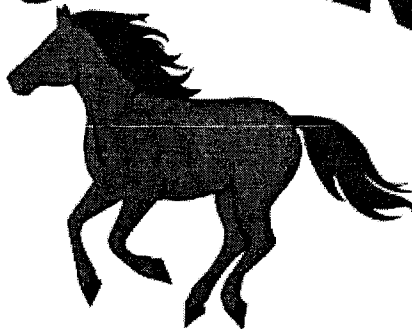


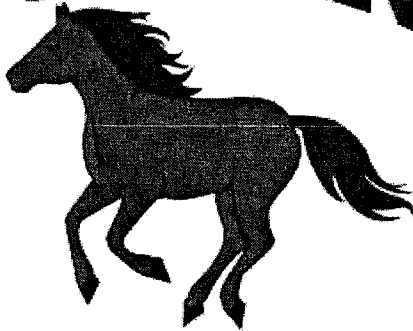
MUSTANG



SPECIAL UTILITY DISTRICT

SUPPLEMENTAL SCHEDULES

MUSTANG



SPECIAL UTILITY DISTRICT

**MUSTANG SPECIAL UTILITY DISTRICT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for sales and services:				
Water/wastewater sales	\$ 4,278,700	\$ 4,185,500	\$ 4,233,713	\$ 48,213
Customer charges/fees	635,000	1,795,425	2,030,519	235,094
Operating Contracts	1,313,000	1,264,150	1,284,628	20,478
Other revenues	20,000	21,500	21,966	466
Total operating revenues	6,246,700	7,266,575	7,570,826	304,251
OPERATING EXPENSES				
Operation and Maintenance:				
Personnel costs and benefits	1,058,020	1,064,930	1,011,663	53,267
Water distribution system	2,743,635	2,757,720	2,539,509	218,211
Other operating costs	758,835	809,380	337,385	471,995
Professional and legal fees	269,500	273,575	293,274	(19,699)
Insurance	236,550	228,185	203,675	24,510
Depreciation and amortization	-	-	1,797,019	(1,797,019)
Total operating expenses	5,066,540	5,133,790	6,182,525	(1,048,735)
Operating income (loss)	1,180,160	2,132,785	1,388,301	(744,484)
NON-OPERATING REVENUES (EXPENSES):				
Investment income	5,020	5,515	5,990	475
Interest expense	(417,100)	(417,100)	(414,551)	2,549
Bond Issuance Costs	-	(67,575)	(62,163)	5,412
Total non-operating revenues (expenses)	(412,080)	(479,160)	(470,724)	8,436
Net income (loss) before contributions	768,080	1,653,625	917,577	(736,048)
CAPITAL CONTRIBUTIONS				
Developer contributions	-	-	1,008,575	1,008,575
Total capital contributions	-	-	1,008,575	1,008,575
Change in net position	768,080	1,653,625	1,926,152	272,527
Net position - beginning of year	22,631,079	22,631,079	22,631,079	
Net position - end of year	\$ 23,399,159	\$ 24,284,704	\$ 24,557,231	

Note: The District prepares the annual budget on a basis (modified accrual basis) which differs from generally accepted accounting principles (GAAP basis).

**MUSTANG SPECIAL UTILITY DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Balance September 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2014</u>
Freshwater Districts				
ASSETS				
Cash and cash equivalents - restricted	\$ 847,709	\$ 9,036,384	\$ 8,885,326	\$ 998,767
Accounts Receivable	885,589	9,749,310	9,813,673	821,226
Total assets	<u>1,733,298</u>	<u>18,785,694</u>	<u>18,698,999</u>	<u>1,819,993</u>
 LIABILITIES				
Accounts Payable	1,733,298	19,126,669	19,039,974	1,819,993
Total liabilities	<u>\$ 1,733,298</u>	<u>\$ 19,126,669</u>	<u>\$ 19,039,974</u>	<u>\$ 1,819,993</u>

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

STATISTICAL SECTION
(UNAUDITED)



STATISTICAL SECTION (UNAUDITED)

This part of the Mustang Special Utility District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the District's overall financial health. This information has not been audited by the independent auditor.

Contents

Tables

Financial Trends

These tables contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

1,2

Revenue Capacity

These tables present information to help the reader assess the District's most significant revenue sources, charges for services.

3,4,5

Debt Capacity

These tables present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

6,7

Economic and Demographic Information

These tables offer economic and demographic indicators to help the reader understand the environment within which the District's financial activities take place.

8,9

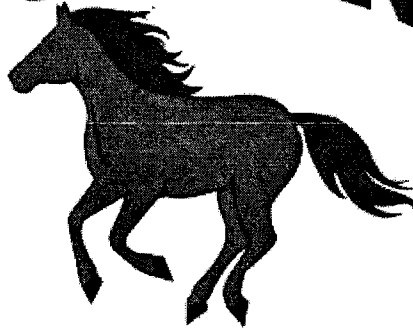
Operating Information

These tables contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

10,11

Source: Unless otherwise noted, the information in these tables are derived from the Comprehensive Annual Financial Reports for the relevant year.

MUSTANG



SPECIAL UTILITY DISTRICT

**MUSTANG SPECIAL UTILITY DISTRICT
NET POSITION BY COMPONENT (UNAUDITED)
LAST SIX FISCAL YEARS
(Accrual basis of accounting)**

Table 1

	FISCAL YEAR					
	2009	2010	2011	2012	2013	2014
Business-type activities						
Net investment in capital assets	\$ 9,858,403	\$ 10,656,424	\$ 11,048,665	\$ 12,278,776	\$ 12,794,662	\$ 11,596,343
Restricted	-	-	424,472	1,172,171	731,648	844,616
Unrestricted	12,371,000	10,131,634	8,988,200	7,666,480	9,104,769	12,116,272
Total business-type activities net position	<u>\$ 22,229,403</u>	<u>\$ 20,788,058</u>	<u>\$ 20,461,337</u>	<u>\$ 21,117,427</u>	<u>\$ 22,631,079</u>	<u>\$ 24,557,231</u>

Notes: Years will continue to be added until 10 years of comparison is listed, information prior to 2009 is not available.

**MUSTANG SPECIAL UTILITY DISTRICT
CHANGES IN NET POSITION
LAST SIX FISCAL YEARS
(Accrual basis of accounting)**

Table 2

	FISCAL YEAR					
	2009	2010	2011	2012	2013	2014
OPERATING REVENUES						
Charges for sales and services						
Water/Wastewater Sales	\$ 3,018,990	\$ 3,338,626	\$ 3,898,605	\$ 3,993,442	\$ 4,206,554	\$ 4,233,713
Customer Charges/Fees	1,029,752	1,134,975	1,350,541	1,398,781	1,224,635	2,030,519
Operating contracts					1,314,930	1,284,628
Miscellaneous	384,384	23,101	65,976	28,463	23,814	21,966
Total Operating Revenues	4,433,126	4,496,702	5,315,122	5,420,686	6,769,933	7,570,826
OPERATING EXPENSES						
Personnel Costs and Benefits	1,101,397	756,843	812,689	890,137	949,557	1,011,663
Water Distribution System	2,143,834	2,260,955	2,219,316	2,394,649	2,563,783	2,539,509
Other Operating Costs	225,730	214,036	348,478	295,052	314,873	337,385
Professional and Legal Fees	285,093	109,688	176,207	242,445	203,318	293,274
Insurance	261,044	150,700	179,694	170,611	189,881	203,675
Amortization	422,744	425,420	411,932	1,610,808	411,932	439,043
Depreciation	943,517	1,115,651	1,126,127	27,597	1,257,187	1,357,976
Total Operating Expenses	5,383,359	5,033,293	5,274,443	5,631,299	5,890,531	6,182,525
Operating Income (Loss)	(950,233)	(536,591)	40,679	(210,613)	879,402	1,388,301
NON-OPERATING REVENUES (EXPENSES):						
Investment Income	48,221	26,714	22,772	13,405	6,661	5,990
Sale of Fixed Assets	-	-	9,435	4,039	-	-
Bad Debt Expense	-	(61,970)	-	-	-	-
Interest Expense	(526,722)	(585,126)	(455,938)	(418,298)	(429,309)	(414,551)
Bond Issuance costs	-	-	-	-	-	(62,163)
Total Non-Operating Revenues (Expenses)	(478,501)	(620,382)	(423,731)	(400,854)	(422,648)	(470,724)
Change In Net Position Before Capital Contributions	(1,428,734)	(1,156,973)	(383,052)	(611,467)	456,754	917,577
CAPITAL CONTRIBUTIONS						
Developer Contributions	61,875	(165,994)	5,000	5,000	1,056,901	1,008,575
Total Capital Contributions	61,875	(165,994)	5,000	5,000	1,056,901	1,008,575
Change In Net Position	(1,366,859)	(1,322,967)	(378,052)	(606,467)	1,513,655	1,926,152
Net position - Beginning of year	23,596,263	22,229,404	20,788,059	20,461,338	21,117,424	22,631,079
Prior Period Adjustments	-	(118,378)	51,331	1,262,553	-	-
Net Position - Adjusted Beginning of year	23,596,263	22,111,026	20,839,390	21,723,891	21,117,424	22,631,079
Net Position - End of year	\$ 22,229,404	\$ 20,788,059	\$ 20,461,338	\$ 21,117,424	\$ 22,631,079	\$ 24,557,231

