (uses):				
Transfers out	(1,789,951)	(1,389,643)	(1,389,555)	88
Transfers in	-	-	32,080	32,080
Capital Lease Issuance	-	-	205,504	205,504
Capital Lease Issuance Cost	-	-	(1,500)	(1,500)
Bond issuance	-	-	32,080	32,080
Bond issuance cost	-	(1,500)	(39,160)	(37,660)
Proceeds from Sale of Assets	10,000	55,000	52,600	(2,400)
Total other financing sources (uses)	(1,779,951)	(1,336,143)	(1,107,951)	228,192
Net change in fund balance	853,257	40,236	873,504	242,476
Fund Balances - beginning of year	8,764,494	8,764,494	8,764,494	-
Fund Balances - end of year	\$ 9,617,751	\$ 8,804,730	\$ 9,637,998	\$ 242,476

Notes to Required Supplementary Information:

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - TCDRS
LAST 10 MEASURED YEARS (WILL ULTIMATELY BE DISPLAYED)

	2018	2017	2016	2015	2014
Total pension liability					
Service Cost	\$ 153,752	\$ 176,975	\$ 200,990	\$ 150,689	\$ 170,600
Interest (on the Total Pension Liability)	100,515	83,553	57,230	41,351	27,449
Changes of benefit terms	-	-	-	(22,086)	-
Difference between expected and actual experience	13,723	(25,170)	(9,790)	(11,320)	(7,057)
Change of assumptions	-	5,971	-	7,686	-
Benefit payments / refunds of contributions	(15,970)	(1,695)	(2,091)	(1,902)	(3,156)
Net Change in Total Pension Liability	252,020	239,634	246,339	164,418	187,836
Total Pension Liability - Beginning	1,095,011	855,377	609,038	444,620	256,784
Total Pension Liability - Ending (a)	\$ 1,347,031	\$ 1,095,011	\$ 855,377	\$ 609,038	\$ 444,620
Plan Fiduciary Net Position					
Contributions - Employer	\$ 94,803	\$ 102,802	\$ 95,185	\$ 97,043	\$ 93,694
Contributions - Employee	73,880	79,868	78,388	78,171	74,784
Net Investment Income	(19,840)	126,587	46,440	(15,011)	18,561
Benefit payments / refunds of contributions	(15,970)	(1,695)	(2,091)	(1,902)	(3,156)
Administrative Expense	(1,039)	(769)	(505)	(394)	(285)
Other	4,666	2,418	19,889	(47)	(21)
Net Change in Plan Fiduciary Net Position	136,500	309,211	237,306	157,860	183,577
Plan Fiduciary Net Position - Beginning	1,156,511	847,300	609,994	452,134	268,557
Plan Fiduciary Net Position - Ending (b)	\$ 1,293,011	\$ 1,156,511	\$ 847,300	\$ 609,994	\$ 452,134
Net Pension Liability - Ending (a) - (b)	\$ 54,020	\$ (61,500)	\$ 8,077	\$ (956)	\$ (7,514)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	95.99%	105.62%	99.06%	100.16%	101.69%
Covered Payroll	\$ 1,055,433	\$ 1,140,976	\$ 1,119,822	\$ 1,116,721	\$ 1,068,342
Net Pension Liability as a Percentage of Covered Payroll	5.12%	-5.39%	0.72%	-0.09%	-0.70%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
SCHEDULES OF PENSION CONTRIBUTIONS - TCDRS
LAST 10 CALENDAR YEARS (WILL ULTIMATELY BE DISPLAYED)

	2018	2017	2016	2015	2014	2013
Actuarially Determined Contribution	\$ 92,561	\$ 102,802	\$ 97,875	\$ 97,043	\$ 93,694	\$ 84,476
Contributions in relation to the actuarially determined contribution	94,803	102,802	97,875	97,043	93,694	198,219
Contribution deficiency (excess)	(2,242)	-	-	-	-	(113,743)
Covered payroll	\$ 1,055,433	\$ 1,140,976	\$ 1,119,822	\$ 1,116,721	\$ 1,068,342	\$ 963,243
Contributions as a percentage of covered payroll	9.0%	9.0%	8.5%	8.7%	8.8%	20.6%

NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS

Valuation Timing: Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method Entry Age Normal

Asset Valuation Method 5 Year smoothed market

Inflation 2.75%

Salary Increases Varies by age and service. 4.9% average over career including inflation.

