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**Upper Trinity Regional
Water District, Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO



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INDEPENDENT AUDITORS' REPORT

Members of the Board of Directors
Upper Trinity Regional Water District
Lewisville, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the Upper Trinity Regional Water District (the "District"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the Upper Trinity Regional Water District as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1(I.) to the basic financial statements, the District implemented GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, during the year ended September 30, 2014 and restated beginning net position accordingly. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Supplemental System and Project Schedules, the Introductory Section, the Statistical Section, and the Supplemental Schedules Required by the Texas Commission on Environmental Quality are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Supplemental System and Project Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Supplemental System and Project Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section, the Statistical Section, and the Supplemental Schedules Required by the Texas Commission on Environmental Quality have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Deloitte & Touche LLP

February 19, 2015

UPPER TRINITY REGIONAL WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR ENDED SEPTEMBER 30, 2014 (UNAUDITED)

Your interest in the financial results of the Upper Trinity Regional Water District (the "District") is appreciated. We hope this financial report will be interesting and informative about the District's mission to provide for wholesale water and wastewater needs in our growing service area on the north side of the Dallas/Fort Worth Metroplex. Management is pleased to provide this overview and analysis of the District's financial activities for the fiscal year ended September 30, 2014.

PROGRAM HIGHLIGHTS

- An improving financial condition. A key indicator is "Net Position", which is the remainder after deducting total liabilities from total assets and deferred outflows. Net Position as of the end of FY 2014 was \$60,431,361, an increase of approximately 40% for the year. The increase was largely due to:
 - The significant contributions made by the participants in the Doe Branch Plant of the Northeast Regional Water Reclamation System.
 - Vigilance of the Board and Staff in controlling costs.
 - Taking advantage of available low-cost capital financing during the economic downturn.
 - A steady commitment to funding reserve accounts.
- A favorable interest-rate climate continued into FY 2014. Use of Commercial Paper for capital improvements in the Regional Treated Water System saved money. Interest rates for Commercial Paper remained at historically low levels. Interest rates on Commercial Paper ranged from a low of 0.07% to a high 0.12% -- a lower range than for FY 2013.
- Total capital asset additions were approximately \$13 million, of which approximately \$9 million was for the Regional Treated Water System and \$3 million was for the Northeast Regional Water Reclamation System.

You may find comparative financial information to be worthwhile; and, considerable information is provided in other sections of this Management's Discussion and Analysis.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report is composed of financial statements plus the appropriate notes for the Enterprise Fund. For a complete analysis, one also needs to examine the supplementary information to the basic financial statements, containing the financial information for the individual systems and projects. In this context, the following discussion and analysis serves as an introduction to the District's basic financial statements.

Financial Statements—The financial statements are designed to provide a reader with an overview of the District’s finances, in a manner similar to a typical private enterprise. Beginning in FY 2013, GASB No. 63 required changing the term “Net Assets” to “Net Position”.

During the year ended September 30, 2014 the District adopted GASB Statements: No. 65, *Items Previously Reported as Assets and Liabilities*, as of October 1, 2013, which established the accounting and reporting standards that reclassified as deferred outflows or inflows certain items that were previously reported as assets and liabilities and required the recognition of, as outflows or inflows, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 requires debt issuance cost to be expensed in the period incurred instead of deferring and amortizing the cost over the life of the debt. As a result of implementing GASB No. 65, the District’s net position as of October 1, 2013 was restated by \$7,196,488 to reflect the recognition of debt issuance cost previously reported as assets that are now required to be reported as outflows in accordance with the standard.

The *Statement of Net Position* presents information on all of the District’s assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position can serve as an indicator of the long-term trend of the District’s financial condition.

The *Statement of Revenues, Expenses and Changes In Net Position* shows activity and changes during the fiscal year. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flow. Thus, revenues and expenses are reported for some items that will not affect cash flow until future fiscal periods (e.g., earned, but unused, vacation leave, and accounts receivable for services).

The *Statement of Cash Flows* presents information showing the District’s cash activities, cash receipts and cash disbursements. The statement of cash flows is presented in three broad categories: (1) cash flows from operating activities, (2) cash flows from capital and related financing activities, and (3) cash flows from investing activities. The statement of cash flows is a useful tool in understanding the District’s cash position and the reasons behind that position.

Notes to the Financial Statements—The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

ENTERPRISE FUND FINANCIAL ANALYSIS

The trend of changes in net position over time serves as an indicator of the District’s financial condition. As noted on page 1, year-end assets exceeded liabilities by \$60,431,361— an increase of approximately 40% in net position over fiscal year 2013.

The District and most of its member entities practice cash-basis budgeting. Further, the District does not consider depreciation expense when setting rates for utility services rendered to members and customers. Considering this, a relevant view of the District’s financial strategy would be the original cost of the District’s assets, less indebtedness, without any reduction for accumulated depreciation expense. Accordingly, the District only recovers in its rates and charges the original cost of the acquired assets, plus related financing costs.

Another major element of the District’s financial strategy has been the use of funds provided by the Texas Water Development Board (TWDB) under the *State Participation Program*. Under this Program, the State of Texas invests capital funds in specific projects for equity participation to enable growing regional systems like the District to oversize facilities in an efficient manner - that

is, to construct extra capacity for anticipated future growth. This Program enables the District to prepare for the future, with little cost to current customers. In the future, when pipeline or plant capacity is needed to meet the needs of a growing customer base, the District is required to repurchase from the State such constructed capacity as needed, at original cost. Such original oversize cost could be a fraction of the cost to construct stand-alone capacity in the future to meet such growth requirements. Therefore, for sound financial reasons, the District has made extensive use of State Participation funds to help construct extra capacity to prepare for expected future growth needs.

In addition, the flexibility of the State Participation Program affords the District time to refund the debt in more favorable interest rate environments. Such flexibility allows the District to wait until it is most financially beneficial to achieve the greatest savings. As a result, the District has taken advantage of historically low rates to refund nearly all of the debt issued under the State Participation Program since FY 1993. The remaining State Participation is discussed further in the **Debt Administration** section of the MD&A.