Notes: Years will continue to be added until 10 years of comparison is listed, information prior to 2009 is not available.
Revenue categories were reclassified for the year ended September 30, 2014.
Revenues were restated for the year ended September 30, 2013 for comparative purposes.
The Freshwater Districts have been reclassified in the current year as Fiduciary Funds. The fiscal year 2013 has been restated for comparison purposes.

**MUSTANG SPECIAL UTILITY DISTRICT
INCOME BY SOURCE
LAST SIX FISCAL YEARS**

Table 3

Fiscal Year Ended Sept. 30	Water	Wastewater	Other*	Total
2009	\$ 2,657,663	\$ 361,327	\$ 1,462,357	\$ 4,481,347
2010	2,911,039	427,587	1,184,790	4,523,416
2011	3,427,513	491,182	1,428,634	5,347,329
2012	3,412,657	534,110	1,491,363	5,438,130
2013	3,582,488	624,066	2,570,040	6,776,594
2014	3,448,768	784,945	3,343,103	7,576,816

*Other income includes interest income and miscellaneous income for the years.

Notes: Years will continue to be added until 10 years of comparison is listed, information prior to 2009 is not available.

Revenue categories were reclassified for the year ended September 30, 2014.

Revenues were restated for the year ended September 30, 2013 for comparative purposes.

**MUSTANG SPECIAL UTILITY DISTRICT
AVERAGE REVENUE RATES
LAST SIX FISCAL YEARS**

Table 4

<u>Fiscal Year</u>	<u>Water Rate/ Thousand Gallons</u>	<u>Wastewater Monthly Revenue/Customer</u>
2009	\$ 3.99	\$ 33.75
2010	3.99	39.50
2011	3.99	39.50
2012	3.99	39.50
2013	3.21	39.50
2014	3.21	39.50

Notes: Years will continue to be added until 10 years of comparison is listed, information prior to 2009 not available.

For additional information, see the rates table on page 59.

Average water rate based on 10,000 gallons used on a residential meter

Average wastewater revenue based on 10,000 gallons, residential meter

Source: Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT
PRINCIPAL REVENUE PAYERS
SEPTEMBER 30, 2014**

Table 5

Customer	Water Revenue Received	Percentage of Total Water Revenue
Midway Water	\$ 95,808	2.69%
Holt Texas, LTD	23,011	0.65%
Walmart	19,017	0.53%
Crossroads Crossing Ltd.	15,725	0.44%
Denton ISD (Middle School)	10,250	0.29%
Little Elm ISD	9,489	0.27%
Magnolia Stampede	9,254	0.26%
LDS Church	9,166	0.26%
First Texas Homes	8,457	0.24%
Norman Pearah	8,253	0.23%
Total attributable to ten largest payers:	<u>\$ 208,430</u>	<u>5.86%</u>
 Total Water Revenue	 <u>\$ 3,556,378</u>	 <u>100.00%</u>

Source: Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT
TOTAL INDEBTEDNESS PER CUSTOMER
LAST SIX FISCAL YEARS**

Table 6

<u>Fiscal Year</u>	<u>Bonds Payable</u>	<u>Note Payable</u>	<u>Total Indebtedness</u>	<u>Total Customers</u>	<u>Debt Per Customer</u>
2009	\$ 8,975,000	\$ 2,461,595	\$ 11,436,595	3,395	\$ 3,369
2010	7,615,000	2,375,643	9,990,643	3,648	2,739
2011	7,318,023	2,267,706	9,537,706	3,728	2,558
2012	6,945,484	2,155,338	9,100,822	3,900	2,334
2013	6,632,944	2,038,356	8,671,300	4,246	2,042
2014	7,820,405	1,916,572	9,736,977	4,652	2,093

Note: Years will continue to be added until 10 years of comparison is listed, information prior to 2009 not available.

Source: Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT
REVENUE BOND COVERAGE
LAST SIX FISCAL YEARS**

Table 7

Fiscal Year	Total Revenues (1)	Total Expenses (2)	Net Revenues Available for Debt Service	Bond Debt Service Requirements (3)	Coverage
2009	\$ 4,481,347	\$ 4,017,128	\$ 464,219	\$ 473,700	0.98
2010	4,523,416	3,492,222	1,031,194	588,674	1.75
2011	5,347,329	3,736,384	1,610,945	727,698	2.21
2012	5,438,130	3,992,894	1,445,236	649,223	2.23
2013	6,776,594	4,221,412	2,555,182	620,423	4.12
2014	7,576,817	4,385,506	3,191,311	709,529	4.50

(1) Includes interest income, non-operating revenues and service fees

(2) Excludes depreciation, amortization and non-operating expenses

(3) Includes principal and interest of revenue bonds

Note: Years will continue to be added until 10 years of comparison is listed, information prior to 2009 not available.

**MUSTANG SPECIAL UTILITY DISTRICT
NUMBER OF CUSTOMERS BY SERVICE
LAST SIX FISCAL YEARS**

Table 8

Fiscal Year	Water	Wastewater
2009	3,395	875
2010	3,648	1,109
2011	3,728	1,181
2012	3,900	1,219
2013	4,246	1,564
2014	4,652	1,949

Note: Years will continue to be added until 10 years of comparison is listed, information prior to 2009 is not available.

Source: Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST SIX FISCAL YEARS
(unaudited)**

Table 9

<u>Fiscal Year</u>	<u>Estimated Population Denton County</u>	<u>Personal Income Denton County (in Thousands)</u>	<u>Per Capita Income Denton County</u>	<u>Median Age Denton County</u>	<u>Unemployment Rate Denton County</u>
2009	628,300	\$ 19,984,338	\$ 31,807	33	7.50%
2010	637,750	20,053,411	31,444	n/a	7.10%
2011	662,614	20,851,800	31,469	32.3	6.90%
2012	683,010	25,773,805	37,736	33.3	5.70%
2013	694,050	n/a	n/a	n/a	5.40%
2014	n/a	n/a	n/a	n/a	4.50%

n/a Not available

Sources:

Denton County, TX - Comprehensive Annual Financial Reports
Texas Workforce Commission

Notes: Education information is not included, since the District area includes areas of multiple independent school districts.
Years will continue to be added until 10 years of comparison is listed. Information prior to 2009 is not available.

**MUSTANG SPECIAL UTILITY DISTRICT
FULL-TIME EQUIVALENT EMPLOYEES BY
FUNCTION/PROGRAM
LAST SIX FISCAL YEARS**

Table 10

Fiscal Year	Administrative	Water	Wastewater	Total
2009	8.5	9	-	17.5
2010	8	8	-	16
2011	7	8	1	16
2012	7	7	2	16
2013	8	8	2	18
2014	9	8	2	19

Note: Years will continue to be added until 10 years of comparison is listed, information prior to 2009 is not available.