Investment Rate of Return 8.00%

Cost-of-Living Adjustments Cost-of-Living Adjustments for Trophy Club Municipal Utility District No 1 are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustment is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.

Retirement Age Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.

Turnover The rates vary by length of service, entry-age group (age at hire) and sex.

Mortality:

Deposting members The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.

Service retirees, beneficiaries and non-depositing members The Rp-2000 Combined Mortality Table with the projection scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.

Disabled retirees RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and a two-year set-forward for females.

Other Information:

Notes There were no benefit changes during the year.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
SCHEDULES OF OPEB CONTRIBUTIONS - TCDRS
LAST 10 CALENDAR YEARS (WILL ULTIMATELY BE DISPLAYED)

	2018	2017
Actuarially Determined Contribution	\$ 2,635	\$ 2,673
Contributions in relation to the actuarially determined contribution	<u>2,635</u>	<u>2,673</u>
Contribution deficiency (excess)	-	-
Covered payroll	\$ 1,055,433	\$ 1,140,976
Contributions as a percentage of covered payroll	0.2%	0.2%

NOTES TO SCHEDULE OF CONTRIBUTIONS

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

Methods and Assumptions Used to Determine Contribution Rates:

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

Mortality:

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

Other Information:

Notes There were no benefit changes during the year.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
SCHEDULES OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS - TCDRS
LAST 10 MEASURED YEARS (WILL ULTIMATELY BE DISPLAYED)

	<u>2018</u>	<u>2017</u>
Total OPEB liability		
Service Cost	\$ 2,503	\$ 2,889
Interest (on the Total OPEB Liability)	669	595
Effect of plan changes	-	-
Effect of assumption changes or inputs	(2,704)	946
Effect of economic/demographic (gains) or losses	(678)	(321)
Benefit payments	-	-
Net Change in Total OPEB Liability	<u>(210)</u>	<u>4,109</u>
Total OPEB Liability - Beginning	<u>16,955</u>	<u>12,846</u>
Total OPEB Liability - Ending (a)	<u>\$ 16,745</u>	<u>\$ 16,955</u>
Covered Payroll	\$ 1,055,433	\$ 1,140,976

**Total OPEB Liability as a Percentage
of Covered Payroll**

1.59% 1.49%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-1 SERVICES AND RATES
SEPTEMBER 30, 2019

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

Sewer Base Fee		Sewer Volumetric Rates	
	Base Rate	Rates per 1,000	Gallons
Residential*	\$20.60	\$3.80	0 to 4,000
		\$5.40	4,001 to 8,000
		\$7.65	8,001 to 12,000
		\$10.90	12,000 +
Commercial**	\$20.60	\$6.37	1,000 +

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

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

NOTE: all rates noted above were amended effective April 1, 2019.

District employs winter averaging for wastewater usage? Yes

***Total water and wastewater charges per 10,000 gallons usage (including surcharges) effective April 1, 2019 (based on 5/8" & 3/4")

First 10,000 gallons used	10,000	\$	132.05
Next 10,000 gallons used	20,000	\$	180.34
Next 10,000 gallons used	30,000	\$	238.04
Next 10,000 gallons used	40,000	\$	300.04
Next 10,000 gallons used	50,000	\$	362.04
Next 10,000 gallons used and subsequent	60,000	\$	434.14

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-1 SERVICES AND RATES
SEPTEMBER 30, 2019

- 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	-
Less than 3/4"	2,499	2,491	1	2,491
1"	654	652	3	1,630
1 1/2"	28	27	5	135
2"	104	94	8	752
3"	41	41	15	615
4"	16	16	25	400
6"	4	4	50	200
8"	-	-	80	-
10"	-	-	115	-
Total Water	3,346	3,325		6,223
Total Wastewater	3,353	3,330	1	3,330

