



Control Number: 43114



Item Number: 10

Addendum StartPage: 0

House Bill (HB) 1600 and Senate Bill (SB) 567 83rd
Legislature, Regular Session, transferred the functions
relating to the economic regulation of water and sewer
utilities from the TCEQ to the PUC effective
September 1, 2014.

RECEIVED

2014 SEP 24 AM 11:35

Miller
entzer, P.C.

PUBLIC UTILITY COMMISSION
FILING CLERK

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ATTORNEYS AND COUNSELORS

DAVID MILLER
EMAIL: DMILLER@MILMEN.COM

August 28, 2009

Via E-mail: SPerryma@tceq.state.tx.us

Sheresia Perryman
Utilities & Districts Section
Water Supply Division
Texas Commission on Environmental Quality
P.O. Box 13087, Mail Code 153
Austin, Texas 78711-3087

Re: Contract Service Agreement Pursuant to Texas Water Code, Section 13.248, from Mountain Peak Special Utility District (SUD), Certificate of Convenience and Necessity (CCN) No. 10908, to Transfer a Portion of CCN No. 11706 from the City of Midlothian and to Decertify a Portion of CCN No. 10908, in Ellis County; Application No. 36233-C

CN: 602721979; RN: 104424601 (Mountain Peak SUD)
CN: 600488373; RN: 101403350 (City of Midlothian)

Dear Ms. Perryman:

In response to your Notice of Deficiency, we have enclosed financial information on Mountain Peak Special Utility District, as follows:

1. 08-12-31 Audited Financial Statement;
2. 08-12-31 Financial Statement;
3. 09-01-31 Financial Statement;
4. 09-02-28 Financial Statement;
5. 09-03-31 Financial Statement;
6. 09-04-30 Financial Statement;
7. 09-05-31 Financial Statement; and
8. 09-06-30 Financial Statement.

Miller Mentzer, P.C.

Sheresia Perryman
TCEQ
August 28, 2009
Page 2

In addition, we have discussed obtaining additional mapping information from the Engineering Department at the City of Midlothian. I understand that they will contact you and/or your mapping personnel to insure that the correct information is being provided.

We believe that this should proceed as a Texas Water Code Section 13.248 Application and appreciate your request for a clarification in that regard.

Thank you for your kind consideration and help in connection with this matter.

Sincerely,

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

David A. Miller

Enclosures

Q:\77070\036\to SPerryman-TCEQ 090827 financials.doc

Via E-mail

cc: Randy Kirk
Mountain Peak Special Utility District
5671 Waterworks Road
Midlothian, Texas 76065
(w/o encls.)

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }

COUNTIES OF ELLIS and JOHNSON }

I, Clyde T. Bryant, President

of the Mountain Peak Special Utility 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 12th day of May, 2009 its annual audit report for the fiscal year ended December 31, 2008 and that copies of the annual audit report have been filed in the district office, located at 5671 Waterworks Road, Midlothian, Texas.

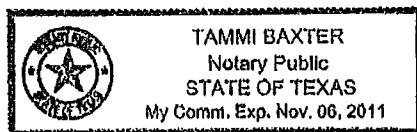
This annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements of Texas Water Code Section 49.194.

Date: May 12, 2009.

Clyde T. Bryant
(Signature of District Representative)

Clyde T. Bryant, President

Sworn to and subscribed to before me this 12th day of May, 2009.



Tammi Baxter
(Signature of Notary)

My Commission Expires on: Nov. 06, 2011
Notary Public in the State of Texas.

Witherspoon, Yeldell & Wilson

CERTIFIED PUBLIC ACCOUNTANTS (A PROFESSIONAL CORPORATION)
Members of American Institute of Certified Public Accountants / Members of Private Companies Practice Section

Gary D. Witherspoon, CPA / Greer Yeldell, CPA / Glen D. Wilson, CPA / Misty Culpepper, CPA
Mary E. Coile, CPA / Brooke Farmer, CPA / Glenda Valek, CPA / Joyce Reeve, CPA

May 6, 2009

To The Board of Directors
Mountain Peak Special Utility District
Midlothian, Texas

In planning and performing our audit of the financial statements of the Mountain Peak Special Utility District as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency that we consider to be a material weakness.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness:

Preparation of Financial Statements – We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the Board as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. However, based on recent auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

Mountain Peak Special Utility District
Page two

From a practical standpoint, we prepare the statements and determine the fairness of the presentation at the same time in connection with our audit. This is not unusual for us to do with entities of your size.

The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors. We have instructed management to review a draft of the auditor prepared financials in detail for accuracy and we have answered any questions that management might have. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Under the circumstances, the most effective controls lie in management's knowledge of the District's financial operations. It is the responsibility of management and those charged with governance to make the decisions whether to accept the degree of risk associated with this condition because of cost and other consideration. Regarding the specific situations listed above, we would offer the following specific recommendations: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your accounting information to the amounts reported in the financial statements.

In addition, during the audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency:

Customer Deposits – Customer deposits are only being refunded upon request from the customer. We recommend that any deposits remaining after an account is closed be refunded to the customer in a timely manner.

We have already discussed many of these comments and suggestions with various personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

Witherspoon, Yeldell & Wilson, P.C.
Witherspoon, Yeldell & Wilson, P.C.
Certified Public Accountants

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

Year Ended December 31, 2008

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Mountain Peak Special Utility District
Midlothian, Texas

We have audited the accompanying financial statements of the Mountain Peak Special Utility District as of and for the year ended December 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mountain Peak Special Utility District as of December 31, 2008, and the results of its operations and cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Directors
Page Two

Our audit was performed for the purpose of forming an opinion on the financial statements taken as whole. The accompanying financial information listed as supplementary financial data in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Mountain Peak Special Utility District. The supplemental financial data has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Witherspoon, Yeldell & Wilson, P.C.

Witherspoon, Yeldell & Wilson, P.C.
Certified Public Accountants

May 6, 2009

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Mountain Peak Special Utility District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2008.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$10,757,144 (net assets). Of this amount, \$2,819,228 (unrestricted net assets) may be used to meet the District's ongoing obligations to customers and creditors.
- The District's total net assets increased by \$131,308.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: 1) fund financial statements and 2) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District maintains one type of proprietary fund. The enterprise fund is used to report the functions that are intended to recover all of their costs through user fees and charges. The District uses the enterprise fund to account for its operations.