Source: Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT
CAPITAL ASSETS BY FUNCTION
LAST SIX FISCAL YEARS**

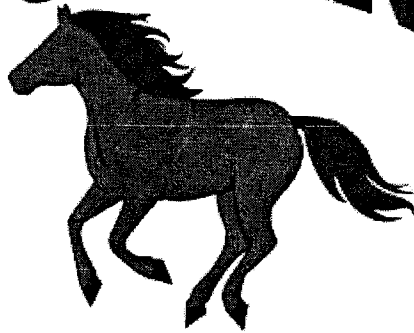
Table 11

Function	2009	2010	2011	2012	2013	2014
Water/Wastewater						
Land	\$ 264,903	\$ 264,903	\$ 264,903	\$ 264,903	\$ 264,903	\$ 264,903
Waterwells & Distribution System	24,589,752	18,948,454	18,958,203	19,787,935	19,874,873	19,623,300
Equipment	377,559	82,472	49,399	21,884	66,964	246,088
Total Water/Wastewater	24,854,655	19,295,829	19,272,505	20,074,722	20,206,740	20,134,291
General						
Land	204,352	204,352	204,352	204,352	204,352	204,352
Buildings and Structures	1,360,966	1,115,991	1,061,552	1,007,113	952,674	898,237
Vehicles	318,038	23,770	95,985	93,409	102,196	86,000
Office Furniture and Equipment	382,702	7,126	-	-	-	-
Total General	2,266,058	1,351,239	1,361,889	1,304,874	1,259,222	1,188,589
Total Capital Assets	\$27,120,713	\$ 20,647,068	\$ 20,634,394	\$21,379,596	21,465,962	21,322,880

Notes: 1) Years will continue to be added until 10 years of comparison is listed, information prior to 2009 is not available.

2) Balances presented are net of accumulated depreciation.

MUSTANG



SPECIAL UTILITY DISTRICT

SUPPLEMENTAL SCHEDULES REQUIRED BY THE
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
(UNAUDITED)

**SUPPLEMENTAL SCHEDULES REQUIRED BY THE TEXAS
COMMISSION ON ENVIRONMENTAL QUALITY
(UNAUDITED)**

<u>Contents</u>	Page
TSI-1 Services and Rates	59-60
TSI-2 Schedule of Expenditures - Proprietary Fund Type	61
TSI-3 Schedule of Temporary Investments	62
TSI-4 (Not Applicable)	n/a
TSI-5 Long-Term Debt Service Requirements	63-67
TSI-6 Changes in Long Term Bonded Debt	68
TSI-7 Comparative Schedule of Revenues and Expenses	69
TSI-8 Board Members, Key Personnel, and Consultants	70

**MUSTANG SPECIAL UTILITY DISTRICT
TSI-1 SERVICE AND RATES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

3. Total water consumption during the fiscal year:

Gallons pumped into system:	<u>543,412,676</u>
Gallons billed to customers:	<u>510,329,466</u>
Water Accountability Ratio:	<u>93.91%</u>

4. District does not levy standby fees.

5. Location of District:

County(ies) in which District is located. Denton

Is the District located entirely within one county? Yes No

Is the District located within a city? Entirely Partly Not at all

City(ies) in which district is located. Aubrey, Krugerville, Cross Roads, Pilot Point, Oak Point

Is the district located within a city's extraterritorial jurisdiction (ETJ)?
 Entirely Partly Not at all

ETJ's in which District is located. Krugerville, Aubrey, Cross Roads, Pilot Point, Oak Point, Little Elm, Frisco, Prosper

Is the general membership of the Board appointed by an office outside the District?

If Yes, by whom? N/A Yes No

**Mustang Special Utility District
TSI-2 Enterprise Fund Expenditures*
Fiscal Year Ending September 30, 2014**

Personnel Expenditures (including benefits)	<u>\$ 1,149,640 **</u>
Professional Fees:	
Auditing	20,800
Legal	<u>205,625</u>
Engineering	<u>61,263</u>
Financial Advisor/Other Advisor	<u>67,750</u>
Purchased Services for Resale:	
Bulk Water and Wastewater Service Purchases	<u>1,803,169</u>
Contracted Services:	
Other Contracted Services	<u>3,780</u>
Utilities	<u>267,864</u>
Repairs and Maintenance	<u>140,991</u>
Administrative Expenditures:	
Office Supplies	16,753
Insurance	<u>29,600</u>
Other Administrative Expenditures	<u>205,965</u>
Capital Outlay:	
Capitalized Assets	<u>178,361 ***</u>
Other Expenditures	<u>1,400,902 ****</u>
Total Expenditures	<u><u>\$ 5,552,463</u></u>

*Amounts are unaudited and do not include amortization and depreciation.

**Number of persons employed by the District:

Full Time	19
Part Time	0

***Total expenditures using GAAP accounting do not include these amounts.

****Other Expenditures includes debt payments, as there is not a separate Debt Service Fund.

Source: Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT
TSI-3 SCHEDULE OF TEMPORARY INVESTMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

Item	Certificate Number	Interest Rate	Maturity Date	Balance at End of Year
<u>Proprietary Fund Type</u>				
<u>Enterprise Fund</u>				
LOGIC Accounts:				
Customer Deposit Fund	n/a	0.0795%	n/a	\$ 577,892
System Growth Fund	n/a	0.0795%	n/a	2,645,351
Series 2006 Revenue Bond Debt Service Reserve	n/a	0.0795%	n/a	311,419
UTRWD I & S Fund	n/a	0.0795%	n/a	144,738
Developers Escrow Account	n/a	0.0795%	n/a	862
Series 2008 Revenue Bond Debt Service Reserve	n/a	0.0795%	n/a	235,010
Series 2009 Revenue Bond Debt Service Reserve	n/a	0.0795%	n/a	98,888
Northstar Accounts:				
System Growth Account	n/a	0.0860%	n/a	87,060
Series 2006 Revenue Bond Debt Reserve	n/a	0.0860%	n/a	2,583
Series 2006 Revenue Bond Interest & Sinking	n/a	0.0860%	n/a	2,601
Developers Escrow	n/a	0.0860%	n/a	4,982
Series 2008 Revenue Bond Debt Service Reserve	n/a	0.0860%	n/a	2,606
Series 2008 Revenue Bond Interest & Sinking	n/a	0.0860%	n/a	2,593
Series 2009 Revenue Bonds Interest & Sinking	n/a	0.0860%	n/a	2,585
Series 2009 Revenue Bonds Debt Reserve	n/a	0.0860%	n/a	2,589
Series 2014 Revenue Bonds Construction	n/a	0.0860%	n/a	10,440
Series 2014 Revenue Bond Interest & Sinking	n/a	0.0860%	n/a	63,022
Series 2014 Revenue Bonds Debt Reserve	n/a	0.0860%	n/a	113,035
TexStar Accounts:				
Developers Escrow	n/a	0.0317%	n/a	104,946
Series 2009 Revenue Bonds Interest & Sinking	n/a	0.0317%	n/a	13,740
Series 2008 Revenue Bond Interest & Sinking	n/a	0.0317%	n/a	27,615
Series 2006 Revenue Bond Interest & Sinking	n/a	0.0317%	n/a	58,557
Total				<u>\$ 4,513,114</u>

Source: Mustang Special Utility District

Note: Northstar accounts are interest bearing accounts with the bank and are covered by collateral.