To help coordinate the timing of debt repayment with beneficial use, the District uses certain funding sources that offer deferred payment of principal. Such sources include State Participation financing, Commercial Paper financing, WIF-10 funding, and Participant Advance Funding as part of the District's financial strategy. This strategy enables the District to plan most effectively for future growth needs without placing an undue financial burden on current customers. However, as a side effect of this practice, there could be a temporary decline in *Net Investment in Capital Assets* for an interim period. Such a decline can occur when the depreciation of capital assets is taken at a faster rate than the corresponding and related reduction in debt. When principal payments on debt are made, *Net Investment in Capital Assets* would be expected to increase to a correspondingly larger amount.

To clarify, the amount noted as *Net Investment in Capital Assets* represents capital assets the District uses to provide services to its members and customer entities. These assets are not cash and cannot be immediately converted to cash; therefore, they cannot be used to satisfy current outstanding liabilities.

The District's net position also reflects the fact that \$14,843,645 is *Restricted for Debt Service*, and \$14,074,925 is *Restricted for Capital Improvements*, limiting how these funds may be used. The remaining *Unrestricted Net Position* may be used to meet ongoing obligations of the District.

Upper Trinity Regional Water District's Condensed Schedule of Net Position
September 30, 2014
(With Comparative Totals for Year Ended September 30, 2013)

	FY 2014	FY 2013
ASSETS:		
Current and other assets	\$ 76,360,264	\$ 55,209,848
Capital assets	<u>280,939,807</u>	<u>275,566,042</u>
Total assets	<u>357,300,071</u>	<u>330,775,890</u>
Deferred outflow of resources:		
Loss on debt refunding	<u>2,463,971</u>	
Total deferred outflows of resources	<u>2,463,971</u>	
LIABILITIES:		
Current and other liabilities	21,942,365	21,091,758
Long-term liabilities outstanding	<u>277,390,316</u>	<u>266,577,341</u>
Total liabilities	<u>299,332,681</u>	<u>287,669,099</u>
NET POSITION:		
Net investment in capital assets	19,179,156	18,553,606
Restricted:		
For debt service	14,843,645	14,237,237
Contributions for capital improvements	14,074,925	
Unrestricted	<u>12,333,635</u>	<u>10,315,948</u>
Total net position	<u>\$ 60,431,361</u>	<u>\$ 43,106,791</u>

**Upper Trinity Regional Water District's Condensed Schedule of Revenues,
Expenses and Changes in Net Position
For the Year Ended September 30, 2014
(With Comparative Totals for Year Ended September 30, 2013)**

	FY 2014	FY 2013
OPERATING REVENUES		
Charges for Service	\$ 43,626,393	\$ 41,789,296
Miscellaneous Income	<u>125,263</u>	<u>118,061</u>
Total Operating Revenue	<u>43,751,656</u>	<u>41,907,357</u>
OPERATING EXPENSES:		
Operation and maintenance	14,064,706	13,359,224
Depreciation and amortization	8,982,059	9,225,989
Administrative expenses	<u>2,934,975</u>	<u>2,996,562</u>
Total operating expenses	<u>25,981,740</u>	<u>25,581,775</u>
OPERATING INCOME	<u>17,769,916</u>	<u>16,325,582</u>
NON-OPERATING REVENUES/(EXPENSES)		
Equity Fee Income	20,000	
Investment (loss)/income	46,954	(153,335)
Interest income	357,332	349,145
Interest and fiscal charges	(9,888,248)	(9,495,377)
Loss on disposal of capital assets	<u>(83,794)</u>	<u>(378,861)</u>
Total non-operating revenues (expenses)	<u>(9,547,756)</u>	<u>(9,678,428)</u>
INCOME BEFORE CONTRIBUTIONS	8,222,160	6,647,154
CONTRIBUTIONS	<u>16,298,898</u>	<u>547,136</u>
CHANGE IN NET POSITION	<u>24,521,058</u>	<u>7,194,290</u>
TOTAL NET POSITION—beginning of year	43,106,791	35,912,501
Restatement of beginning net position due to implementation of GASB 65	<u>(7,196,488)</u>	
NET POSITION - beginning of year as restated	<u>35,910,303</u>	<u>35,912,501</u>
TOTAL NET POSITION—end of year	<u>\$ 60,431,361</u>	<u>\$ 43,106,791</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

The District's total capital assets as of September 30, 2014, were \$280,939,807 (net of accumulated depreciation). This investment in capital assets includes land and buildings, treatment plants, pump stations, pipelines, water rights, an emergency water supply reservoir, and other equipment and fixtures. Additional information regarding the District's capital assets is reflected in Note 5 to the basic financial statements.

For FY 2014, the most significant additions to capital assets were for the Regional Treated Water System, which increased by approximately \$9 million. The investments in capital assets were largely comprised of on-going planning, regulatory permitting and land purchases for the Lake Ralph Hall Water Supply Project, the third phase of the Southwest Water Pipeline and other various improvement projects of the Regional Treated Water System.

(With Comparative Totals As Of September 30, 2013)

	FY 2014	FY 2013
Land - General purpose	\$ 12,573,422	\$ 12,230,493
Furniture and Equipment	1,073,183	744,035
Plant/Pipeline Facilities	212,597,420	219,754,936
Leased Assets	3,324	4,920
Water Rights	6,866,843	7,042,916
Reservoirs	1,307,392	1,338,520
Construction in progress:		
Land - General purpose	1,815,201	1,798,653
Reservoir land	11,301,884	9,970,293
Other construction costs	<u>33,401,138</u>	<u>22,681,276</u>
Total	<u>\$ 280,939,807</u>	<u>\$ 275,566,042</u>

Debt Administration

As mentioned earlier, over a period of years, the District received significant funding from the Texas State Participation Program for equity participation in construction of extra capacity in regional systems to meet future growth needs, approaching a peak of \$55.521 million. Taking advantage of low-interest opportunities, the District, over time, purchased most of the State's equity ownership at original cost, reducing the outstanding State Participation to \$2.1 million. The State's equity ownership, plus noncurrent accrued interest remaining to be reimbursed when timely, was approximately \$2.89 million at fiscal year-end. Further, the total outstanding debt (including State Participation) and other long-term liabilities is approximately \$288 million. Of this total, 78% is for the Regional Treated Water System; 11% is for the Lakeview Water Reclamation System; and, the remaining 11% is for the Northeast Regional Water Reclamation System (Riverbend, Doe Branch and Peninsula Plants) and the Non-Potable Water System.