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets shows the revenue sources and expenses and reflects the net change in assets for the fiscal year. This statement can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges.

The Statement of Cash Flows provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities.

The fund financial statements can be found on pages 7-9 of this report.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to financial statements can be found on pages 10-21 of this report.

FINANCIAL ANALYSIS OF THE DISTRICT

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$10,757,144 as of December 31, 2008.

A large portion of the District's net assets (68%) reflects its investments in capital assets (e.g., buildings, system improvements, and machinery and equipment). The District uses these capital assets to provide service to customers; consequently these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT'S NET ASSETS

	2008	2007
Current and other assets	\$ 3,806,459	\$ 3,622,629
Capital assets	10,301,261	10,366,695
Total assets	<u>14,107,720</u>	<u>13,989,324</u>
Long term debt	3,006,726	2,947,745
Other liabilities	343,850	415,743
Total liabilities	<u>3,350,576</u>	<u>3,363,488</u>
Net assets:		
Invested in capital assets, net of related debt	7,294,535	7,878,769
Restricted	643,381	617,453
Unrestricted	2,819,228	2,129,614
Total net assets	<u>\$ 10,757,144</u>	<u>\$ 10,625,836</u>

An additional portion of the District's net assets (6%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets \$2,819,228 may be used to meet the government's ongoing obligation to customers and creditors.

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets.

The following table provides a summary of the District's operations. The District's operations increased net assets by \$131,308 in the current year.

**MOUNTAIN PEAK SPECIAL UTILITY DISTRICT'S
CHANGES IN NET ASSETS**

	<u>2008</u>	<u>2007</u>
Revenues:		
Operating revenues	\$ 2,256,560	\$ 2,331,960
Nonoperating revenues	<u>121,582</u>	<u>146,521</u>
Total revenues	<u>2,378,142</u>	<u>2,478,481</u>
Expenses:		
Depreciation expense	416,221	387,854
Other operating expenses	1,730,033	1,552,169
Nonoperating expenses	<u>215,310</u>	<u>176,333</u>
Total expenses	<u>2,361,564</u>	<u>2,116,356</u>
Income (Loss) before capital contributions	16,578	362,125
Capital contributions	<u>114,730</u>	<u>347,428</u>
Changes in Net Assets	131,308	709,553
Net assets - beginning	<u>10,625,836</u>	<u>9,916,283</u>
Net assets - ending	<u><u>\$ 10,757,144</u></u>	<u><u>\$ 10,625,836</u></u>

CAPITAL ASSETS

The District's investment in capital assets as of December 31, 2008 amounts to \$10,301,261 (net of accumulated depreciation).

Major capital asset events during the current fiscal year included the following:

- \$286,824 of construction in progress on a 20" transmission line was incurred.

**Capital Assets at Year-End
Net of Accumulated Depreciation**

	2008	2007
Land	\$ 175,927	\$ 157,927
Construction in progress	326,610	39,785
Buildings	240,381	254,806
System improvements	9,451,998	9,818,313
Machinery and equipment	106,345	95,864
Total	<u>\$ 10,301,261</u>	<u>\$ 10,366,695</u>

Additional information on the District's capital assets can be found in note 3 on page 16 of this report.

LONG TERM DEBT

At the end of the current fiscal year, the District had bonded debt and notes payable of \$3,225,640. The District's bonds are secured solely by the revenues of the District.

**Outstanding Debt at Year End
Bonds and Notes Payable**

	2008	2007
Revenue bonds	\$ 3,020,000	\$ 2,825,000
Notes payable	205,640	232,166
Total	<u>\$ 3,225,640</u>	<u>\$ 3,057,166</u>

Additional information on the District's long term-debt can be found in note 3 on pages 17-19 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the 2009 Budget, revenues are budgeted to decrease by 7% from the 2008 budget year with water sales making up about 71% of budgeted revenues and capital improvement fees making up about 11% of budgeted revenues. The District's water rates are reviewed by staff and the Board of Directors on an annual basis and were last adjusted in March of 2003.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mountain Peak Special Utility District, 5671 Waterworks Road, Midlothian, Texas 76065.

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT
STATEMENT OF NET ASSETS
December 31, 2008

ASSETS

Current assets:

Cash and cash equivalents
Restricted cash and cash equivalents
Receivables (net of allowance for uncollectibles)
Inventories
Prepaid items
Total current assets

\$ 2,816,068 ✓
19,902 ✓
197,424
43,373
18,170
3,094,937

3470,601
CASH -
OF THAT -
654,533
RESTRICTED

Noncurrent assets:

Restricted cash and cash equivalents
Capital assets (net of accumulated depreciation)
Deferred charges
Total noncurrent assets

634,631 ✓
10,301,261
76,891
11,012,783

14,107,720

Total assets

LIABILITIES

Current liabilities:

Accounts payable
Current portion of long-term debt
Customer deposits payable
Accrued payroll payable
Total current liabilities

140,152
103,153
173,000
19,546
435,851

Current liabilities payable from restricted assets:

Accrued interest payable
Current portion of long-term debt
Total current liabilities payable from restricted assets

11,152
8,750
19,902

2,894,823 ✓

3,350,576

Long-term debt

Total liabilities

NET ASSETS

Invested in capital assets, net of related debt
Restricted for debt service
Unrestricted
Total net assets

7,294,535
643,381
2,819,228
\$ 10,757,144 ✓

See accompanying notes to financial statements.