**MUSTANG SPECIAL UTILITY DISTRICT
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS
SERIES 2006 - BY YEARS
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 195,000	\$ 117,533	\$ 312,533
2016	195,000	109,733	304,733
2017	205,000	101,933	306,933
2018	210,000	93,733	303,733
2019	220,000	85,333	305,333
2020	230,000	76,533	306,533
2021	245,000	67,333	312,333
2022	250,000	57,288	307,288
2023	255,000	47,038	302,038
2024	270,000	36,200	306,200
2025	280,000	24,725	304,725
2026	295,000	12,685	307,685
Total	<u>\$ 2,850,000</u>	<u>\$ 830,067</u>	<u>\$ 3,680,067</u>

Source: Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS
SERIES 2008 - BY YEARS
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 100,000	\$ 136,233	\$ 236,233
2016	105,000	130,483	235,483
2017	110,000	124,445	234,445
2018	115,000	118,120	233,120
2019	120,000	111,508	231,508
2020	125,000	104,608	229,608
2021	130,000	97,420	227,420
2022	140,000	89,945	229,945
2023	145,000	81,895	226,895
2024	155,000	73,558	228,558
2025	160,000	64,645	224,645
2026	170,000	55,445	225,445
2027	180,000	45,670	225,670
2028	190,000	35,320	225,320
2029	200,000	24,394	224,394
2030	210,000	12,494	222,494
Total	<u>\$ 2,355,000</u>	<u>\$1,306,183</u>	<u>\$ 3,661,183</u>

Source: Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS
SERIES 2009 - BY YEARS
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 40,000	\$ 57,795	\$ 97,795
2016	45,000	55,395	100,395
2017	45,000	52,695	97,695
2018	50,000	49,995	99,995
2019	50,000	46,995	96,995
2020	55,000	44,495	99,495
2021	55,000	41,745	96,745
2022	60,000	38,995	98,995
2023	60,000	35,995	95,995
2024	65,000	32,935	97,935
2025	65,000	29,555	94,555
2026	70,000	26,110	96,110
2027	75,000	22,400	97,400
2028	80,000	18,425	98,425
2029	80,000	14,025	94,025
2030	85,000	9,625	94,625
2031	90,000	4,950	94,950
Total	<u>\$ 1,070,000</u>	<u>\$ 582,130</u>	<u>\$ 1,652,130</u>

Source: Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS
SERIES 2014 - BY YEARS
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ -	\$ 62,968	\$ 62,968
2016	-	62,968	62,968
2017	-	62,968	62,968
2018	50,000	62,968	112,968
2019	50,000	59,968	109,968
2020	50,000	56,968	106,968
2021	55,000	53,968	108,968
2022	55,000	50,668	105,668
2023	55,000	49,018	104,018
2024	60,000	46,268	106,268
2025	60,000	44,348	104,348
2026	65,000	42,308	107,308
2027	65,000	39,968	104,968
2028	70,000	37,530	107,530
2029	70,000	34,800	104,800
2030	75,000	32,000	107,000
2031	80,000	29,000	109,000
2032	80,000	25,800	105,800
2033	85,000	22,600	107,600
2034	90,000	19,200	109,200
2035	90,000	15,600	105,600
2036	95,000	12,000	107,000
2037	100,000	8,200	108,200
2038	105,000	4,200	109,200
Total	<u>\$ 1,505,000</u>	<u>\$ 936,284</u>	<u>\$ 2,441,284</u>

Source: Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS
ALL SERIES - BY YEARS
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 335,000	\$ 374,529	\$ 709,529
2016	345,000	358,579	703,579
2017	360,000	342,041	702,041
2018	425,000	324,816	749,816
2019	440,000	303,804	743,804
2020	460,000	282,604	742,604
2021	485,000	260,466	745,466
2022	505,000	236,896	741,896
2023	515,000	213,946	728,946
2024	550,000	188,961	738,961
2025	565,000	163,273	728,273
2026	600,000	136,548	736,548
2027	320,000	108,038	428,038
2028	340,000	91,275	431,275
2029	350,000	73,219	423,219
2030	370,000	54,119	424,119
2031	170,000	33,950	203,950
2032	80,000	25,800	105,800
2033	85,000	22,600	107,600
2034	90,000	19,200	109,200
2035	90,000	15,600	105,600
2036	95,000	12,000	107,000
2037	100,000	8,200	108,200
2038	105,000	4,200	109,200
Total	<u>\$ 7,780,000</u>	<u>\$3,654,664</u>	<u>\$ 11,434,664</u>

Source: Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT
TSI-6 CHANGES IN LONG-TERM BONDED DEBT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

Bond Issues	Series 2006	Series 2008	Series 2009	Series 2014	Total
Interest Rate	4.0% - 5.0%	5.75% - 5.95%	3.0% - 6.0%	3.0% - 6.0%	
Date Interest Payable	3/1 ; 9/1	3/1 ; 9/1	3/1 ; 9/1	3/1 ; 9/1	
Maturity Dates	2026	2030	2031	2038	
Bonds Outstanding at Beginning of Current Year	\$ 3,030,000	\$ 2,450,000	\$ 1,110,000	\$ -	\$ 6,590,000
Bonds Sold During Current Year	-	-	-	1,505,000	1,505,000
Retirements: Principal	(180,000)	(95,000)	(40,000)	-	(315,000)
Bonds Outstanding at End of Current Year	\$ 2,850,000	\$ 2,355,000	\$ 1,070,000	\$ 1,505,000	\$ 7,780,000
Interest Paid During the Fiscal Year	\$ 124,733	\$ 141,695	\$ 58,995	\$ 27,111	\$ 352,534
Paying Agent's Name and City					
Series 2006	Wells Fargo National Association, Fort Worth, TX				
Series 2008	Wells Fargo National Association, Fort Worth, TX				
Series 2009	Bank of Texas NA, Dallas, TX				
Series 2014	Bank of Texas NA, Dallas, TX				
Bond Authority:	Refunding Bonds	Revenue Bonds	Revenue Bonds	Revenue Bonds	
Amount Authorized	\$ -	\$ -	\$ -	\$ -	
Amount Issued	\$ -	\$ -	\$ -	\$ -	

Bonded debt service cash and temporary investments balances as of September 30, 2014: \$936,843

Average annual debt service payment (principal and interest) for remaining term of all bonded debt: \$476,444

Source: Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT
TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES
FIVE YEARS ENDED SEPTEMBER 30**

	Amounts					Percent of Fund Total Revenue				
	2014	2013	2012	2011	2010	2014	2013	2012	2011	2010
OPERATING REVENUES										
Water/wastewater sales	\$ 4,233,713	\$ 4,206,554	\$ 3,993,442	\$ 3,793,335	\$ 3,338,626	55.92%	62.19%	73.67%	72.27%	74.25%
Customer charges/fees	2,030,519	1,224,635	1,398,781	1,350,541	1,134,975	26.82%	18.10%	25.80%	25.73%	25.24%
Operating contracts	1,284,628	1,314,930	-	-	-	16.97%	19.44%	0.00%	0.00%	0.00%
Miscellaneous revenue	21,966	18,421	28,463	105,270	23,101	0.29%	0.27%	0.53%	2.01%	0.51%
Total operating revenues	<u>7,570,826</u>	<u>6,764,540</u>	<u>5,420,686</u>	<u>5,249,146</u>	<u>4,496,702</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
OPERATING EXPENSES										
Personnel costs and benefits	1,011,663	949,557	890,137	812,689	756,843	13.36%	14.04%	16.42%	15.48%	16.83%
Water distribution system	2,539,509	2,563,783	2,394,649	2,219,316	2,260,955	33.54%	37.90%	44.18%	42.28%	50.28%
Other operating costs	337,385	314,873	295,052	282,502	214,036	4.46%	4.65%	5.44%	5.38%	4.76%
Professional and legal fees	293,274	203,318	242,445	176,207	109,888	3.87%	3.01%	4.47%	3.36%	2.44%
Insurance	203,675	189,881	170,611	179,694	150,700	2.69%	2.81%	3.15%	3.42%	3.35%
Amortization	439,043	411,932	422,536	411,932	425,420	5.80%	6.09%	7.79%	7.85%	9.46%
Depreciation	1,357,976	1,257,187	1,215,869	1,126,127	1,115,651	17.94%	18.58%	22.43%	21.45%	24.81%
Total operating expenses	<u>6,182,525</u>	<u>5,890,531</u>	<u>5,631,299</u>	<u>5,208,467</u>	<u>5,033,293</u>	<u>81.66%</u>	<u>87.08%</u>	<u>103.89%</u>	<u>99.23%</u>	<u>111.93%</u>
Operating income (loss)	\$ 1,388,301	\$ 874,009	\$ (210,613)	\$ 40,679	\$ (536,591)	18.34%	12.92%	-3.89%	0.77%	-11.93%
NON-OPERATING REVENUES (EXPENSES)										
Investment income	5,990	12,054	13,405	22,772	26,714	0.08%	0.18%	0.25%	0.43%	0.59%
Gain (loss) on sale of assets	-	-	4,039	9,435	-	0.00%	0.00%	0.07%	0.18%	0.00%
Interest expense	(414,551)	(429,309)	(418,298)	(455,938)	(585,126)	-5.48%	-6.35%	-7.72%	-8.69%	-13.01%
Bond issuance costs	(62,163)	-	-	-	-	-0.82%	0.00%	0.00%	0.00%	0.00%
Bad debt expense - sale of CCN	-	-	-	-	(61,970)	0.00%	0.00%	0.00%	0.00%	-1.38%
Total non-operating revenue (expense)	<u>(470,724)</u>	<u>(417,255)</u>	<u>(400,854)</u>	<u>(423,731)</u>	<u>(620,382)</u>	<u>-6.22%</u>	<u>-6.17%</u>	<u>-7.39%</u>	<u>-8.07%</u>	<u>-13.80%</u>
Net income (loss) before contributions	\$ 917,577	\$ 456,754	\$ (611,467)	\$ (383,052)	\$ (1,156,973)	12.12%	6.75%	-11.28%	-7.30%	-25.73%
CAPITAL CONTRIBUTIONS										
Wastewater subscription - developer	-	-	5,000	5,000	(165,994)	0.00%	0.00%	0.09%	0.10%	-3.69%
Developer contributions	1,008,575	1,056,901	-	-	-	13.32%	15.62%	0.00%	0.00%	0.00%
Total capital contributions	<u>1,008,575</u>	<u>1,056,901</u>	<u>5,000</u>	<u>5,000</u>	<u>(165,994)</u>	<u>13.32%</u>	<u>15.62%</u>	<u>0.09%</u>	<u>0.10%</u>	<u>-3.69%</u>
Change in net position	<u>\$ 1,926,152</u>	<u>\$ 1,513,655</u>	<u>\$ (606,467)</u>	<u>\$ (378,052)</u>	<u>\$ (1,322,967)</u>	<u>25.44%</u>	<u>22.38%</u>	<u>-11.19%</u>	<u>-7.20%</u>	<u>-29.42%</u>