During FY 2008, the District received project funding for its Lake Ralph Hall Project from the Texas Water Development Board (TWDB) – from the *Water Infrastructure Fund - 10 (WIF-10)* program. This state-wide program was established by the Texas Legislature to provide funding for the planning and permitting phases of water projects included in the State Water Plan. Under this innovative program, both interest and principal payments are waived for the first ten years after receipt of funds. Of special note: the interest is not “deferred”; rather, it is simply set at 0% for ten years. The District is using this favorable source of planning monies for the Lake Ralph Hall Water Supply Project. The *WIF-10* funds are classified as “Revenue Bonds” for reporting purposes.

**Upper Trinity Regional Water District's Outstanding Debt
As of September 30, 2014
(With Comparative Totals As Of September 30, 2013)**

	FY 2014	FY 2013
Revenue Bonds	\$ 229,605,000	\$ 228,785,000
State Participation (TWDB Equity Interest)	2,100,000	2,100,000
Commercial Paper	37,050,000	31,550,000
Water Supply Obligations	5,353,500	5,438,881
Long-Term Contractual Commitments	12,710,647	10,663,725
Non-current Accrued Interest (State Participation Interest)	<u>793,204</u>	<u>793,204</u>
 Total	 <u>\$ 287,612,351</u>	 <u>\$ 279,330,810</u>

As of September 30, 2014, the District's revenue bonds were rated as follows:

	Moody's Investors	Standard & Poor's
Regional Treated Water System	A3	A-
Lakeview Regional Water Reclamation System	A2	A+
Northeast Regional Water Reclamation System	Baa1	BBB+

Additional information on the District's long-term debt can be found in Notes 6 and 7 to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During FY 2014, the Board of Directors continued to take a proactive approach to monitor costs and to adjust rates accordingly. The Board adjusted rates as necessary to maintain and improve the District's financial condition. Of special note, FY 2014 represented the tenth consecutive year that the District has achieved an increase in total Net Position, with an above average increase of 40% for this fiscal year.

During FY 2014, the slow national economy was improving, but continued to have a moderating affect on growth and development in the District's service area. Accordingly, the District continues to make adjustments in its Capital Improvement Program, Operations and Planning to pace expenditures according to economic conditions and customer needs. It is important that the District maintain a close watch on all aspects of its financial plan – capital planning, revenue projections, and cash management – because the national economy continues to be in a recovery mode.

Even with modest growth in FY 2014, capital planning continued apace, and the District proceeded with key capital projects: (1) acquisition of land and permitting for an important future water supply source in Lake Ralph Hall; (2) completion of certain pipelines and projects to improve efficiency and service in the Regional Treated Water System; (3) beginning first phase of construction of the Doe Branch Water Reclamation Plant in the Northeast Regional Water Reclamation System; and (4) on-going expansion, process improvements and new construction in the Lakeview Regional Water Reclamation and the Riverbend Plant of the Northeast Regional Water Reclamation Systems.

As a strategic element of the District's watershed protection program, the District established the Upper Trinity Conservation Trust (UTCT) as a component unit during FY 2010. The District established the UTCT as a charitable entity and appointed a Board of Trustees. During FY 2012, the UTCT experienced its first full fiscal year of operations and received IRS approval for full tax exemption. In future years, the UTCT expects to receive donations and acquire land and conservation easements for the purpose of protecting water quality in watersheds above the District's water supply sources.

In September 2014, the Board of Directors approved new rates and charges for Fiscal Year 2015:

- Lakeview Regional Water Reclamation System. Various fees and charges were increased by an average of 3.0%.
- Northeast Regional Reclamation System. The average increase for various fees and charges was 3.0% for services provided by the Riverbend Plant and 5.0% for the Peninsula Plant.
- Regional Treated Water System. Combined, the blended rate increase for the fixed "Demand" components and the variable "Volume" components averaged 2.75%.

The District has maintained its full readiness and capacity to serve, and is prepared for economic growth, with the accompanying financial requirements. In the meantime, management continues to be vigilant in its oversight of District budgets, investments, finances, rates, and expenditures. Exemplifying such vigilance, during FY 2014, the District took advantage of low interest rates to refinance approximately \$18.8 million in existing debt, achieving approximately \$2.6 million in savings for the District and its customers.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances, with a glimpse at enterprise planning and operating strategies. We believe that the results confirm the District's responsible stewardship and accountability for all funds and resources entrusted to the District. The District is proud of its commendable track record in development of regional systems, in extension of water and wastewater service throughout the service area, staying ahead of growth demands—and, in preparation for the future. Management of the District believes that the District's motto on the cornerstone of its headquarters building is very apt:

Providing for the present and future needs of this region.

With vision and courage we plan.

With cooperation and commitment we serve.

Questions concerning any of the information provided in this report, and requests for additional financial information may be addressed to the Director of Business Services, P.O. Box 305, Lewisville, Texas 75067.