D/E 0.27:1

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended December 31, 2008

Operating revenues:	
Water sales	\$ 1,931,127
Tap fees	51,436
Miscellaneous	12,274
Late charges	67,215
Capital improvement fees	<u>194,508</u>
Total operating revenues	<u>2,256,560</u>
Operating expenses:	
Contract services	27,246
Dues and subscriptions	5,153
Insurance-employee	44,803
Fuel/Auto/Equipment	52,065
Repairs and maintenance - system	126,471
Repairs and maintenance - office	11,498
Uniforms	1,776
Water samples	8,430
Insurance-liability/property	26,103
Miscellaneous	14,811
Postage	13,452
Legal	91,374
Accounting	14,309
Office	27,378
Telephone	14,835
Payroll	367,801
Employee retirement plan	14,203
Payroll taxes	28,867
Seminars, meetings and training	4,815
Water purchases	190,719
Utilities	643,924
Depreciation	<u>416,221</u>
Total operating expenses	<u>2,146,254</u>
Operating income	110,306
Non operating revenue (expenses):	
Interest	91,219
Insurance proceeds	26,725
Gain on disposal of asset	3,638
Interest and fiscal charges	(156,723)
Bond issuance costs	<u>(58,587)</u>
Total nonoperating revenue (expenses)	<u>(93,728)</u>
Income before contributions	16,578
Capital contributions	<u>114,730</u>
Total income before contributions	<u>114,730</u>
Change in net assets	131,308
Total Net Assets, Beginning	<u>10,625,836</u>
Total Net Assets, Ending	<u>\$ 10,757,144</u>

See accompanying notes to financial statements.

$$\frac{\text{CADS } 704,252}{\text{PFI (P.18) } 257,134} = 2.74:1 \text{ DSC RATIO}$$

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended December 31, 2008

Cash flows from operating activities:	\$ 2,292,738
Receipts from customers	(1,349,929)
Payments to suppliers	(370,456)
Payments to employees	<u>572,353</u>
Net cash provided by operating activities	
Cash flows from capital and related financing activities:	2,555,000
Bond proceeds	(291,337)
Bond issuance costs	(353,978)
Acquisition and construction of capital assets	33,554
Insurance proceeds	114,730
Contributed capital from developers and customers	(2,386,526)
Principal paid on long-term debt maturities and refunding	(152,926)
Interest and fiscal charges paid on long-term debt	<u>(481,483)</u>
Net cash provided (used) by capital and related financing activities	
Cash flows from investing activities:	<u>91,219</u>
Interest on investments	<u>91,219</u>
Net cash provided (used) by investing activities	
Net increase (decrease) in cash and cash equivalents	182,089
Cash and cash equivalents at beginning of year	<u>3,288,512</u>
Cash and cash equivalents at end of year	<u>\$ 3,470,601</u>
Reconciliation of operating income to net cash provided by operating activities:	\$ 110,306
Operating income	
Adjustments to reconcile operating income to net cash provided by operating activities:	416,221
Depreciation and amortization	5,878
(Increase) decrease in accounts receivable	1,150
(Increase) decrease in inventory	(1,654)
(Increase) decrease in prepaid items	10,152
Increase (decrease) in accounts payable and accrued expenses	30,300
Net increase in customer deposits	<u>462,047</u>
Total adjustments	<u>\$ 572,353</u>
Net cash provided by operating activities	

See accompanying notes to financial statements.

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Pursuant to a petition filed, Mountain Peak Special Utility District (the "District") was created by order of the Texas Water Commission, dated December 18, 2002, pursuant to, and operating under, the provisions of Chapter 65, Texas Water Code. Creation of the District was confirmed at an election held within the boundaries of the District on November 4, 2003.

The District is a political sub-division organized for the purpose of furnishing a water supply for the District CCN number 10908. The authorized service area lies primarily in the northern part of Ellis County, with a portion extending into the eastern part of Johnson County.

The financial statements are prepared on the basis of Governmental Accounting Standards Board (GASB) Statement Number 34, Basic Financial Statements, Management Discussion and Analysis for State and Local Governments and related standards. This new statement provides significant changes in terminology, a presentation of net assets, as well as an inclusion of a management discussion and analysis.

Accounting principles generally accepted in the United States of America require that this financial statement present the District (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both the following criteria; the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its board) and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government. The District does not have any component units that meet these criteria.

B. Basis of Presentation and Accounting

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net assets, revenues and expenses. Enterprise Funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees charged from the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation and debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation and debt service).

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation and Accounting (continued)

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Net assets (i.e., total assets net of total liabilities) are segregated into invested capital assets, net of related debt; restricted for debt service; and unrestricted components.

Private-sector standards of accounting and financial reporting issued on or before November 30, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The District has elected not to apply private-sector guidance issued after November 30, 1989.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operation. The principal operating revenues are charges to customers for sales and services and connection fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources, as they are needed.

C. Assets, liabilities, and net assets

Deposits and investments -

For purposes of the statement of cash flows, the District considers cash on hand, demand deposits, certificates of deposit, local government investment pools and all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

Investments for the District are reported at fair value.

Receivables and payables -

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivables in excess of sixty days comprise the trade accounts receivable allowance for uncollectibles.

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, liabilities, and net assets (continued)

Inventory and prepaid items -

All inventories are valued at cost using the first-in/first-out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Restricted assets -

Certain proceeds of the District's long-term debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "bond construction" account is used to report those proceeds of bond issuances that are restricted for use in construction. The "bond debt service" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "bond reserve" account is used to report resources set aside to make up potential future deficiencies in the revenue bond current debt service account. The "notes payable reserve" account is used to report resources set aside to make payments on the notes when operating resources are not sufficient to make the required payments.

Capital assets -

Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period.

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	20
System improvements	10-50
Machinery and equipment	3-7

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, liabilities, and net assets (continued)

Compensated absences –

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred.

Long-term debt -

Bonds payable are reported at face value, net of applicable discounts and deferred loss on refunding. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Losses occurring from advance refundings of debt are deferred and amortized as interest expense over the remaining life of the refunded bonds, or the life of the new bonds, whichever is shorter.

Net assets –

Net assets comprise the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net assets are classified in the following three components:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted – This component of net assets consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

The District's annual budget is adopted on a budgetary basis of accounting. The legal level of budgetary control is the fund level.

B. Compliance with finance related legal and contractual provisions

The District has no material violations of finance related legal and contractual provisions.