Note: Revenue categories were reclassified for the year ended September 30, 2014.

Revenues were restated for the year ended September 30, 2013 for comparative purposes.

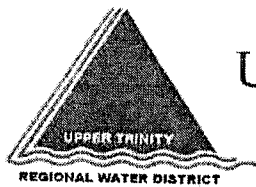
Source: 2014 CAFR

**Mustang Special Utility District
TSI-8 Board Members, Key Personnel, and Consultants
Fiscal Year Ending September 30, 2014**

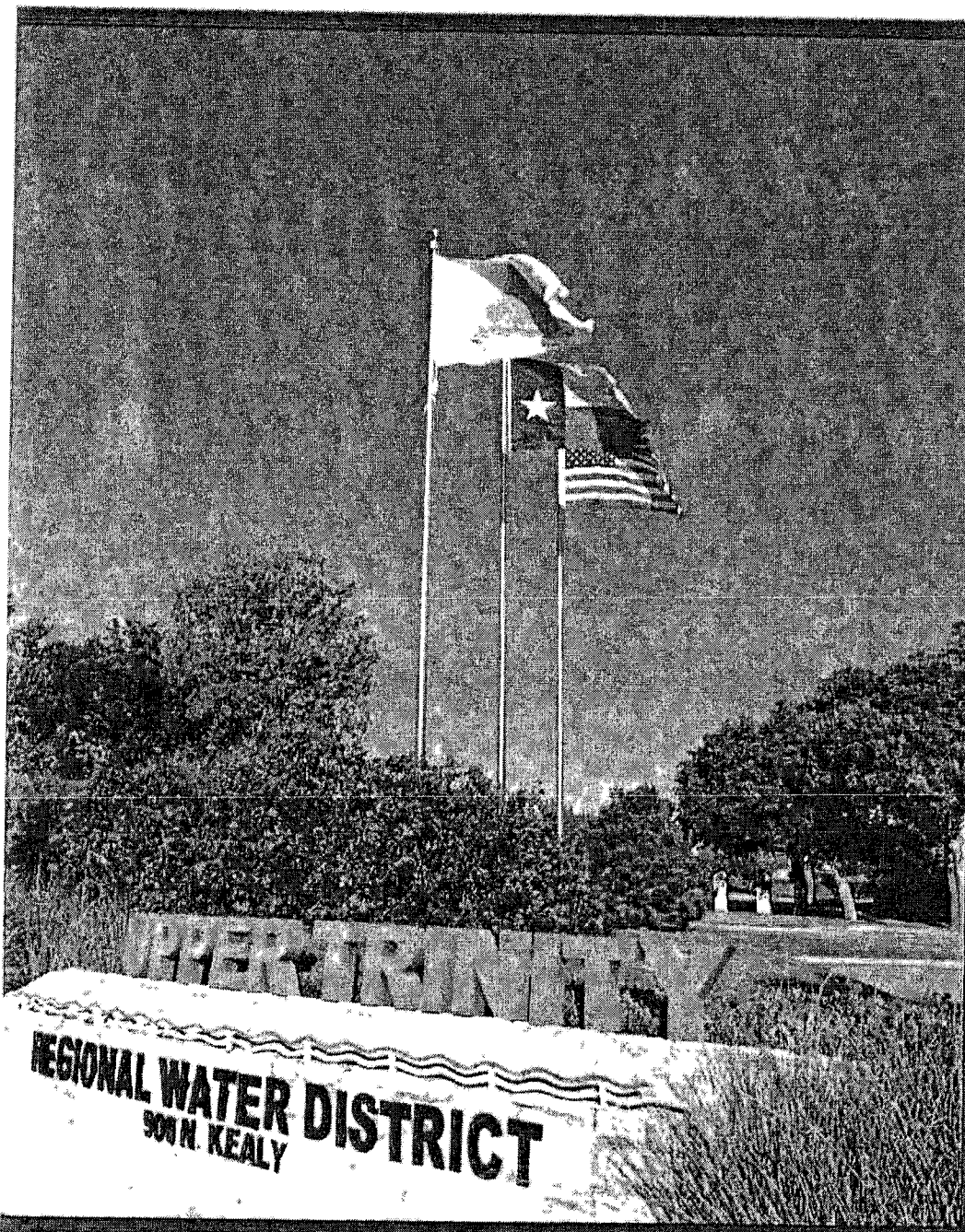
Complete District Mailing Address: 7985 FM 2931, Aubrey, TX 76227
 District Business Telephone Number 940-440-9561
 Submission date of the most recent District Registration Form June 2014
 (TWC Sections 36.054 and 49.054):
 Limit on Fees of Office that a Director may receive during a fiscal year: zero
 (Set by Board Resolution - TWC Section 49.060)

Names:	Term of Office	Date Hired	Fees of Office Paid	Expense Reimbursements	Title at Year End
Board Members:					
Bill Hathaway	Elected 2013-2016		\$ -	\$ 102	President
Mike Frazier	Elected 2013-2016		-	25	Vice-President
James Burnham	Elected 2014-2017		-	-	Secretary/Treasurer
Dean Jameson	Elected 2012-2015		-	-	Director
Donna Sims	Elected 2012-2015		-	-	Director
Wade Veeder	Elected 2012-2015		-	-	Director
Pete Carruthers	Elected 2013-2016		-	421	Director
Marc Hovac	Elected 2014-2017		-	-	Director
empty position			-	-	Director
Key Administrative Personnel:					
Chris Boyd		2/21/2007	152,212	757	General Manager
Patty Parks		6/8/2012	68,889	57	Finance Director
Aldo Zamora		10/11/2004	72,162	-	Operations Manager
Consultants:					
Steger Bizell		2009	206,529	-	Engineer
Conway Company CPAs, PC		2011	20,800	-	Auditor
Rapier & Wilson		2002	44,176	-	Attorney
Skip Newsom		2006	2,747	-	Attorney
Shannon Gracey		2011	751	-	Attorney
Robert Harris		2014	112,031	-	Attorney
Freeman & Corbett		2011	10,749	-	Attorney
New Gen Strategies & Solutions		2014	35,987	-	Expert Witness
West View Financial Consulting		2013	5,587	-	Rates Consultant
McCall, Parkhurst & Horton LLP		2014	12,476	-	Bond Counsel
Specialized Public Finance, Inc.		2008	38,507	-	Financial Advisor