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

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

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

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

3. Total water consumption (in thousands) during the fiscal year:
- | | |
|--------------------------------|---------|
| Gallons pumped into the system | 862,486 |
| Gallons billed to customers | 746,055 |
| Water accountability ratio | 86.50% |

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

For the most recent fiscal year, FY2019:

	Total Levy	Total Collected	Percentage Collected
Debt Service	\$ 683,183	\$ 679,673	99.5%
Operations and Maintenance	\$ 1,236,802	\$ 1,230,448	99.5%

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

5. Location of District:
- Counties in which District is located: Denton
Tarrant
- Is the District located entirely in one county? No
- Is the District located within a city? Partially
- Cities in which District is located: Town of Trophy Club
Town of Westlake
- Is District located within a city's extra territorial jurisdiction (ETJ)? Unknown
- ETJ's in which District is located: Unknown
- Is the 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 End September 30, 2019

	<u>Current Year</u> 2019	<u>Prior Year</u> 2018
Administrative	\$ 1,304,577	\$ 1,275,394
Water Operations	\$ 3,001,947	\$ 3,173,225
Wastewater Operations	\$ 1,048,445	\$ 1,026,693
Wastewater Collection Systems	* 0	* 0
Contribution to Trophy Club Fire Dept	\$ 692,347	\$ 625,637
Capital Outlay	\$ 2,036,172	\$ 665,773
Transfers Out and Debt Service	\$ 1,619,062	\$ 1,522,582
Total Expenditures	<u>\$ 9,702,550</u>	<u>\$ 8,289,304</u>

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

Number of employees employed by the District:

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

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 CONSOLIDATED
TSI-3 TEMPORARY INVESTMENTS
September 30, 2019

Funds	Identification Number	Interest Rate	Maturity Date	Balance End of Year	Accrued Interest End of Year
Reserve Fund Prosperity Bank	216267724	1.220	Demand (Money Market)	\$ 1,395,947	Paid monthly
General Fund Prosperity Bank	7318701	0.500	Demand	\$ 2,480,095	Paid monthly
General Fund TexPool	613300002	2.1371	Demand	\$ 5,843,875	Paid daily
Debt Service Fund TexPool	613300003	2.1371	Demand	\$ 82,507	Paid daily
Capital Projects Tax Bond Construction Texpool	613300011	2.1371	Demand	\$ 644,683	Paid daily
Capital Projects Revenue Bond Construction Texpool	Closed 613300012	2.1371	Demand	\$ -	Paid daily
Debt Service-Revenue Bond Texpool	613300013	2.1371	Demand	\$ 24,518	Paid daily
Revenue Bond Reserve Texpool	613300014	2.1371	Demand	\$ 803,457	Paid daily
Capital Projects SWIFT Revenue Bond Construction Texpool	613300015	2.1371	Demand	\$ -	Paid daily
SWIFT Revenue Bond Debt Service Texpool	613300017	2.1371	Demand	\$ 4,967	Paid daily
W&WW 19 Revenue Bond Construction Texpool	613300018	2.1371	Demand	\$ 591,594	Paid daily
W&WW 19 Revenue Bond Reserve Texpool	613300019	2.1371	Demand	\$ -	Paid daily
W&WW 19 Revenue Bond Debt Service Texpool	613300020	2.1371	Demand	\$ -	Paid daily
SWIFT Revenue Bond Escrow Account Bank of Texas BOKF	82-1747-01-1	1.560	Demand	\$ 780,339	Paid daily
TCEQ Revenue Bond Escrow Account Bank of Texas BOKF	82-3288-01-4	1.300	Demand	\$ 3,869,575	Paid daily
Vaccon Capital Lease-8076 Escrow Account UMB	Closed 147404.1	1.700	Demand	\$ -	Paid daily
Total - All Funds				<u>\$ 16,521,557</u>	

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-4 TAXES LEVIED AND RECEIVABLE
SEPTEMBER 30, 2019