NOTE 3 – DETAILED NOTES

A. Deposits and Investments

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. At year end the bank balance of the District's deposits was \$3,555,411. Of the bank balance, \$1,026,757 was covered by federal depository insurance and \$2,528,654 was covered by collateral pledged and held in the District's name by the safekeeping department of the pledging bank's agent.

Investments – Public funds of the District may be invested in obligations of the United States of America, its agencies and instrumentalities; direct obligations of the State of Texas and agencies thereof; other obligations, the principal of and interest on which are unconditionally guaranteed by the State of Texas or the United States of America; obligations of the States, agencies thereof, Counties, Cities, Districts and other political subdivisions; repurchase agreements; certificates of deposit; joint pools of political subdivisions in the State of Texas or other investments authorized by the covenants contained in the proceedings authorizing the issuance of bonds, notes or other obligations.

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 3 – DETAILED NOTES (continued)

A. Deposits and Investments (continued)

A reconciliation of cash and investments with amounts shown on the Statement of Net Assets is as follows:

Cash on hand	\$ 500
Carrying amount of deposits	<u>3,470,101</u>
Total	<u>\$ 3,470,601</u>
 Cash and cash equivalents	 \$ 2,816,068
Cash and cash equivalents - restricted - current	19,902
Cash and cash equivalents - restricted - noncurrent	<u>634,631</u>
Total	<u>\$ 3,470,601</u>

B. Receivables

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

Receivables	\$ 249,039
Accounts	(51,615)
Less: allowance for uncollectibles	<u>\$ 197,424</u>
Net total receivables	<u>\$ 197,424</u>

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 3 – DETAILED NOTES (continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 157,927	\$ 18,000	\$ -	\$ 175,927
Construction in progress	39,786	286,824	-	326,610
Total capital assets not being depreciated	197,713	304,824	-	502,537
Capital assets being depreciated:				
Buildings	288,515	-	-	288,515
System improvements	10,870,234	-	-	10,870,234
Machinery and equipment	190,704	49,154	(11,968)	227,890
Total capital assets being depreciated	11,349,453	49,154	(11,968)	11,386,639
Less accumulated depreciation for:				
Buildings	(33,709)	(14,425)	-	(48,134)
System improvements	(1,051,921)	(366,310)	-	(1,418,231)
Machinery and equipment	(94,841)	(35,486)	8,777	(121,550)
Total accumulated depreciation	(1,180,471)	(416,221)	8,777	(1,587,915)
Total capital assets being depreciated, net	10,168,982	(367,067)	(3,191)	9,798,724
Capital assets, net	<u>\$10,366,695</u>	<u>\$ (62,243)</u>	<u>\$ (3,191)</u>	<u>\$10,301,261</u>

The construction in progress consists of system improvements.

Construction Commitments –

The District had a construction project outstanding as of December 31, 2008. This project consists of system improvements and is evidenced by a contractual commitment with \$326,610 spent to date and \$58,500 of commitment remaining.

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 3 – DETAILED NOTES (continued)

D. Long-term Debt

Revenue Bonds -

The District issues revenue bonds to provide funds for the acquisition and construction of major capital facilities.

Revenue bonds currently outstanding are:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
2003	\$ 3,200,000	12/1/2013	3.00-5.94%	\$ 475,000
2008 Refunding	2,545,000	12/1/2027	3.952-5.14%	2,545,000
				<u>\$ 3,020,000</u>
				<u>\$ 105,000</u>

Amount due within one year

Notes Payable-

Notes payable currently outstanding and reported as a liability of the District are:

Loan agreement with USDA - Rural Development dated June 23, 1976 - The \$135,000 note is a forty year term note with monthly installments of \$653 including interest at the rate of 5% per annum. The note is secured by all assets of the District and matures on June 26, 2016. The accumulated amount of funds to be repaid at December 31, 2008 totaled \$43,573. The amount due within one year totals \$5,789.

Loan agreement with USDA - Rural Development dated March 30, 1980 - The \$348,000 note is a forty year term note with monthly installments of \$1,704 including interest at the rate of 5% per annum. The note is secured by all assets of the District and matures on March 20, 2020. The accumulated amount of funds to be repaid at December 31, 2008 totaled \$162,067. The amount due within one year totals \$12,635.

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 3 – DETAILED NOTES (continued)

D. Long-term Debt (continued)

Annual debt service requirements to maturity are as follows –

Year Ending December 31	Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2009	\$ 105,000	\$ 123,681	\$ 18,424	\$ 10,029
2010	110,000	118,989	19,193	9,095
2011	115,000	113,933	20,175	8,113
2012	120,000	108,544	21,207	7,081
2013	125,000	102,814	22,292	5,996
2014-2018	725,000	427,804	101,388	13,580
2019-2023	880,000	272,688	2,961	28
2024-2027	840,000	84,375	-	-
	<u>\$ 3,020,000</u>	<u>\$ 1,352,828</u>	<u>\$ 205,640</u>	<u>\$ 53,922</u>

Long-term debt activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balances	Due Within One Year
Revenue bonds payable	\$ 2,825,000	\$ 2,555,000	\$ (2,360,000)	\$ 3,020,000	\$ 105,000
Less deferred amounts:					
On refunding	-	(225,635)	6,720	(218,915)	(11,522)
Notes payable	232,166	-	(26,526)	205,640	18,424
Total long-term debt	<u>\$ 3,057,166</u>	<u>\$ 2,329,365</u>	<u>\$ (2,379,806)</u>	<u>\$ 3,006,725</u>	<u>\$ 111,902</u>

The resolutions authorizing issuance of the District's bonds provided certain requirements as follows:

Debt Service Account

This section requires monthly transfers from the system account to the debt service account in the amount equal to 1/6 of next maturing interest plus 1/12 of next maturing principal for debt service payments, per the resolutions authorizing issuance of the District's bonds.

Reserve Account

A reserve account is required by the resolution authorizing issuance of the bonds issued by the District.

In accordance with the loan agreements between the District and the U.S. Department of Agriculture Rural Development, the District has established a reserve fund at a local bank. Monthly deposits are made to the fund until the fund accumulates a balance of \$55,564. The fund is restricted for making payments as approved by the U.S. Department of Agriculture Rural Development.