Source: Mustang Special Utility District



UPPER TRINITY REGIONAL WATER DISTRICT LEWISVILLE, TEXAS



TREATED WATER

LONG-RANGE WATER SUPPLY

NON-POTABLE WATER

WATER RECLAMATION

WATERSHED PROTECTION

WATER CONSERVATION

COLLECTION OF HOUSEHOLD
HAZARDOUS WASTE

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2014

About the Cover

UTRWD, Headquarters Entrance
Celebrating 25 years of service

Upper Trinity Regional Water District
900 North Kealy
P.O. Drawer 305
Lewisville, Texas 75067

(972) 219-1228

www.utrwd.com

UPPER TRINITY REGIONAL WATER DISTRICT

**SERVING THE TEXAS COUNTIES OF DENTON, COLLIN, AND
DALLAS**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE

FISCAL YEAR ENDED SEPTEMBER 30, 2014

PREPARED BY THE BUSINESS DEPARTMENT

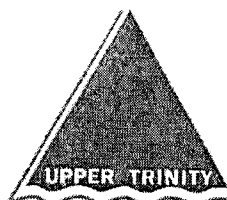
OF THE

UPPER TRINITY REGIONAL WATER DISTRICT

**UPPER TRINITY REGIONAL WATER DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

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REGIONAL WATER DISTRICT

March 5, 2015
 To the Board of Directors
 Upper Trinity Regional Water District

Your Staff is proud to present this Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2014 – reflecting steady progress in achieving the goals of the Upper Trinity Regional Water District (“Upper Trinity” or “District”). Board Members can be proud of their role in setting priorities and providing guidance toward the desired results for this regional enterprise. This CAFR is a good source of useful information about the finances and operations of the District; and, it summarizes the condition of the enterprise and the progress of regional service. As a regional utility system, we provide water and wastewater services on a wholesale basis to cities and utilities in the rapidly growing area on the north side of the Dallas/Fort Worth Metroplex.

The CAFR was prepared by the Business Department of the District; and, responsibility for the accuracy of the data, for completeness and fairness of presentation, and for all disclosures rests with District management. For the best understanding, one should consider the information presented here in conjunction with the separate section titled *Management’s Discussion and Analysis* in the Financial Section of this report.

The information herein is accurate in all material respects; and, is reported in a manner that presents fairly the financial position of, and the operating results for, the District. Disclosures are included as necessary to enable members of the Board of Directors and other interested parties to understand more clearly the District’s activities and financial results. The financial statements in the CAFR were audited as required by the Texas Water Code, by the firm of Deloitte & Touche LLP.

General Information

Structure of the Enterprise

The District, headquartered in Lewisville, Texas, was created in 1989 by the Texas Legislature as a conservation and reclamation district under Article XVI, Section 59 of the Texas Constitution. The District is authorized to plan, develop, manage and provide wholesale utility services on a regional basis. For Member entities and for other Customers, the District is expected to meet present and future water supply and water reclamation needs; and, if requested by Member entities, to address future needs for solid waste management. The District was created as a governmental enterprise, without taxing power; therefore, costs of services and programs are financed through user fees and charges, and through the issuance of tax-exempt debt.

The District is organized and managed to function as an efficient enterprise in a competitive market environment. The District has specific authority to:

- develop raw water resources or to contract therefor;
- construct, own and operate water systems, including treatment, pumping and transmission facilities;

- construct, own, and operate water reclamation (wastewater treatment) systems, including interceptor trunk mains, treatment, disposal, and reuse facilities;
- provide other services authorized by the Board, not in conflict with the District's enabling statute;
- make contracts to provide for these services on a wholesale basis for municipalities, retail utilities, and others;
- recover the cost for District services through fees and charges.

The District is composed of 25 public entities (Members) – including 20 towns and cities, plus Denton County, one utility authority, and three special districts. Each Member entity appoints one Director to the Board of Directors of the District. As an exception, Denton County appoints two Directors – one to represent Denton County “at-large” and one to represent the Denton County Commissioners Court. The Board of Directors appoints an Executive Director who manages the District, its employees, and the services and programs offered. In addition to serving its Members, the District enters into “Customer” contracts for water and wastewater services with non-member cities, non-profit water supply corporations and special districts under similar terms as member entities.

This CAFR covers the various wholesale services provided by the District: raw water supply, treated water service, water reclamation (wastewater treatment) service, non-potable and reclaimed water, and collection of household hazardous waste.

Funding of District Projects

The District provides funds for construction of water and water reclamation facilities, primarily with tax-exempt municipal revenue bonds; and, to a limited extent, with commercial paper. For certain projects, the District has taken advantage of State Participation program and other programs from the Texas Water Development Board. Under the State Participation program, the State of Texas encourages the development of efficient regional utility systems, by taking an equity interest in qualified projects to enable construction of adequate capacity for future needs.

For each project or service, participating entities (both Members and Customers) enter into District contracts that require certain minimum payments to cover fixed costs. The provisions of these contracts assure a stable and dependable source of revenue to cover each entity's proportionate share of the applicable cost, including administration and planning, operating and maintenance, capital and financing costs, and other relevant costs of the project and of the service being rendered. In addition, contracts with certain Fresh Water Supply Districts (FWSDs) stipulate that the contracting entity will provide initial funding for cost of specified infrastructure for water reclamation projects in the northeast portion of the District's service area. Under these agreements, the District owns and operates the system and may extend service to other Members and Customers. A portion of said initial funds so provided is subject to reimbursement when the District is ready to provide permanent financing (after growth and development assure a dependable revenue stream, fully adequate to support debt service on the permanent financing).

Mission, Vision, and Goals

The following mission statement adopted by the Board of Directors guides the various programs of the District:

The District's mission is to plan, develop and manage water and solid waste services in the interest of its Members, using consensus-based strategies that are environmentally and economically sound.

The District's vision is to:

Focus on Member and customer needs as the primary purpose of the District, and endeavor to be the provider of choice for the service area.

Work Program Guidelines adopted annually by the Board of Directors help focus the energies, activities and resources of the District for maximum effectiveness and results. These Guidelines provide positive direction to management in the following areas: *Leadership, Organization, Function, Finance, Partnerships, Environment and Education.*

Development History

Upon creation of the District in 1989, the Board of Directors embarked on an ambitious mission to plan, develop and implement regional water supply and regional water reclamation programs for approximately 30 towns and cities. Water supply was the most immediate challenge; but, water reclamation also was given priority attention. Prior to completion of the first regional water treatment facility in 1997, the District purchased treated water on an interim basis from other entities to resell to Members and Customers.

A Regional Water Treatment Plant with a capacity of 20 million gallons per day (mgd) was constructed in the City of Lewisville with convenient access to Lewisville Lake, the raw water source. The treatment plant became operational in 1997 to serve Members and utilities that contracted for wholesale treated water service. The District expanded its original 20 mgd treatment plant in phases to 70 mgd total treatment capacity by 2001. In 2009, the Board of Directors named the plant the Thomas E. Taylor Regional Water Treatment Plant for its long-time Executive Director. The Plant is located on an ample site that will enable staged expansion to at least 300 mgd of treatment capacity as needed to provide for future growth within the District's service area.

The initial Regional Treated Water System served eleven towns, cities and utilities. Growth has continued throughout the District's service area and many communities (both Members and Customers) have requested service. To provide for the needs of Member entities and other wholesale customers, the District has extended a network of major transmission pipelines across its service area, now providing treated water service to more than twenty five communities in the Denton County area. The District has adequate capability and capacity to provide for the needs of its Members and Customers who have contracted for service. Each community now has access to an adequate supply of water, including the peak needs that occur during periods of drought.

In accordance with long-range plans, in 2003 the District proceeded with design of the District's second regional water treatment plant, located in northeast Denton County. In FY 2008, the Tom Harpool Regional Water Treatment Plant began operation. This new plant uses membrane technology as part of the treatment process to provide enhanced treatment and for protection of water quality. The plant site is sufficient to support 240 mgd of water treatment facilities as further growth in the service area may require. The Board of Directors chose to name this new regional facility after a local pioneer in long-range water supply planning, Mr. Tom Harpool, a past President of the Board.