	General Fund			Debt	Total
	Operations	Fire	Total	Service	
Taxes receivable beginning of year	\$ 1,644	\$ 15,308	\$ 16,952	\$ 9,502	\$ 26,454
2018 tax levy	126,736	1,113,125	1,239,862	684,873	1,924,734
Total to be accounted for	128,380	1,128,433	1,256,814	694,375	1,951,189
Less collections and adjustments:					
Current year	(126,087)	(1,107,421)	(1,233,508)	(681,363)	(1,914,871)
Prior years	(205)	(1,489)	(1,695)	(1,162)	(2,856)
Total to be accounted for	(126,292)	(1,108,911)	(1,235,203)	(682,525)	(1,917,728)
Taxes receivable, end of year	\$ 2,088	\$ 19,523	\$ 21,611	\$ 11,849	\$ 33,461

Taxes receivable by year

1996 and prior

1996 and prior	\$ -	\$ -	\$ -	\$ -	\$ -
1997	\$ -	\$ -	\$ -	\$ -	\$ -
1998	\$ 2	\$ 16	\$ 18	\$ 50	\$ 69
1999	\$ 2	\$ 17	\$ 20	\$ 39	\$ 59
2000	\$ 2	\$ 12	\$ 15	\$ 44	\$ 59
2001	\$ 2	\$ 13	\$ 16	\$ 43	\$ 59
2002	\$ 2	\$ 22	\$ 25	\$ 49	\$ 74
2003	\$ 24	\$ 42	\$ 66	\$ 44	\$ 110
2004	\$ 5	\$ 43	\$ 48	\$ 62	\$ 110
2005	\$ 12	\$ 40	\$ 52	\$ 58	\$ 110
2006	\$ 32	\$ 147	\$ 178	\$ 227	\$ 405
2007	\$ 27	\$ 261	\$ 288	\$ 319	\$ 608
2008	\$ 72	\$ 564	\$ 635	\$ 458	\$ 1,093
2009	\$ 184	\$ 740	\$ 924	\$ 466	\$ 1,390
2010	\$ 136	\$ 1,693	\$ 1,829	\$ 1,192	\$ 3,021
2011	\$ 138	\$ 1,525	\$ 1,663	\$ 780	\$ 2,443
2012	\$ 146	\$ 1,530	\$ 1,676	\$ 287	\$ 1,963
2013	\$ 149	\$ 1,397	\$ 1,546	\$ 586	\$ 2,132
2014	\$ 259	\$ 1,349	\$ 1,608	\$ 720	\$ 2,328
2015	\$ 89	\$ 1,361	\$ 1,450	\$ 1,022	\$ 2,472
2016	\$ 89	\$ 1,515	\$ 1,604	\$ 985	\$ 2,588
2017	\$ 164	\$ 1,431	\$ 1,596	\$ 909	\$ 2,505
2018	\$ 649	\$ 5,704	\$ 6,353	\$ 3,509	\$ 9,863
	\$ 2,188	\$ 19,423	\$ 21,611	\$ 11,850	\$ 33,461

Property valuations (in 000's)

	F/Y 18/19	F/Y 17/18	F/Y 16/17	F/Y 15/16	F/Y 14/15
Land	\$ 667,906	\$ 620,210	\$ 562,280	\$ 497,482	\$ 474,068
Improvements	981,366	908,581	798,401	719,295	630,249
Personal property	103,985	105,783	99,772	71,096	80,605
Exemptions	(81,906)	(82,556)	(57,745)	(57,305)	(52,617)
	\$ 1,671,351	\$ 1,552,018	\$ 1,402,708	\$ 1,230,568	\$ 1,132,305

Tax rate per \$100 valuation

Operations	0.00765	0.00788	0.00438	0.00472	0.01486
Fire department	0.06719	0.06870	0.07445	0.07222	0.07727
Debt service	0.04134	0.04363	0.04839	0.05420	0.04126
Tax rate per \$100 valuation	0.11618	0.12021	0.12722	0.13114	0.13339

Tax levy:	\$ 1,919,984	\$ 1,870,008	\$ 1,779,098	\$ 2,000,874	\$ 1,870,728
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Percent of taxes collected to taxes levied	99.48%	99.75%	99.60%	99.70%	98.91%
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TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2019