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 3 – DETAILED NOTES (continued)

D. Long-term Debt (continued)

Total amounts required to be on deposit in the debt service and reserve accounts compared to actual amounts on deposit are as follows:

	<u>Debt Service Account</u>	<u>Reserve Account</u>
Bonds Payable:		
Required Ultimate Balance		\$ 230,149
Required Present Balance	\$ 19,902	\$ 230,149
Actual Present Balance	<u>\$ 271,075</u>	<u>\$ 273,308</u>
Notes Payable:		
Required Ultimate Balance		\$ 55,564
Required Present Balance		\$ 55,564
Actual Present Balance		<u>\$ 110,150</u>

Additional Bonds

This section required, among other things, that net revenues of the water system amount to 1.25 times average annual principal and interest requirements on all revenue bonds, present and proposed, in order to issue additional revenue bonds.

Pledge and Source of Payment

The District's outstanding bonds are payable solely from, and are secured by a lien on, the District's gross revenues.

Defeased Debt –

The District issued \$2,555,000 of utility system revenue refunding bonds to provide resources to purchase U.S. Treasury securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$2,265,000 of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed in the amount of \$2,265,000. This advance refunding was undertaken to reduce total debt service payments over the next 14 years by \$206,932 and resulted in an economic gain of \$144,233. On December 31, 2008, \$2,265,000 of bonds outstanding are considered defeased. The balance outstanding that was not defeased was \$475,000.

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 3 – DETAILED NOTES (continued)

E. Restricted assets

The balances of the restricted asset accounts are as follows:

Revenue bond debt service account	\$ 271,075
Revenue bond reserve account	273,308
Notes payable reserve account	110,150
	<u>\$ 654,533</u>

NOTE 4 – OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not materially exceeded this commercial coverage in any of the past three fiscal years.

B. Commitments

The District has entered into a contract with City of Midlothian whereby the City agrees to sell treated water to the District. The contract requires the District to purchase a minimum amount of water on an annualized basis whether or not the District actually takes and utilizes said water amount. The contract is for a period of twenty years ending in 2017 with an option to extend for an additional twenty years under the same terms and conditions.

A schedule of future minimum payments due under the contract at the current rate is shown below:

2009	\$170,638
2010	220,825
2011	230,862
2012	240,900
2013	250,938
Thereafter	1,053,937
	<u>\$ 2,168,100</u>

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 4 – OTHER INFORMATION (continued)

C. Retirement Plan

The District participates in a defined contribution Salary Reduction Simplified Employee Pension Plan (SARSEP), which is administered by Lincoln National Life Insurance Company. Under the terms of the plan, qualifying employees may elect to contribute to the plan a percentage of their compensation which is partially matched by the District. The cost to the District, including administration fees and included in employee retirement plan expense for the year ended December 31, 2008 totaled \$14,203. The amount contributed by employees for the year ended December 31, 2008 totaled \$15,925.

Supplementary Financial Data

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT
SCHEDULE OF SERVICES AND RATES
 December 31, 2008

1. Services Provided by the District:

Retail Water
 Wholesale Water

2. Retail Service Providers

a. Retail Rates for a 5/8" Meter:

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons Over Minimum Usage</u>	<u>Usage Levels</u>
Residential	\$ 18.75	2,000	Y	\$	3.60 2,001 to 7,000
					4.00 7,001 to 12,000
					4.40 12,001 to 20,000
					4.80 20,001 to 30,000
					6.60 30,001 and above

Total charges for 10,000 gallons usage: \$48.75

b. Water Retail Connections: Number of retail water connections within the District as of the fiscal year end. Actual numbers and single family equivalents (ESFC) as noted:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	-	-	x 1.0	-
<= 3/4"	4,513	3,338	x 1.0	3,338
1"	23	27	x 2.5	68
1 1/2"	2	3	x 5.0	15
2"	10	11	x 8.0	88
3"	2	2	x 17.5	35
4"	1	1	x 30.0	30
Total Water	4,551	3,382		3,574

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT
SCHEDULE OF SERVICES AND RATES (Continued)
December 31, 2008

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into system:	510,725
Gallons billed to customers:	355,972

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

5. Location of District:

Counties in which District is located. Ellis, Johnson

Is the District located entirely within one county? No

Is the District located within a city? Partly

Cities in which the District is located: Alvarado, Maypearl, Midlothian, Venus

Is the District located within a city's extra territorial jurisdiction? Partly

ETJ's in which the District is located: Alvarado, Maypearl, Midlothian, Venus

Are Board member's appointed by an office outside the District? No

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
ACTUAL AND BUDGET (BUDGET BASIS)
Year Ended December 31, 2008

	Budget Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
Operating revenues:						
Water sales	\$ 1,885,260	\$ 1,885,260	\$ 1,931,127	\$ 12,176	\$ 1,943,303	\$ 58,043
Tap fees	49,800	49,800	51,436	-	51,436	1,636
Miscellaneous	20,000	20,000	12,274	-	12,274	(7,726)
Late charges	60,408	60,408	67,215	-	67,215	6,807
Capital improvement fees	399,500	399,500	194,508	-	194,508	(204,992)
Total operating revenues	2,414,968	2,414,968	2,256,560	12,176	2,268,736	(146,232)
Operating expenses:						
Bad debt	11,100	9,700	-	12,176	12,176	2,476
Contract services	28,000	22,700	27,246	-	27,246	4,546
Dues and subscriptions	6,150	6,200	5,153	-	5,153	(1,047)
Insurance-employee	71,500	52,400	44,803	-	44,803	(7,597)
Fuel/Auto/Equipment	60,000	54,700	52,065	-	52,065	(2,635)
Repairs and maintenance - system	375,000	241,600	126,471	-	126,471	(115,129)
Repairs and maintenance - office	25,000	14,700	11,498	-	11,498	(3,202)
Uniforms	6,000	2,600	1,776	-	1,776	(824)
Water samples	9,000	4,600	8,430	-	8,430	3,830
Insurance-liability/property	25,000	28,000	26,103	-	26,103	(1,897)
Miscellaneous	13,000	8,400	14,811	-	14,811	6,411
Postage	60,000	54,400	13,452	-	13,452	2,252
Legal	25,000	16,500	91,374	-	91,374	36,974
Accounting	20,000	800	14,309	-	14,309	(2,191)
Engineering	75,000	19,000	27,378	-	27,378	(800)
Office	26,000	24,500	14,835	-	14,835	8,378
Telephone	360,000	402,800	367,801	-	367,801	(9,665)
Payroll	17,500	14,400	14,203	-	14,203	(34,999)
Employee retirement plan	35,200	31,000	28,867	-	28,867	(197)
Payroll taxes	15,000	4,700	4,815	-	4,815	(2,135)
Seminars, meetings and training	190,000	174,000	190,719	-	190,719	115
Water purchases	585,000	555,000	643,924	-	643,924	16,719
Utilities	320,000	390,000	416,221	-	416,221	88,924
Depreciation	6,636	238,186	-	-	-	26,221
Contingencies	2,378,086	2,382,086	2,146,254	12,176	2,158,430	(238,186)
Total operating expenses	36,882	32,882	110,306	-	110,306	(223,656)
Operating income						77,424