BASIC FINANCIAL STATEMENTS

UPPER TRINITY REGIONAL WATER DISTRICT

STATEMENT OF NET POSITION

September 30, 2014

	UTRWD Enterprise	Component Unit
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$ 19,781,767	\$ 67,827
Accounts receivable from customers	4,925,118	
Interest receivable	25,921	
Other current assets	21,646	
Restricted assets:		
Cash and cash equivalents	1,508,548	
Total current assets	<u>26,262,998</u>	<u>67,827</u>
Non-current assets:		
Accounts Receivable - Equity Fees	4,581	
Restricted assets:		
Cash and cash equivalents	40,779,241	
Investments	5,903,001	
Contractual agreements receivable	3,410,443	
Non-depreciable capital assets	59,091,645	
Depreciable capital assets - net	221,848,162	
Total non-current assets	<u>331,037,073</u>	
TOTAL ASSETS	<u>357,300,071</u>	<u>67,827</u>
DEFERRED OUTFLOW OF RESOURCES.		
Loss on debt refunding	2,463,971	
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>2,463,971</u>	
LIABILITIES:		
Current liabilities:		
Accounts payable	4,621,333	3,958
Unearned revenue	881,710	
Accrued wages and benefits	644,952	
Other current liabilities	19,758	
Payable from restricted assets:		
Accrued interest payable	1,533,714	
Construction retainage payable	420,426	
Current portion of long-term bonds	13,550,000	
Current portion of water supply obligation	88,159	
Current portion of long-term accrued interest	113,315	
Unpaid self-insurance claims	69,000	
Total current liabilities	<u>21,942,365</u>	<u>3,958</u>
Non-current liabilities:		
Long-term bonds	218,843,449	
Long-term state participation debt	2,100,000	
Commercial paper payable	37,050,000	
Long-term water supply obligation	5,265,341	
Long-term accrued compensated absences	740,990	
Notes payable	12,710,647	
Long-term accrued interest	879,889	
Total non-current liabilities	<u>277,390,316</u>	
TOTAL LIABILITIES	<u>299,332,881</u>	<u>3,958</u>
NET POSITION		
Net investment in capital assets	19,179,156	
Restricted		
For debt service	14,843,645	
Contributions for capital improvements	14,074,925	
Unrestricted	<u>12,333,835</u>	<u>63,869</u>
Total net position	<u>\$ 60,431,361</u>	<u>\$ 63,869</u>

See notes to financial statements

UPPER TRINITY REGIONAL WATER DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED SEPTEMBER 30, 2014

	UTRWD Enterprise	Component Unit
OPERATING REVENUES:		
Charges for services	\$ 43,626,393	\$ 3,875
Miscellaneous income	125,263	
Total operating revenues	43,751,656	3,875
OPERATING EXPENSES:		
Operation and maintenance:		
Salaries and benefits	3,046,912	8,745
Water and wastewater treatment	6,183,927	
Lab chemicals and supplies	1,046,790	
Maintenance materials service	886,875	
Utilities	2,371,989	
Equipment and tools	54,194	
Sludge removal	295,864	
Disposal service	12,524	
Miscellaneous	165,631	
Depreciation and amortization	8,982,059	
Overhead expenses	2,608,461	
Administrative/other	326,514	2,281
Total operating expenses	25,981,740	11,026
OPERATING INCOME (LOSS)	17,769,916	(7,151)
Non-operating revenues (expenses):		
Equity fee	20,000	
Operating contribution from UTRWD		25,000
Investment income	46,954	
Interest income	357,332	31
Interest and fiscal charges	(9,888,248)	
Loss on disposal of capital assets	(83,794)	
Net non-operating revenues (expense)	(9,547,756)	25,031
INCOME BEFORE CONTRIBUTIONS	8,222,160	17,880
CONTRIBUTIONS	16,298,898	
CHANGE IN NET POSITION	24,521,058	17,880
TOTAL NET POSITION - beginning of year	43,106,791	45,989
Restatement of beginning net position due to implementation of GASB 65	(7,196,488)	
NET POSITION - beginning of year as restated	35,910,303	45,989
TOTAL NET POSITION - end of year	\$ 60,431,361	\$ 63,869

See notes to financial statements

UPPER TRINITY REGIONAL WATER DISTRICT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED SEPTEMBER 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 43,672,785
Cash paid to vendors	(12,011,575)
Cash paid to employees	(5,036,565)
	26,624,645
Net cash provided by operating activities	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital asset additions	(13,646,290)
Contributions received	16,298,898
Bond proceeds	32,610,879
Bond principal payments	(13,145,000)
Bond payments for refunded bonds (deposited into an escrow fund)	(18,765,000)
Water supply obligation	(85,381)
Commercial paper proceeds (accumulated gross see note #6)	202,300,000
Commercial paper payments (accumulated gross see note #6)	(196,800,000)
Notes payable proceeds	2,355,622
Notes payable payments	(308,700)
Payment of interest and related fees	(11,007,204)
Equity fees and other	33,208
	(158,969)
Net cash (used in) capital and related financing activities	
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	356,486
Purchase of investments	249,967
Maturity of investments	(249,967)
	356,486
Net cash provided by investing activities	
Increase in cash and cash equivalents	26,822,163
Cash and cash equivalents, beginning of year	35,247,393
	62,069,556
Cash and cash equivalents, end of year	\$ 62,069,556

(Continued)

UPPER TRINITY REGIONAL WATER DISTRICT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED SEPTEMBER 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating income	\$ 17,769,916
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation and amortization	8,982,059
Change in accounts receivable	(78,869)
Change in accounts payable	(44,695)
Change in unearned revenue	(151,398)
Change in accrued wages and benefits	140,039
Change in other current assets	7,593
	<hr/>
Total adjustments	8,854,729
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 26,624,645
	<hr/> <hr/>
NON-CASH ITEM:	
Change in fair value of investments	\$ 46,954
Capitalized interest	524,220
Amortization of bond discount	(28,105)
Amortization of bond refunding loss	(366,428)
Amortization of bond premium	414,912
Accounts payable relating to construction	416,208
	<hr/>
See notes to financial statements.	(Concluded)

UPPER TRINITY REGIONAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Upper Trinity Regional Water District ("District") is a political subdivision of the State of Texas and a body politic and corporate, created as a conservation and reclamation district under Article XVI; Section 59 of the Constitution and chapter 1053, Acts of the 71st Legislature of Texas, Regular Session, 1989. Under the Constitution and the statutes the District has broad powers for water conservation and use of storm and flood waters and unappropriated flow waters. The District has specific authority to construct, own, and operate water supply, treatment and distribution facilities and wastewater gathering, treatment, and disposal facilities, to charge for such services; and to make contracts for such purposes with municipalities and other entities.