All Bonded Debt Series

Due During Fiscal Years Ending	Principal Due 1-Sep	Interest Due Mar 1/ Sep 1	Total
2020	1,370,000	842,907	2,212,907
2021	1,565,000	710,270	2,275,270
2022	1,610,000	674,311	2,284,311
2023	1,655,000	635,585	2,290,585
2024	1,225,000	593,636	1,818,636
2025	1,260,000	564,864	1,824,864
2026	1,285,000	535,084	1,820,084
2027	1,330,000	503,256	1,833,256
2028	1,365,000	469,030	1,834,030
2029	1,410,000	432,215	1,842,215
2030	1,455,000	392,672	1,847,672
2031	1,505,000	349,241	1,854,241
2032	1,400,000	304,049	1,704,049
2033	1,440,000	263,749	1,703,749
2034	1,500,000	221,124	1,721,124
2035	1,130,000	175,675	1,305,675
2036	515,000	142,612	657,612
2037	250,000	129,538	379,538
2038	255,000	122,038	377,038
2039	265,000	114,069	379,069
2040	275,000	105,788	380,788
2041	285,000	96,850	381,850
2042	290,000	87,588	377,588
2043	300,000	78,163	378,163
2044	310,000	68,413	378,413
2045	320,000	58,338	378,338
2046	330,000	47,538	377,538
2047	345,000	36,400	381,400
2048	355,000	24,756	379,756
2049	365,000	12,775	377,775
	<u>\$ 26,965,000</u>	<u>\$ 8,792,524</u>	<u>\$ 35,757,524</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2019

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

<u>Due During Fiscal Years Ending</u>	<u>Principal Due 1-Sep</u>	<u>Interest Due Mar 1/ Sep 1</u>	<u>Total</u>
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>\$ 1,405,000</u>	<u>\$ 420,151</u>	<u>\$ 1,825,151</u>

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

<u>Due During Fiscal Years Ending</u>	<u>Principal Due 1-Sep</u>	<u>Interest Due Mar 1/ Sep 1</u>	<u>Total</u>
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>\$ 945,000</u>	<u>\$ 72,150</u>	<u>\$ 1,017,150</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2019

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

Due During Fiscal Years Ending	Principal Due 1-Sep	Interest Due Mar 1/ Sep 1	Total
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>\$ 825,000</u>	<u>\$ 67,150</u>	<u>\$ 892,150</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
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>\$ 4,795,000</u>	<u>\$ 1,259,288</u>	<u>\$ 6,054,288</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2019

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

<u>Due During Fiscal Years Ending</u>	<u>Principal Due 1-Sep</u>	<u>Interest Due Mar 1/ Sep 1</u>	<u>Total</u>
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>\$ 7,900,000</u>	<u>\$ 2,072,313</u>	<u>\$ 9,972,313</u>

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

<u>Due During Fiscal Years Ending</u>	<u>Principal Due 1-Sep</u>	<u>Interest Due Mar 1/ Sep 1</u>	<u>Total</u>
2020	215,000	60,125	275,125
2021	215,000	58,599	273,599
2022	220,000	56,965	276,965
2023	220,000	55,139	275,139
2024	220,000	53,115	273,115
2025	225,000	50,893	275,893
2026	225,000	48,463	273,463
2027	230,000	45,875	275,875
2028	230,000	42,862	272,862
2029	235,000	39,619	274,619
2030	240,000	35,671	275,671
2031	245,000	31,303	276,303
2032	250,000	26,624	276,624
2033	250,000	21,749	271,749
2034	260,000	16,749	276,749
2035	265,000	11,262	276,262
2036	270,000	5,724	275,724
	<u>\$ 4,015,000</u>	<u>\$ 660,737</u>	<u>\$ 4,675,737</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2019

Revenue Bonds - Series 2019
(7,080,000)