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
ACTUAL AND BUDGET (BUDGET BASIS) (continued)
Year Ended December 31, 2008

	Budget Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
Non operating revenue (expenses):						
Interest	\$ 60,000	\$ 60,000	\$ 91,219	\$ -	\$ 91,219	\$ 31,219
Insurance proceeds	-	-	26,725	-	26,725	26,725
Gain on disposal of asset	-	-	3,638	-	3,638	3,638
Interest and fiscal charges	(178,996)	(174,996)	(156,723)	-	(156,723)	18,273
Bond issue costs	(3,460)	(3,460)	(58,587)	-	(58,587)	(55,127)
Principal payments	(119,426)	(119,426)	-	(121,526)	(121,526)	(2,100)
Capital outlay						
Land	(60,000)	(60,000)	-	-	-	60,000
System improvements-district	(1,100,000)	(1,100,000)	-	-	-	1,100,000
Engineering fees	(200,000)	(200,000)	-	(286,824)	(286,824)	(86,824)
500,000 gallon elevated storage tank	(1,000,000)	(1,000,000)	-	-	-	1,000,000
Vehicles	(45,000)	(45,000)	-	(49,154)	(49,154)	(4,154)
Other assets	(50,000)	(50,000)	-	(18,000)	(18,000)	32,000
Contingencies	(100,000)	(100,000)	-	-	-	100,000
Total nonoperating revenue (expenses)	(2,796,882)	(2,792,882)	(93,728)	(475,504)	(569,232)	2,223,650
Income (loss) before contributions	(2,760,000)	(2,760,000)	18,578	(475,504)	(458,926)	2,301,074
Capital contributions	400,000	400,000	114,730	-	114,730	(285,270)
Change in Net Assets	(2,360,000)	(2,360,000)	131,308	(475,504)	(344,196)	2,015,804
Total Net Assets, Beginning	2,608,453	2,608,453	10,625,836	-	10,625,836	8,017,383
Total Net Assets, Ending	\$ 248,453	\$ 248,453	\$ 10,757,144	\$ (475,504)	\$ 10,281,640	\$ 10,033,187

Number of persons employed by the District: 8 Full-Time 1 Part-Time.

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT
SCHEDULE OF CASH AND TEMPORARY INVESTMENTS
December 31, 2008

	Identification or Certificate Number	Interest Rate	Balance at End of Year
OPERATING:			\$ 500
Cash on hand			287
Citizens National Bank - Checking	145953	0.00%	161,468
Citizens National Bank - Checking	1695690	0.95%	1,241,116
Citizens National Bank - Money Market	50222075	2.50%	466,683
Citizens National Bank - Money Market	50101766	2.50%	9,310
Citizens National Bank - Money Market	50222083	1.35%	32,011
First State Bank Maypearl - CD	11664	2.50%	32,011
First State Bank Maypearl - CD	11665	2.50%	45,580
First State Bank Maypearl - CD	11806	2.50%	110,120
First State Bank Maypearl - CD	12642	2.80%	110,547
First State Bank Maypearl - CD	12653	3.50%	111,542
First State Bank Maypearl - CD	12655	2.80%	218,423
First State Bank Maypearl - CD	5008388	0.90%	500
First State Bank Maypearl - Checking	3802889638	0.00%	100,000
Guaranty Bank - Checking	55000621	3.50%	115,153
Vintage - CD	55001597	3.25%	60,817
Vintage - CD	3000840354816	0.25%	<u>2,816,068</u>
Wachovia - Savings			
TOTAL - OPERATING			
DEBT SERVICE:			<u>271,075</u>
Citizens National Bank - Money Market - Bonds	50103226	2.50%	<u>271,075</u>
TOTAL BOND DEBT SERVICE			
RESERVE:			110,150
Citizens National Bank - Money Market - Notes	148148	1.30%	273,308
Citizens National Bank - Money Market - Reserve	50102517	2.50%	<u>383,458</u>
TOTAL - BOND RESERVE			
TOTAL - ENTERPRISE (WATER) FUND			<u><u>\$3,470,601</u></u>

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT
DEBT SERVICE REQUIREMENTS - BY YEARS
December 31, 2008

Due During Fiscal Years Ending	Water System Revenue Bonds, Series 2003		
	Principal Due 12/1	Interest Due 6/1, 12/1	Total
2009	\$ 85,000	\$ 23,103	\$ 108,103
2010	90,000	19,201	109,201
2011	95,000	14,935	109,935
2012	100,000	10,337	110,337
2013	105,000	5,397	110,397
	<u>\$ 475,000</u>	<u>\$ 72,973</u>	<u>\$ 547,973</u>

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT
DEBT SERVICE REQUIREMENTS - BY YEARS
December 31, 2008