A board of directors appointed by member entities governs the District. Each member entity appoints one representative, who is not an elected official of the entity, to serve as a director for a term of four years. In order to fund the water and wastewater services to member entities, members pay a proportionate share of the administrative, planning, operating and maintenance, and financing costs of projects based upon their usage of services from each project in which they participate. Non-member entities (customers) pay fees at a slight premium compared to member entities.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governments. The following is a summary of the more significant policies:

District's Systems and projects

- A. **Reporting Entity** — The District's basic financial statements include all organizations and activities determined to be part of the District's reporting entity. The following are descriptions of the systems and projects, which are sub funds of the District and the Upper Trinity Conservation Trust (UTCT) which is the component unit of the District.

The District's Regional Treated Water System (RTWS) was placed in service in June of 1994 and currently provides treated water service to 20 customers in Denton County. The total subscribed capacity for RTWS' customers is 71.56 million gallons per day (mgd). Flower Mound is the system's largest customer with a subscribed capacity of 30 mgd.

The District initiated wholesale wastewater treatment service to customers of the Lakeview Regional Water Reclamation System (LRWRS) in 1996. It was completed in two phases and currently serves Bartonville, Corinth, Denton County Fresh Water Supply District (DCFWS) #7 (Lantana), Double Oak, Highland Village, and Lake Cities MUA. The total combined subscribed capacities for these customers are currently 5.329 mgd, with Highland Village having the highest subscribed capacity at 1.65 mgd.

In March of 1995 the District entered into a contract for non-potable water service with DCFWS #1A. This system, which consists of a pump station and non-potable pipeline, was placed in operation in 1998. The system provides both treated effluent and raw water service to DCFWS #1A.

The Northeast Regional Water Reclamation System (NERWS), which is composed of the Riverbend and the Peninsula plants and is located in Northeast Denton County, became operational in 2003. Riverbend currently provides wastewater treatment service to Lincoln Park, Mustang SUD,

Providence Village, and DCFWSD's #8A, #10, and #11, while Peninsula serves Mustang SUD and Oak Point. The combined contracted capacities for the two systems are 2.94 mgd. In addition, the planning for pipelines and treatment facilities for the Doe Branch Wastewater Treatment Plant was initiated in 2004, placed on hold in 2008, then resumed in 2012. Construction is now underway for the Doe Branch Plant, with completion expected early 2016.

The other systems include the Household Hazardous Waste Program. The District's Growth Project is used to account for the acquisition of land for projects. Administration and Project Development are used to report administrative fee revenue and expenses and to account for various expenses before the construction of projects begins.

Discrete component unit

The UTCT is a component unit of the District that was created in June 2010. The purpose of the UTCT is to receive, acquire, invest and maintain money assets, real property and other assets for the purpose of protecting designated watersheds and water quality. The District appoints the board members that are separate from the District's board of Directors and provides significant funds for the UTCT's operations. Therefore, the UTCT is accounted for as a discretely presented component unit, which is reported as an Enterprise Fund, as it charges fees for services to users. The UTCT does not issue a separate financial statements.

- B. **Fund Accounting** — The accounts of the District are organized into one Enterprise Fund, a proprietary fund. The operations of the fund are accounted for using a set of self-balancing accounts that comprise the fund's assets, liabilities, net assets, revenues and expenses. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, excluding depreciation and amortization) of providing services to the contracting users on a continuing basis be financed or recovered primarily through user charges; and for which the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, management control, accountability or other purposes.
- C. **Basis of Accounting** — The proprietary fund is accounted for on a cost of services or "economic resources" measurement focus, using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing services. Operating expenses include the cost of providing the services, administrative expenses, depreciation of capital assets and general overhead. General overhead expenses such as the District's management and support staff's salary, benefits, supplies, rent and utilities are allocated to all operating systems and construction projects based on percentage of the total expenses for the year. All other expenses and revenues not meeting the definition outlined above are reported as non-operating revenues and expenses.

Rates charged for services to member and customer entities are established during the budget process and approved by the Board of Directors for each fiscal year. The Board provides final approval for the next fiscal year rates during the September meeting preceding the end of the fiscal year.

- D. **Cash, Cash Equivalents, and Investments** — Cash equivalents are defined as cash, public funds investment pools, and investments purchased within three months of maturity. Investments are recorded at fair value, defined as the amount at which two willing parties would complete an exchange.

The District reports cash and cash equivalents related to the acquisition or construction of non-current assets or for debt service as a restricted non-current asset.

- E. **Restricted Cash and Cash Equivalents** — Certain cash and cash equivalents related to the acquisition or construction of non-current assets and certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and agreements. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed. This is exemplified in the resources first being used for debt service payments and construction costs. The following table lists the categories and amounts of cash and cash equivalents that are restricted.

<u>Restricted Cash and Cash Equivalents</u>	<u>Amount</u>
<u>Current Restricted Cash and Cash Equivalents</u>	
Self Insurance Reserve	\$ 1,508,548
Total Current Restricted Cash and Cash Equivalents	<u>1,508,548</u>
<u>Non-current Restricted Cash and Cash Equivalents</u>	
Interest and Sinking Reserve	2,058,743
Debt Service Reserve	9,455,046
Construction Funds	<u>29,265,452</u>
Total Non-current Restricted Cash and Cash Equivalents	<u>40,779,241</u>
Total Restricted Cash and Cash Equivalents	<u>\$ 42,287,789</u>

- F. **Capital Assets** — Capital assets are recorded at historical cost. In the case of gifts or contributions, such assets are recorded at their estimated fair value at the time received. Depreciation on property, plant and equipment in the financial statements are recorded for each major class of depreciable property utilizing the straight-line method over the following estimated useful lives:

Furniture and equipment	3–15 years
Plant/pipeline facilities	10–50 years
Water rights/reservoirs	50 years

The District's capitalization threshold for assets is \$5,000. A full year of depreciation on plant/pipeline facilities is taken in the fiscal year following the year the asset is put in service.