<u>Due During Fiscal Years Ending</u>	<u>Principal Due 1-Sep</u>	<u>Interest Due Mar 1/ Sep 1</u>	<u>Total</u>
2020	0	326,686	326,686
2021	155,000	223,588	378,588
2022	160,000	218,938	378,938
2023	165,000	214,138	379,138
2024	170,000	209,188	379,188
2025	175,000	204,088	379,088
2026	180,000	198,838	378,838
2027	185,000	193,438	378,438
2028	190,000	187,888	377,888
2029	195,000	182,188	377,188
2030	205,000	176,338	381,338
2031	210,000	170,188	380,188
2032	215,000	163,888	378,888
2033	220,000	157,438	377,438
2034	230,000	150,838	380,838
2035	235,000	143,938	378,938
2036	245,000	136,888	381,888
2037	250,000	129,538	379,538
2038	255,000	122,038	377,038
2039	265,000	114,069	379,069
2040	275,000	105,788	380,788
2041	285,000	96,850	381,850
2042	290,000	87,588	377,588
2043	300,000	78,163	378,163
2044	310,000	68,413	378,413
2045	320,000	58,338	378,338
2046	330,000	47,538	377,538
2047	345,000	36,400	381,400
2048	355,000	24,756	379,756
2049	365,000	12,775	377,775
	<u>\$ 7,080,000</u>	<u>\$ 4,240,736</u>	<u>\$ 11,320,736</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-6 CHANGES IN LONG-TERM BONDED DEBT
SEPTEMBER 30, 2019

	Series 2010 GO Bonds	Series 2012 GO Bonds	Series 2013 GO Bonds	Series 2014 GO Bonds	Series 2015 Revenue Bonds	Series 2016 Revenue Bonds	Series 2019 Revenue Bonds	Total
Interest rate	3.50-5.00%	2.00-3.00%	2.00-3.50%	1.50-3.50%	2.0-3.25%	0.53-2.12%	3.00-3.50%	
Date interest payable	3/1 & 9/1	3/1 & 9/1	3/1 & 9/1	3/1 & 9/1	3/1 & 9/1	3/1 & 9/1	3/1 & 9/1	
Maturity date	9/1/2031	9/1/2023	9/1/2023	9/1/2034	9/1/2035	9/1/2036	9/1/2049	
Bonds outstanding at beginning of year	\$ 1,490,000	\$ 1,170,000	\$ 1,020,000	\$ 5,045,000	\$ 8,280,000	\$ 4,230,000	\$ 7,080,000	\$ 28,315,000
Retirements of principal	\$ 85,000	\$ 225,000	\$ 195,000	\$ 250,000	\$ 380,000	\$ 215,000	\$ -	\$ 1,350,000
Bonds outstanding at end of fiscal year	\$ 1,405,000	\$ 945,000	\$ 825,000	\$ 4,795,000	\$ 7,900,000	\$ 4,015,000	\$ 7,080,000	\$ 26,965,000
Retirements of interest	\$ 62,883	\$ 33,975	\$ 31,675	\$ 137,525	\$ 215,838	\$ 61,501	\$ -	\$ 543,396
Paying agent's name & city:	The Bank of New York Mellon Newark, NJ	The Bank of New York Mellon Newark, NJ	The Bank of New York Mellon Newark, NJ	The Bank of TX Corporate Trust Austin, TX	The Bank of TX Corporate Trust Austin, TX	The Bank of TX Corporate Trust Austin, TX	The Bank of TX Corporate Trust Austin, TX	
Bond Authority	General Obligation Bonds							
Amount authorized by voters	\$ 34,859,217							
Amount issued	\$ 34,855,000							
Remaining to be issued	\$ 4,217							

The general obligation bonds were authorized on October 7, 1975

Debt Service Fund cash and cash equivalents balance as of September 30, 2019: \$ 803,457

Average annual debt service payment (principal & interest) for remaining term of debt: \$ 2,308,710

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TS1-7 COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES-FIVE YEARS
GENERAL FUND
SEPTEMBER 30, 2019