Due During Fiscal Years Ending	Utility System Revenue Refunding Bonds, Series 2008		
	Principal Due 12/1	Interest Due 6/1, 12/1	Total
	\$	\$	\$
2009	20,000	100,578	120,578
2010	20,000	99,788	119,788
2011	20,000	98,998	118,998
2012	20,000	98,207	118,207
2013	20,000	97,417	117,417
2014	135,000	96,626	231,626
2015	140,000	91,291	231,291
2016	145,000	85,758	230,758
2017	150,000	80,028	230,028
2018	155,000	74,100	229,100
2019	165,000	67,974	232,974
2020	170,000	61,454	231,454
2021	175,000	54,735	229,735
2022	180,000	47,819	227,819
2023	190,000	40,706	230,706
2024	200,000	33,197	233,197
2025	205,000	25,293	230,293
2026	215,000	17,191	232,191
2027	220,000	8,694	228,694
	<u>\$ 2,545,000</u>	<u>\$ 1,279,855</u>	<u>\$ 3,824,855</u>

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT
DEBT SERVICE REQUIREMENTS - BY YEARS
December 31, 2008

<u>Note Payable - USDA - Rural Development, June 23, 1976</u>			
<u>Due During Fiscal Years Ending</u>	<u>Principal Due *</u>	<u>Interest Due *</u>	<u>Total</u>
2009	\$ 5,789	\$ 2,154	\$ 7,943
2010	5,973	1,863	7,836
2011	6,279	1,557	7,836
2012	6,600	1,236	7,836
2013	6,937	899	7,836
2014	7,292	544	7,836
2015	4,703	169	4,872
	<u>\$ 43,573</u>	<u>\$ 8,422</u>	<u>\$ 51,995</u>

* Due in monthly payments including interest

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT
DEBT SERVICE REQUIREMENTS - BY YEARS
December 31, 2008

Note Payable - USDA - Rural Development, March 30, 1980

<u>Due During Fiscal Years Ending</u>	<u>Principal Due *</u>	<u>Interest Due *</u>	<u>Total</u>
	\$	\$	\$
2009	12,635	7,875	20,510
2010	13,220	7,232	20,452
2011	13,896	6,556	20,452
2012	14,607	5,845	20,452
2013	15,355	5,097	20,452
2014	16,140	4,312	20,452
2015	16,966	3,486	20,452
2016	17,834	2,618	20,452
2017	18,747	1,705	20,452
2018	19,706	746	20,452
2019	2,961	28	2,989
	<u>\$ 162,067</u>	<u>\$ 45,500</u>	<u>\$ 207,567</u>

* Due in monthly payments including interest

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT
DEBT SERVICE REQUIREMENTS - BY YEARS
December 31, 2008

Due During Fiscal Years Ending	Annual Requirements for All Debt		
	Principal Due	Interest Due	Total
2009	\$ 123,424	\$ 133,710	\$ 257,134
2010	129,193	128,084	257,277
2011	135,175	122,046	257,221
2012	141,207	115,625	256,832
2013	147,292	108,810	256,102
2014	158,432	101,482	259,914
2015	161,669	94,946	256,615
2016	162,834	88,376	251,210
2017	168,747	81,733	250,480
2018	174,706	74,846	249,552
2019	167,961	68,002	235,963
2020	170,000	61,454	231,454
2021	175,000	54,735	229,735
2022	180,000	47,819	227,819
2023	190,000	40,706	230,706
2024	200,000	33,197	233,197
2025	205,000	25,293	230,293
2026	215,000	17,191	232,191
2027	220,000	8,694	228,694
	<u>\$ 3,225,640</u>	<u>\$ 1,406,750</u>	<u>\$ 4,632,390</u>

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT
ANALYSIS OF CHANGES IN LONG-TERM DEBT
December 31, 2008

	Water System Revenue Series 2003	Utility System Revenue Refunding Series 2008	Note Payable USDA - Rural Development 1970	Note Payable USDA - Rural Development 1976	Note Payable USDA - Rural Development 1980	Totals
Interest Rate	3.00-5.94%	3.952 -5.14%	5.00%	5.00%	5.00%	
Dates Interest Payable	6/1; 12/1	6/1; 12/1	monthly	monthly	monthly	
Maturity Dates	12/01/13	12/1/2027	11/25/10	06/26/16	03/20/20	
Beginning Debt Outstanding	\$ 2,825,000	\$ -	\$ 7,051	\$ 51,027	\$ 174,088	\$ 3,057,166
Debt Sold During the Fiscal Year	-	2,555,000	-	-	-	2,555,000
Debt Retired During the Fiscal Year	(2,350,000)	(10,000)	(7,051)	(7,454)	(12,021)	(2,386,526)
Ending Debt Outstanding	<u>\$ 475,000</u>	<u>\$ 2,545,000</u>	<u>\$ -</u>	<u>\$ 43,573</u>	<u>\$ 162,067</u>	<u>\$ 3,225,640</u>
Interest Paid During the Current Year	<u>\$ 92,147</u>	<u>\$ 49,926</u>	<u>\$ 1,067</u>	<u>\$ 2,692</u>	<u>\$ 9,015</u>	<u>\$ 154,847</u>

Paying Agent's Name and City:
Series 2003
Series 2008
Note Holder Name and City:

The Bank of New York Trust Company, N.A., Dallas, Texas
Bank of America, N.A., Dallas, Texas
USDA - Rural Development, Cleburne, Texas

Bond Authority:

Amount Authorized By Board of Directors
Amount Issued
Remaining To Be Issued

Revenue Bonds
\$ -
\$ -
\$ -

Average annual Debt Service payment (Principal and
Interest) for remaining term of all debt:

\$ 243,810

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES
ENTERPRISE (WATER) FUND
Five Years Ended December 31, 2008