- G. **Compensated Absences** — The District's employees earn vacation and sick leave that may be used or accumulated up to certain limits. Unused vacation is paid upon retirement, termination or death. Unused sick leave is reduced to a percentage of the accumulated balance when paid upon retirement, certain terminations or death.

A liability is recorded for vacation and sick leave earned by employees attributable to past service. The maximum amount of vacation that can be accrued is equal to 2 years of annual eligibility for each employee. The maximum amount of sick leave that can be accrued is 1,200 hours for each employee. Employees are eligible to take accrued sick leave and vacation after 30 days and 6 months, respectively, from initial employment with the District.

The District calculates the current portion of the compensated absences liability based on a 3-year rolling average of amount used by employees. In addition, a liability is recorded for certain salary-related payments associated with the payment of accrued vacation and sick leave. Current portion of \$346,356 is included in accrued wages and benefits.

As of September 30, 2014, liabilities relating to accrued vacation and sick leave have been recorded as shown:

	Sick Leave	Vacation
Beginning of fiscal year	\$ 547,831	\$ 429,915
Decrease	(95,896)	(211,735)
Increase	159,697	257,534
End of fiscal year	<u>\$ 611,632</u>	<u>\$ 475,714</u>

District benefit plans do not include any post-employment benefits as defined in GASB Statement 45, *Accounting and Financial Reporting By Employers For Postemployment Benefits Other Than Pensions (OPEB Employers)*, issued June 2004.

H. **Net Position** – Net position on the Statement of Net Position includes the following:

Net investment in capital assets – the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt net of premiums, discounts and debt issue costs, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets. It does not include long-term accrued interest on State Participation debt.

For the calculation of this portion of net position for individual projects as sub-funds, all debt related to capital assets is considered. For the consolidated entity-wide financial statements, loans between sub-funds are not included for the calculation of net investment in capital assets, because the debt is not owed to an outside party and does not represent a debt of the entity as a whole. This is exemplified in the loan made between the Regional Treated Water System and the Northeast Water Reclamation System.

Restricted for Debt Service – the component of net position that reports the difference between assets to be used for debt service and associated liabilities.

Restricted Contributions for Capital Improvements – the component of net position that reports the amounts provided by various entities for capital improvements only.

Unrestricted – the difference between the assets and liabilities that is not reported in Net Investment in Capital Assets and Restricted for Debt Service.

I. **Adoption of GASB Statements**

During the year ended September 30, 2014 the District adopted GASB Statements: No. 65, *Items Previously Reported as Assets and Liabilities*, as of October 1, 2013, which established the accounting and reporting standards that reclassified as deferred outflows or inflows certain items that were previously reported as assets and liabilities and required the recognition of, as outflows or inflows, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 requires debt issuance cost to be expensed in the period incurred instead of deferring and amortizing

the cost over the life of the debt. As a result of implementing GASB No. 65, the District's net position as of October 1, 2013 was restated by \$7,196,488 to reflect the recognition of debt issuance cost previously reported as assets that are now required to be reported as outflows in accordance with the standard.

2. CASH AND INVESTMENTS

The Board designates a financial institution to serve as the depository for the funds of the District in accordance with its enabling statute. To the extent that funds held by the depository bank are not insured by the Federal Deposit Insurance Corporation, they are secured in the manner provided by law of the State of Texas. At September 30, 2014, the District's carrying amount of deposits were \$56,278,822 for the District and \$67,827 for the UTCT. The bank balance as of September 30, 2014 was \$56,683,830 for the District and \$67,827 for the UTCT. Both bank balances at September 30, 2014, were entirely covered by federal depository insurance or by collateral held by District's independent third party agent (BNY Mellon) in the District's name.

As of September 30, 2014, the District had the following cash and investments:

Cash/Investment Type	Fair Value	Weighted Average Maturity (Years)
Federal Home Loan Mortgage Corporation Security	\$ 5,903,000	0.3113
Public funds investment pools	5,790,735	0.0002
Bank deposits/Money Market (Carrying Value)	56,278,822	0.0023
Total fair value and weighted maturity	<u>\$ 67,972,557</u>	<u>0.3138</u>

Statutory Risks – Investments – To ensure that the District is in compliance with all applicable laws, the District adheres to a Board approved Investment Policy in accordance with Chapter 2256, Texas Government Code.

Interest Rate Risk — In accordance with the District's investment policy, investments are made to ensure the primary objective of preservation of capital and the safety of principal in the overall portfolio. Interest rate earnings and reasonable returns are the secondary objectives. As a result, each investment transaction seeks to ensure first that capital losses are avoided, whether they be from security defaults or erosion of market value. Therefore, the District does not expose itself to significant interest rate risk.

Credit Risk — The District's investments in public funds investment pools include investments with TexPool. TexPool is rated as an AAA money market fund by Standard & Poor's. TexPool is a public funds investment pool created by the Treasurer of the State of Texas, acting and through the Texas treasury Safekeeping Trust Company, is empowered to invest funds and act as a custodian of investments purchased with local investment funds in full compliance with the Public Funds Investment Act. As of September 30, 2014, the District's investment in TexPool was \$5,790,735 with a fair value of \$5,790,735. The fair value of the District's position in the pool is the same as the value of the pool shares.

Investments in Federal National Mortgage Association Security have AAA senior debt rating by Standard & Poor's and Moody's.