REVENUE	Amounts					Percent of total revenue				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
Ad valorem property taxes	\$ 1,231,580	\$ 1,197,949	\$ 1,105,820	\$ 1,371,247	\$ 1,419,548	11.6%	10.0%	11.1%	16.0%	14.2%
Water and wastewater charges	8,539,760	9,286,714	8,632,747	6,729,926	6,138,766	80.7%	77.6%	86.3%	78.8%	61.5%
Utility Fees	-	-	-	55,200	239,200	0.0%	0.0%	0.0%	0.6%	2.4%
Inspection and tap fees	6,900	8,000	7,200	11,325	11,375	0.1%	0.1%	0.1%	0.1%	0.1%
Interest earned	139,388	61,283	18,940	12,652	6,117	1.3%	0.5%	0.2%	0.1%	0.1%
Debt proceeds	(7,080)	-	-	-	-	-0.1%	0.0%	0.0%	0.0%	0.0%
Transfers In	32,080	797,834	-	8,034	1,074,337	0.3%	6.7%	0.0%	0.1%	10.8%
Proceeds from Sale of Assets	52,600	15,400	3,550	90,935	46,750	0.5%	0.1%	0.0%	1.1%	0.5%
Capital Lease Financing	204,004	358,600	-	-	807,316	1.9%	3.0%	0.0%	0.0%	8.1%
Miscellaneous and other	376,822	245,392	233,282	265,667	240,591	3.6%	2.0%	2.3%	3.1%	2.4%
Total revenue	\$ 10,576,054	\$ 11,971,172	\$ 10,001,539	\$ 8,544,986	\$ 9,984,000	100.0%	100.0%	100.0%	100.0%	100.0%
EXPENDITURES										
Administrative	\$ 1,304,577	\$ 1,275,394	\$ 1,150,421	\$ 1,388,715	\$ 1,672,123	12.3%	10.7%	11.5%	16.3%	16.7%
Water operations	3,001,947	3,173,225	2,994,623	3,078,429	3,151,532	28.4%	26.5%	29.9%	36.0%	31.6%
Wastewater operations	1,048,445	1,026,693	1,061,896	1,089,257	864,305	9.9%	8.6%	10.6%	12.7%	8.7%
Wastewater collection system	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
Information systems	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
Contribution to Trophy Club Fire Dept	692,347	625,637	625,083	1,010,938	928,610	6.5%	5.2%	6.2%	11.8%	9.3%
Capital outlay	2,036,172	665,773	744,828	1,713,885	1,755,603	19.3%	5.6%	7.4%	20.1%	17.6%
Transfers Out and Debt Service	1,619,062	1,522,582	1,529,319	1,182,760	656,984	15.3%	12.7%	15.3%	13.8%	6.6%
Total expenditures	\$ 9,702,550	\$ 8,289,304	\$ 8,106,170	\$ 9,463,984	\$ 9,029,157	91.7%	69.2%	81.0%	110.8%	90.4%
Excess (deficiency) of revenues over (under) expenditures	\$ 873,504	\$ 3,681,868	\$ 1,895,369	\$ (918,998)	\$ 954,843	8.3%	30.8%	19.0%	-10.8%	9.6%
Total active retail water and/or wastewater connections	3,330	3,284	3,244	3,422	3,376					

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-7 COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES-FIVE YEARS (Continued)
DEBT SERVICE FUND
SEPTEMBER 30, 2019

REVENUE	Amounts					Percentage				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
Ad valorem property taxes	\$ 677,477	\$ 679,678	\$ 675,944	\$ 666,225	\$ 468,194	31.8%	32.5%	32.4%	42.3%	48.8%
Penalties and interest	2,010	2,010	2,294	4,010	2,021	0.1%	0.1%	0.1%	0.3%	0.2%
Intergovernmental	1,413,156	1,390,151	1,402,170	902,259	465,409	66.3%	66.4%	67.1%	57.3%	48.5%
Interest earned	37,255	21,903	8,174	2,564	13,976	1.7%	1.0%	0.4%	0.2%	1.5%
Miscellaneous and other	-	-	-	-	9,573	0.0%	0.0%	0.0%	0.0%	1.0%
Total revenue	<u>2,129,898</u>	<u>2,093,742</u>	<u>2,088,582</u>	<u>1,575,058</u>	<u>959,173</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
EXPENDITURES										
Principal retirement	1,350,000	1,315,000	1,265,000	895,000	440,000	63.4%	62.8%	60.6%	56.8%	45.9%
Interest and fiscal charges	543,396	569,530	581,844	552,220	422,722	25.5%	27.2%	27.9%	35.1%	44.1%
Bond admin fees	2,950	2,950	2,548	2,150	-	0.1%	0.1%	0.1%	0.1%	0.0%
Total expenditures	<u>1,896,346</u>	<u>1,887,480</u>	<u>1,849,392</u>	<u>1,449,370</u>	<u>862,722</u>	<u>89.0%</u>	<u>90.1%</u>	<u>88.5%</u>	<u>92.0%</u>	<u>89.9%</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 233,552</u>	<u>\$ 206,262</u>	<u>\$ 239,190</u>	<u>\$ 125,688</u>	<u>\$ 96,451</u>	<u>11.0%</u>	<u>9.9%</u>	<u>11.5%</u>	<u>8.0%</u>	<u>10.1%</u>