	Amounts					Percent of Fund				
	2008	2007	2006	2005	2004	2008	2007	2006	2005	2004
Operating Revenues:										
Water sales	\$ 1,931,127	\$ 1,774,237	\$ 2,069,416	\$ 1,736,788	\$ 1,362,548	85.6%	76.1%	74.6%	74.3%	60.7%
Tap fees	51,436	86,876	10,001	10,321	8,031	2.3%	3.7%	0.4%	0.4%	0.4%
Miscellaneous	12,274	20,056	20,792	16,003	10,417	0.5%	0.9%	0.7%	0.7%	0.5%
Late charges	67,215	63,971	57,618	55,068	57,577	3.0%	2.7%	2.1%	2.4%	2.6%
Meter set fees	-	-	90,083	93,988	67,353	0.0%	0.0%	0.0%	4.0%	3.0%
Sewer collections	-	-	-	1,085	406	0.0%	0.0%	0.0%	0.0%	0.0%
Reimbursement-line relocation	-	-	-	480	5,000	0.0%	0.0%	0.0%	0.0%	0.2%
Capital improvement fees	194,508	386,820	526,457	425,357	733,119	8.6%	16.6%	19.0%	18.2%	32.7%
Total Operating Revenues	2,256,560	2,331,960	2,774,367	2,339,090	2,244,451	100.0%	100%	100.0%	100.0%	100.0%
Expenses:										
Operating	1,730,033	1,552,169	1,631,081	1,501,085	1,258,825	76.7%	66.6%	58.8%	64.2%	56.1%
Depreciation and amortization	416,221	387,854	359,913	266,801	165,903	18.4%	16.6%	13.0%	11.4%	7.4%
Total Operating Expenses	2,146,254	1,940,023	1,990,994	1,767,886	1,424,728	95.1%	83.2%	71.8%	75.6%	63.5%
Operating Income	110,306	391,937	783,373	571,204	819,723	4.9%	16.8%	28.2%	24.4%	36.5%
Nonoperating revenues (expenses):										
Interest	91,219	118,554	90,878	42,365	20,504	4.0%	5.1%	3.3%	1.8%	0.9%
Insurance proceeds	26,725	27,967	-	-	21,620	1.2%	1.2%	0.0%	0.0%	1.0%
Gain on disposal of asset	3,638	-	-	-	-	0.2%	0.0%	0.0%	0.0%	0.0%
Interest and fiscal charges	(156,723)	(172,873)	(158,076)	(103,424)	(20,566)	(6.9%)	(7.4%)	(5.7%)	(4.4%)	(.9%)
Bond issue costs	(58,587)	(3,460)	(3,460)	(3,460)	(3,460)	(2.6%)	(.1%)	(.1%)	(.1%)	(.2%)
Total Nonoperating Expenses	(93,728)	(29,812)	(70,658)	(64,519)	18,098	(4.2%)	(1.3%)	(2.5%)	(2.8%)	(.8%)
Income before contributions	16,578	362,125	712,715	506,685	837,821	0.7%	15.5%	25.7%	21.7%	37.3%
Capital contributions	114,730	347,428	397,924	650,981	669,187	5.1%	14.9%	14.3%	27.8%	29.8%
Change in net assets	\$ 131,308	\$ 709,553	\$ 1,110,639	\$ 1,157,666	\$ 1,507,008	5.8%	30.4%	40.0%	49.5%	67.1%

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
 December 31, 2008

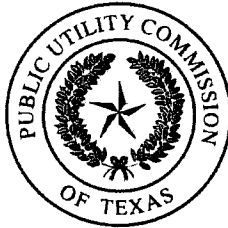
Complete District Mailing Address: 5671 Waterworks Road
 Midlothian, Texas 76065
 District Business Telephone Number: (972) 775-3765

Name and Addresses	Term of Office (Elected or Appointed) or Date Hired	Fees 12/31/2008	Expense Reimbursements 12/31/2008	Title at Year End	Resident of District?
Board Members:					
Clyde T. Bryant 3211 Starwashed Drive Midlothian, Texas 76065	11/7/2007	\$ -	\$ -	President	Yes
Martin J. Mary 3030 Clearcreek Drive Midlothian, Texas 76065	11/7/2006	-	-	Vice-President	Yes
Ann Major 561 Allen Lane Midlothian, Texas 76065	11/7/2007	-	-	Secretary/Treasurer	Yes
C.E. Wilson 18337 Cr. 620 Venus, Texas 76084	11/7/2007	-	-	Director	Yes
Raymond Massey 5811 Crystal Drive Midlothian, Texas 76065	11/7/2005	-	-	Director	Yes
Stephen Bradford P.O. Box 643 Midlothian, Texas 76065	11/7/2005	-	-	Director	Yes
Charles Hayes 5441 Cool Springs Drive Midlothian, Texas 76065	11/7/2006	-	-	Director	Yes

Note: No director is disqualified from serving on this board under the Texas Water Code.

MOUNTAIN PEAK SPECIAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (continued)
 December 31, 2008

Name and Addresses	Term of Office (Elected or Appointed) or Date Hired	Fees 12/31/2008	Expense Reimbursements 12/31/2008	Title at Year End
<u>Key Administrative Personnel:</u>				
Randy Kirk 1525 Tower Rd. Midlothian, Texas 76065	2/88	\$ -	\$ -	General Manager
<u>Consultants:</u>				
Miller, Mentzer, P.C. 500 N Ackard Street #1820 Dallas, Texas 75201	5/91	91,374	-	Attorney
Witherspoon, Yeldell & Wilson, P.C. P.O. Box 1087 Ennis, Texas 75120	5/01	14,309	-	Auditor
SWS Securities, Inc. Travis Park Plaza 711 Navarro, Suite 490 San Antonio, Texas 78205	10/02	-	-	Financial Advisor
Childress Engineers 211 North Ridgeway Drive Cleburne, Texas 76033	1991	291,821	-	Engineer



House Bill (HB) 1600 and Senate Bill (SB) 567 83rd Legislature, Regular Session, transferred the functions and records relating to the economic regulation of water and sewer utilities from the TCEQ to the PUC effective September 1, 2014.

Central Records Personally Identifiable Information Audit

NOTICE OF REDACTION

Documents containing Personally Identifiable Information* have been redacted from electronic posting, in accordance with Texas privacy statutes.

*"Personally Identifiable Information" (PII) is defined to include information that alone or in conjunction with other information identifies an individual, including an individual's: Social security or employer taxpayer identification number, driver's license number, government-issued identification card number, or passport numbers, checking and savings account numbers, credit card numbers, debit card numbers, unique electronic identification number, address, or routing code, electronic mail names or addresses, internet account numbers, or internet identification names, digital signatures, unique biometric data, and mother's maiden name, marriage and any other numbers or information used to access an individual's financial account.