The District is continuing with its strategic planning activities to achieve an adequate long-range supply of water resources for future needs. At five-year intervals, the Texas Water Development Board prepares an updated Texas Water Plan, a master plan for the State of Texas based on a consolidation of 16 regional plans prepared locally. In 2009, a survey was conducted by the local Regional Planning Group (Region C) of the District's Members and Customers to assist in preparation of the latest Plan. In December 2011, the Texas Water Development Board approved the updated final Plan and submitted it to the Texas Legislature. The approved Plan became the 2012 Texas Water Plan. The Texas Water Plan incorporates and reflects the District's own initiatives and outlines a range of

recommended strategies to assure an adequate water supply for the District over the next 50 years. The current 2012 Plan provides for water supply needs through 2060. Efforts are already underway for the next five-year update.

In 2003, the District submitted an application for a water rights permit for the proposed Lake Ralph Hall to the Texas Commission on Environmental Quality (TCEQ). In 2006, the District filed a Section 404 permit application with the U.S. Army Corps of Engineers to enable the District to construct the proposed lake.

This new lake will be located in Fannin County in the North Sulphur River Basin and will provide the District and its growing customer base with a firm yield of approximately 30 mgd (million gallons per day) of new water supply. In March 2011 after a thorough technical review, the Executive Director for the TCEQ issued a draft water rights permit, after which the next step was to consider any opposition thereto. In April 2012, the State Office of Administrative Hearings began the legal process for a Contested Case Hearing regarding the proposed permit. Three entities were admitted as opposition parties to the hearing; and the Contested Case Hearing was held in Austin in January 2013. For the first time in nearly thirty years, TCEQ officially awarded a permit for a new water supply lake in Texas, voting to issue the requested permit for Lake Ralph Hall to the District in September 2013. The water rights permit was issued as of December 11th, 2013, making the District's long-term water supply more secure.

Also, in 2007 the District filed two applications with the Water Resources Board of the State of Oklahoma (WRB), seeking the right to divert water from the Kiamichi and Boggy Creek basins, both basins being adjacent the Oklahoma/Texas boundary. In 2009, a third application was submitted to the WRB, seeking rights to use water from Lake Texoma on the Oklahoma/Texas boundary. Those applications remain on file with the WRB pending legal and policy challenges. With a more current outlook, the District is engaged with other regional water systems in evaluation of alternative water resource projects in northeast Texas.

It is important to note that the District currently has water supply resources which are adequate for about 12 to 15 years into the future. The long-range planning activities summarized above reflect the District's efforts to develop adequate sources as needed for the next 50 years.

Initial development of the District's regional water reclamation (wastewater treatment) program began in 1996 when Lake Cities Municipal Utility Authority (LCMUA), a Member entity, transferred its existing wastewater treatment plant (with 1.0 mgd capacity) to the District. By 1998, the District had organized the Lakeview Regional Water Reclamation System and had enlarged the treatment plant to 3.5 mgd to serve LCMUA plus two other Members. In 2003, the Lakeview plant was expanded to 5.0 mgd, and wholesale service was extended to three additional participants, for a total of six member entities: LCMUA, Corinth, Highland Village, Double Oak, Bartonville, and Denton County Fresh Water Supply District #7 (Lantana). During FY 2013, construction was completed to expand treatment capacity to 5.5 mgd.

In 2003, new water reclamation facilities became operational in northeast Denton County, with two new plants. The Riverbend Water Reclamation Plant and the Peninsula Water Reclamation Plant began serving seven additional Members and Customers on a wholesale basis: Oak Point, Lincoln Park, Mustang Special Utility District (Mustang SUD), and four Fresh Water Supply Districts (FWSD). In 2008, the Peninsula Plant was expanded from 375,000 gallons per day to 940,000 gallons per day; and in 2013 construction was completed for an expansion of the Riverbend Plant from 1.5 mgd to 2 mgd. Also, construction of a third water reclamation plant (the Doe Branch facility) in northeast Denton County is now underway to serve the cities of Prosper and Celina, Mustang SUD and FWSD No. 10, with completion expected early 2016.

As a strategic element of an ambitious watershed protection program, the District created the Upper Trinity Conservation Trust (UTCT) in FY 2010 and began financial operations in FY 2011. The UTCT will receive donations and acquire land and conservation easements for the purpose of protecting water quality in watersheds above the District's water supply sources. The District established the UTCT as a non-profit conservancy and appointed a nine-member Board of Trustees to lead the new entity on its important mission. The UTCT acquired full tax exemption from the Internal Revenue Service (IRS) in FY 2012.

Services Provided

The chart on the following page summarizes the various services provided by the District to Members and Customers.

UPPER TRINITY REGIONAL WATER DISTRICT

Entity Served	Treated Water	Water Reclamation	Household Haz. Waste	Other Services
Argyle WSC				
Argyle*				
Aubrey				
Bartonville*				
Blackrock WSC				
Celina				
Copper Canyon*				
Corinth				
Cross Roads*				
Cross Timbers WSC				
Denton	**			
Denton County				
Denton County FWSD #1A				
Denton County FWSD #7				
Denton County FWSD #8A				
Denton County FWSD #9				
Denton County FWSD #10				
Denton County FWSD #11				
Double Oak*				
Flower Mound				
Hickory Creek*				
Highland Village				
Irving	**			
Justin				
Krugerville*				
Krum				
Lake Cities MUA				
Lake Dallas*				
Lewisville	**			
Lincoln Park				
Mustang SUD				
Northlake				
Oak Point*				
Pilot Point				
Ponder				
Prosper				
Sanger				
Shady Shores*				

*Indirect Customer: Receives retail water service and /or water reclamation service from a wholesale customer of Upper Trinity.
 **Participating jointly with Upper Trinity in a water project

Operational Information

Internal Accounting Controls

Management is responsible for establishing and maintaining internal controls designed to assure that assets of the District are protected from loss, theft or misuse. Further, management must ensure that adequate accounting data are compiled to allow for preparation of financial statements in conformity with generally accepted accounting principles. The District has developed a *Fraud Risk Assessment and Procedures Manual*, a very helpful tool in evaluating and maintaining internal controls. Such internal controls provide reasonable, but not absolute, assurance that objectives are met. The concept of reasonable assurance recognizes that:

- the cost of any given control should not exceed the benefits likely to be derived; and,
- the evaluation of costs and benefits relies on informed estimates and judgments by management.

All internal control evaluations occur within this framework of "reasonable assurance". We believe the District's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of accounting transactions.

Budgetary Controls

To augment accounting controls, the District maintains budgetary controls. The objective of these controls is to ensure compliance with legal and fiscal provisions of annual operating and capital budgets approved by the Board of Directors. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is at the "fund" level. As confirmed by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

Risk Management

The District participates in the Texas Municipal League Intergovernmental Risk Pool to manage risks associated with District property, and for liabilities related to District operations. On the District's books, liabilities are recognized when incurred, rather than when claims are actually reported.

Other Information

Submission for Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its CAFR for the most recent fiscal year, through September 30, 2013. This was the District's fourteenth consecutive Certificate of Achievement award from GFOA. In order to be awarded a Certificate of Achievement, the District must publish an easily readable and efficiently organized CAFR, which conforms to program standards. Each CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

Each Certificate of Achievement applies to a CAFR that presents the financial position and results of operations for one particular year. We believe this year's CAFR will conform to Certificate of Achievement Program requirements; and, we will submit it to GFOA for consideration.

In addition, GFOA awarded the Distinguished Budget Presentation Award to the District for the FY 2014 budget year. This was the District's fifth year to submit and to receive this award. The Distinguished Budget Presentation Award encourages and assists state and local governments in preparation of budget documents of the highest quality that reflect both the guidelines established by the National Advisory Council on State and Local Budgeting, and the GFOA's best practices on budgeting. Awards are given by the GFOA to recognize individual governments that succeed in achieving that goal.