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 CONSOLIDATED
TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
September 30, 2019**

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

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

Limit of Fees of Office that a Director may receive during a fiscal year: \$0
(Set by Board Resolution - TWC Section 49.060)

<u>Name and Address</u>	<u>Term of Office Elected/Expires or Date Hired</u>	<u>Fees of Office Paid FY19</u>	<u>Expense Reimbursements FY19</u>	<u>Title at Year End</u>
Board Members:				
Gregory Wilson 2013 Churchill Downs Lane Trophy Club, TX 76262	05/16-05/20	\$ -	\$ -	President
William Rose 219 Inverness Drive Trophy Club, TX 76262	05/16-05/20	\$ -	\$ 800	Vice-President
Steve Flynn 417 Ramsey Trail Trophy Club, TX 76262	05/18-05/22	\$ -	\$ -	Secretary/Treasurer
Kelly Castonguay 402 Parkview Drive Trophy Club, TX 76262	05/18-5/22	\$ -	\$ -	Director
Mark Chapman 197 Durango Dr Trophy Club, TX 76262	05/18-05/22	\$ -	\$ -	Director

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)
SEPTEMBER 30, 2019

Name and Address	Term of Office Elected/Expires or Date Hired	Fees of Office Paid FY19	Title at Year End
Key Personnel:			
Carman Consulting LLC. 2600 Museum Way Fort Worth, Texas	8/1/2017	\$ 141,760	General Manager
Consultants/Legal:			
Denton Central Appraisal District P.O. Box 2816 Denton, TX 76202	4/1/1981	\$ 8,444	Appraiser
Tarrant Appraisal District 2500 Handley-Ederville Rd. Fort Worth, TX 76262	10/1/2007	\$ 2,612	Appraiser
LaFollett & Company PLLC P.O. Box 717 Tom Bean, TX 75489	10/1/2010	\$ 26,681	Auditors
CP&Y/The Wallace Group P.O. Box 22007 Waco, TX 76702	5/1/2012	\$ 139,706	Engineers
Halff Associates, Inc. P.O. Box 678316 Dallas, TX 75267-8316	1/1/2017	\$ 205,579	Engineers
Wiss Janney Elstner P.O. Box 678316 Dallas, TX 75267-8316	1/1/2017	\$ 38,596	Engineers
McLean & Howard, L.L.P. 901 S. Mopac Expressway Building 2, Suite 225 Austin, TX 78746	3/1/2017	\$ 67,160	Legal/Bond Counsel
DuBois Bryant Campbell LLP 303 Colorado, Suite 2300 Austin, TX 78701	5/18/2017	\$ 27,920	Legal Counsel
Whitaker Chalk Swindle & Schwartz PLLC 301 Commerce St, Suite 3500 Fort Worth, TX 76102-4186	4/30/2018	\$ 74,613	Legal Counsel
New Gen Strategies & Solutions 1300 E. Lookout Dr. Suite 100 Richardson, TX 75082	7/1/2013	\$ 10,000	Water Consultant

**REPORTS REQUIRED BY
*GOVERNMENTAL AUDITING STANDARDS***



**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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 20, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LaFollett & Company PLLC

Tom Bean, Texas
January 20, 2020