Custodial Credit Risk — Deposits — In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District follows the Public Funds Collateral Act and has a policy of maintaining contact with the trust department of its depository agency to eliminate all custodial risk. As of September 30, 2014, the District's bank balance of \$56,278,822 held in the depository bank, Wells Fargo, N.A., were fully collateralized.

Custodial Credit Risk — Investments — For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments held by third parties are held in the District's name.

Public Funds Investment Act – Audit procedures related to the Public Funds Investment Act are conducted as part of the audit of the basic financial statements. The District adheres to the requirement of the Act in the areas of investment practices, management reports an establishment of appropriate policies.

On August 5, 2011, Standard and Poor's, one of three nationally recognized raters of US debt and securities, downgraded the rating of long-term US sovereign debt from AAA to AA+ for the first time since 1941 with a negative outlook. The two other national raters, Moody's and Fitch, continue to have the highest ratings, but have the debt on their watch lists. While the District has no investments in US debt and securities, the District does invest in Texpool, which does have US debt and securities as underlying investments guaranteeing the District's deposits.

As required by GASB Statement No. 31, the District recognizes the net unrealized gain/loss on investments as investment income/loss.

3. CONTRACTUAL AGREEMENTS RECEIVABLE

Contractual Agreements made with other entities refers to financing provided by the District for facilities for the benefit of Mustang SUD and Argyle WSC. The amount of \$3,808,218 represents the principal and interest to be paid by these entities, of which \$397,775 recorded in accounts receivable from customers is to be repaid in the next fiscal year. The interest rates of the agreements range from 3.60% to 6.077% and will be repaid in full by the entities by fiscal year 2026.

4. UNEARNED REVENUE

The unearned revenue amount is comprised of the total interest that will be earned in future periods from Contractual Agreements and various lease agreements. The unearned revenue will be recognized as revenue in future periods when service is performed.

5. CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2014:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital assets not being depreciated:				
Land	\$ 12,230,493	\$ 453,829	\$ (110,900)	\$ 12,573,422
Construction in progress:				
Land - General purpose	1,798,653	16,548		1,815,201
Reservoir land	9,970,293	1,331,591		11,301,884
Other construction costs	22,681,276	11,437,378	(717,516)	33,401,138
	<u>46,680,715</u>	<u>13,239,346</u>	<u>(828,416)</u>	<u>59,091,645</u>
Total capital assets not being depreciated				
Capital assets that are being depreciated:				
Plant/pipeline facilities	312,230,914	834,203	462,669	313,527,786
Leased assets	49,208		(15,970)	33,238
Water rights	8,801,511			8,801,511
Reservoirs	1,556,416			1,556,416
Furniture and equipment	2,510,960	556,946	(105,007)	2,962,899
	<u>325,149,009</u>	<u>1,391,149</u>	<u>341,692</u>	<u>326,881,850</u>
Total depreciable capital assets - net				
Less accumulated depreciation for:				
Plant/pipeline facilities	92,475,978	8,567,579	(113,191)	100,930,366
Leased assets	44,288		(14,374)	29,914
Water rights	1,758,595	176,073		1,934,668
Reservoirs	217,896	31,128		249,024
Furniture and equipment	1,766,925	208,350	(85,559)	1,889,716
	<u>96,263,682</u>	<u>8,983,130</u>	<u>(213,124)</u>	<u>105,033,688</u>
Total depreciable capital assets - net	<u>228,885,327</u>	<u>(7,591,981)</u>	<u>554,816</u>	<u>221,848,162</u>
Capital assets — net	<u>\$ 275,566,042</u>	<u>\$ 5,647,365</u>	<u>\$ (273,600)</u>	<u>\$ 280,939,807</u>

For the year ended September 30, 2014, capitalized interest of approximately \$524,220 was added to construction in progress.

6. NOTES PAYABLE, LONG-TERM DEBT, AND OTHER LIABILITIES

Long-term debt of the District at September 30, 2014 includes bonded indebtedness consisting of revenue bonds payable, State Participation debt, notes payable, related non-current accrued interest payable, and other financing proceeds not to be repaid within one year. Revenues from customers participating in these projects will be used to pay debt service on the long-term debt.

The District entered into a master agreement on February 20, 2002 related to the Northeast Water Reclamation System and received \$2,325,000 of State Participation funding. The funding is for improvements to pump stations and transmission and distribution pipelines.

Under the master agreement regarding State Participation funding, the District is allowed to defer payment of a portion of interest costs until future periods. However, the full amount of the interest is currently being expensed on an annual basis. The amount of unpaid interest is being recorded as a non-current liability under

long-term accrued interest. The District has a remaining balance of \$793,204 in long-term accrued interest as of September 30, 2014.

Because the interest rate market remained favorable in FY 2014, the District refunded principal of \$18,765,000 in outstanding revenue bonds with \$16,550,000 in revenue refunding bonds in the Regional Treated Water System and \$3,230,000 in revenue refunding bonds in the Lakeview Regional Water Reclamation System. With these refundings, the District recognized a refunding loss of approximately \$400,000. In addition, the District realized a total debt service savings of approximately \$2.6 million and a total present value cash savings of approximately \$2.0 million.

When the District issues revenue refunding bonds, the proceeds are often placed in an irrevocable trust to pay all future debt service on certain refunded debt. The refunded bonds are considered defeased and neither the trust accounts nor the liability for the defeased bonds are included in the District's combined financial statements. As of September 30, 2014, \$3,095,000 bonds are still outstanding.

During fiscal year 2008, the District received \$10,400,000 in Water Infrastructure Funding (WIF-10) from the Texas Water Development Board. The funding is to be used for the planning phase of the District's Lake Ralph Hall Project. Under the WIF-10, the District neither pays nor accrues interest for the first 10 years after issuance of the debt and also pays no principal during that same time period. The District classifies the WIF-10 funding as revenue bonds for financial reporting purposes.