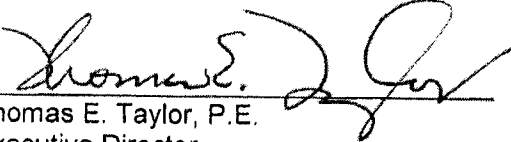
The Distinguished Budget Presentation Award is given on annual basis. We believe that the budget submitted for the FY 2015 budget year continues to satisfy the requirements to receive the Award. Therefore, the FY 2015 budget was submitted in November 2014 for consideration.

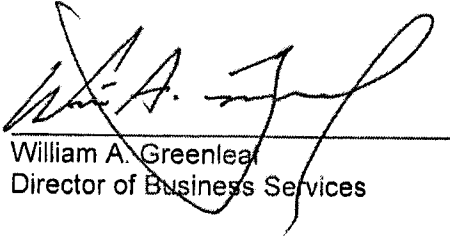
Acknowledgements

Preparation of this CAFR report could not have been accomplished without the efficient and dedicated support of the entire staff of the Business Department, augmented by expert assistance from the Administration, Operations and Engineering Departments. We wish to express our appreciation to all District personnel who assisted and contributed to the preparation of this report.

Especially, we want to express appreciation to the Board of Directors for their continued vision in governance of the District, and for their guidance and support to management in planning and conducting the operations of the District in an efficient manner. With dedicated Members working together, the District continues to excel, fulfilling the regional mission for adequate long-range water supply and for excellent wastewater services – for the people and communities in our service area.

Respectfully submitted,


Thomas E. Taylor, P.E.
Executive Director


William A. Greenleaf
Director of Business Services

UPPER TRINITY REGIONAL WATER DISTRICT
BOARD OF DIRECTORS
As of September 30, 2014

<u>Name</u>	<u>Term</u>	<u>Appointing Entity</u>
Todd Madison, President	A	Town of Lincoln Park
Lance Vanzant, Vice President	B	City of Celina
Chris Boyd, Treasurer	A	Mustang Special Utility District
Gary Calmes, Secretary	B	City of Krum
Charles West	B	Town of Argyle
Kenneth Faulkner	A	City of Aubrey
Del Knowler	B	Town of Bartonville
Janet Aune	B	Town of Copper Canyon
Justin Brown	B	City of Corinth
Timothy Fisher	B	City of Denton
Johnny D. Harris	A	Denton County
Jean Campbell	B	Denton County At-Large
Jerry Benetato	A	Denton County FWSD No. 1-A
Kevin Mercer	A	Denton County FWSD No. 7
Dick Cook	B	Town of Double Oak
Kenneth Parr	A	Town of Flower Mound
Richard A. Lubke	A	City of Highland Village
Ramiro Lopez	B	City of Irving
Virginia L. Blevins	B	City of Justin
Mike Fairfield	A	Lake Cities Municipal Utility Authority
Lathan Watts	B	City of Lewisville
Leslie Maynard	A	City of Oak Point
Scott Ingalls	A	City of Pilot Point
Richard Huckaby	B	Town of Ponder
George Dupont	A	Town of Prosper
Mike Brice	A	City of Sanger

A -- Term expires May 31, 2015 and each four years thereafter
B -- Term expires May 31, 2017 and each four years thereafter

**UPPER TRINITY REGIONAL WATER DISTRICT
MANAGEMENT OFFICERS**

<u>Name</u>	<u>Position and Length of Time in this Position</u>	<u>Length of Employment with Upper Trinity</u>
Thomas E. Taylor, P.E.	Executive Director 22 Years	22 Years
Larry N. Patterson, P.E.	Deputy Executive Director 2 Year	12 Years
William A. Greenleaf	Director of Business Services 9 Years	16 Years
Thomas W. Snyder, P.E.	Asst. Director / Engineering & Construction 21 Years	21 Years
D. Jody Zabolio, P.E.	Asst. Director / Operations 6 Years	9 Years

INDEPENDENT AUDITORS

Deloitte & Touche LLP
Dallas, Texas

GENERAL COUNSEL and CO-BOND COUNSEL

Boyle and Lowry LLP
Irving, Texas

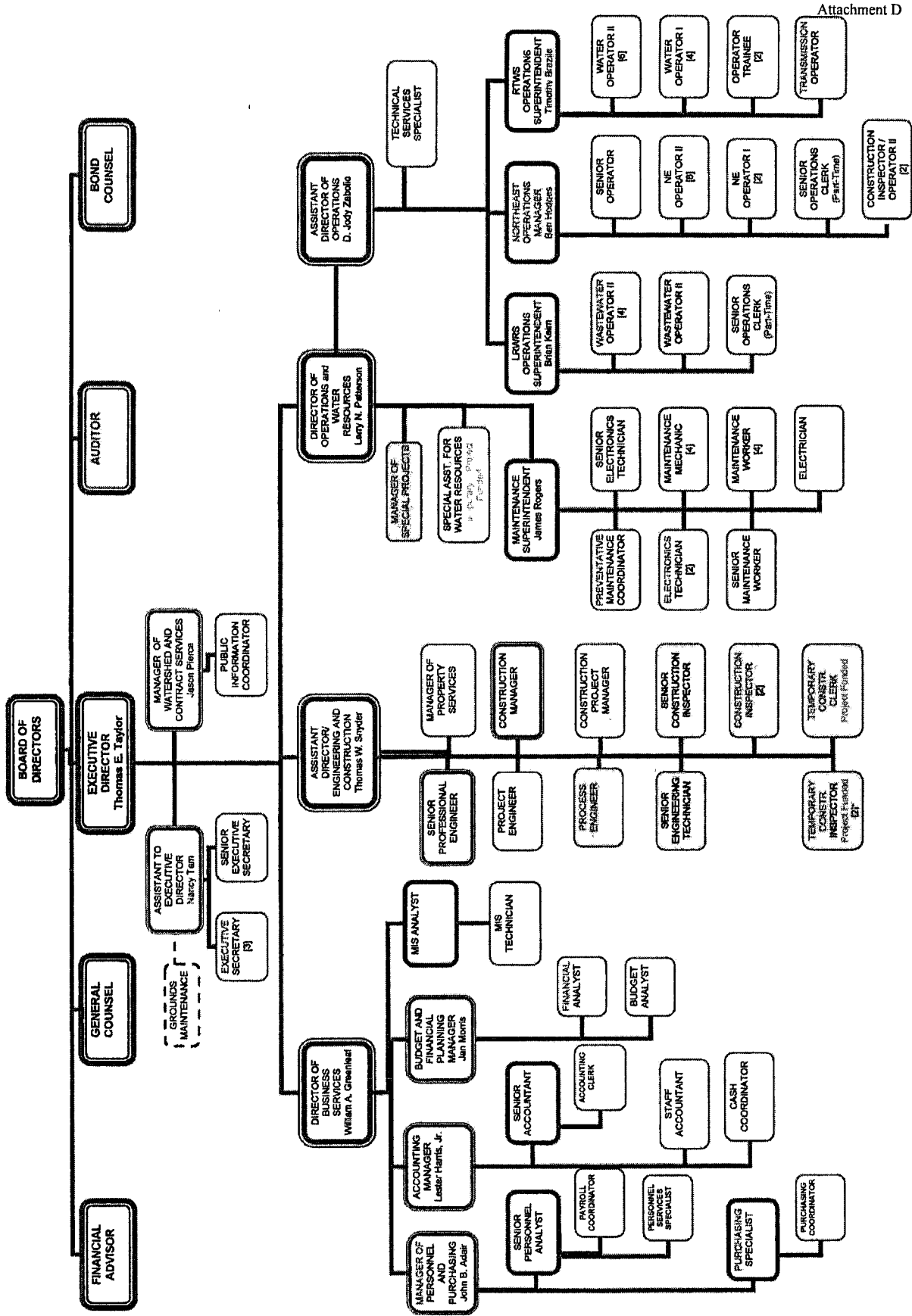
CO-BOND COUNSEL

Bracewell & Giuliani LLP
Dallas, Texas

FINANCIAL ADVISOR

First Southwest Company
Dallas, Texas

FY 2014 ADOPTED ORGANIZATIONAL CHART



Attachment D

□ Unfunded for FY 2014, but still authorized. If positions are required to be filled during the budget year, the District's Board of Directors can vote to approve funding at the Mid-Year Budget period in April 2014

□ New Position

* 2 Positions were eliminated