During fiscal year 2014, the District continued to make use of its Commercial Paper program for the Regional Treated Water System. The Commercial Paper program was established during fiscal year 2005 through partnerships with Banc of America Securities, LLC and Wachovia Bank, N.A. (now replaced by US Bank). The Commercial Paper program enables the District to drawdown the funds when necessary to pay for Capital Improvement Expenditures and to rollover the principal portions of the liability until the District sees fit to retire the principal balance. The outstanding principal balance of the Commercial Paper program as of September 30, 2014 was \$37,050,000.

In accordance with the terms of the Commercial Paper agreement ("Agreement"), the District has recorded the amount outstanding as of year-end as a long-term liability in the Statement of Net Position since the Agreement includes a long-term irrevocable financing option in the form of a Letter of Credit (LOC) in the amount of \$50,000,000. The LOC expires June 9, 2017 (subject to potential extension through 2030) and carries an annual interest rate not to exceed 10% and can be used as a liquidity facility to ensure direct payment of principal and interest of the maturities of the commercial paper program as they become due. For fiscal year 2014, the annual interest rate for Commercial Paper ranged from .07% to .12%.

During the year ended September 30, 2014, the District used the LOC to pay principal and interest amounts on the agreement as maturities have become due. Principal amounts drawn on the LOC have been repaid by the proceeds of new draws on the Commercial Paper program. The District repaid the interest amounts drawn from revenues of the system. As of year-end there was no balance owed by the District on the LOC.

Also included as a significant portion of the District's long-term debt is the obligation due to the Army Corps of Engineers for Chapman Lake Water Rights through the City of Commerce. The District had a remaining balance of \$5,353,500. See note 7 for further explanation of this obligation.

The District had a remaining balance of \$12,710,647 of Notes Payable as of September 30, 2014. The District received these funds from certain fresh water supply districts for the construction of water and wastewater systems and operational contingencies. These notes have no interest costs or payment schedule associated with them. The District may repay the Notes Payable at such time as the respective service areas have developed sufficiently that the District deems it appropriate to arrange other long-term financing or repay amounts available from non-restricted assets.

Total activity for notes payable, long-term debt and other liabilities for the year ended September 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 228,785,000	\$ 32,730,000	\$ (31,910,000)	\$ 229,605,000	\$ 13,550,000
State participation debt	2,100,000			2,100,000	
Discount	(282,803)	(19,212)	39,238	(262,777)	
Premium	3,577,184	8,801	(534,759)	3,051,226	
	<u>234,179,381</u>	<u>32,719,589</u>	<u>(32,405,521)</u>	<u>234,493,449</u>	<u>13,550,000</u>
Revenue bonds and state participation debt					
Commercial paper	31,550,000	202,300,000	(196,800,000)	37,050,000	
Water supply obligation	5,438,881		(85,381)	5,353,500	88,159
Notes payable	10,663,725	2,355,622	(308,700)	12,710,647	
Non-current accrued interest	793,204	-	-	793,204	113,315
	<u>48,445,810</u>	<u>204,655,622</u>	<u>(197,194,081)</u>	<u>55,907,351</u>	<u>201,474</u>
Other long-term liabilities					
Total notes payable, long-term debt and other liabilities	<u>\$ 282,625,191</u>	<u>\$ 237,375,211</u>	<u>\$ (229,599,602)</u>	<u>\$ 290,400,800</u>	<u>\$ 13,751,474</u>

The following is a detailed listing of the long-term debt of the District:

Series	Amount	Maturity	Rates
Regional treated water system:			
Revenue bonds:			
Series 2004	\$ 1,540,000	2016	2.00-5.25%
Series 2005 (refunding)	36,310,000	2028	4.00-5.25%
Series 2006 (refunding)	13,785,000	2021	4.00-5.00%
Series 2007 (refunding)	29,465,000	2032	4.00-4.38%
Series 2008 (WIF-10)	10,400,000	2027	2.01-2.83%
Series 2010 (refunding)	4,210,000	2026	2.00-4.35%
Series 2010A	22,270,000	2025	2.00-4.00%
Series 2012 (refunding)	12,480,000	2029	2.00-3.75%
Series 2012A (refunding)	34,710,000	2037	2.00-5.00%
Series 2013 (refunding)	16,290,000	2030	3.11%
Lakeview water reclamation system:			
Revenue bonds:			
Series 2006 (refunding)	3,480,000	2027	4.00-4.25%
Series 2011	4,180,000	2030	3.00-5.00%
Series 2012 (refunding)	5,205,000	2028	2.00-4.00%
Series 2012A (refunding)	15,150,000	2028	2.00-5.00%
Series 2014 (refunding)	3,230,000	2030	2.00-3.50%
Northeast water reclamation system:			
Revenue bonds:			
Series 2007	3,460,000	2032	3.70-4.38%
Series 2014	12,950,000	2035	3.00-4.38%
Non-potable water system:			
Revenue bonds:			
Series 1996	490,000	2016	4.70-5.25%
Total revenue bonds	<u><u>\$ 229,605,000</u></u>		
Northeast water reclamation system:			
State participation — Series 2003	\$ 2,100,000	2036	5.58-5.78%
Total state participation	<u><u>\$ 2,100,000</u></u>		
Regional treated water system:			
Water rights:			
Initial water	\$ 1,219,829	2040	3.25%
Future water	4,133,671	2050	3.25%
Total water rights	<u><u>\$ 5,353,500</u></u>		

The District plans to repay both the principal and interest on the Revenue Bonds, State Participation Obligation and Water Rights based on the following schedule:

Years Ending September 30	Revenue Bonds		State Participation		Water Supply Obligation		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2015	\$ 13,550,000	\$ 8,710,641		\$ 233,435	\$ 88,159	\$ 174,149	\$ 22,756,384
2016	14,140,000	8,193,412		233,435	91,027	171,282	22,829,156
2017	13,630,000	7,672,448		233,435	93,988	168,320	21,798,191
2018	15,570,000	7,151,145		233,435	97,045	165,263	23,216,888
2019	15,760,000	6,798,041		233,435	100,202	162,106	23,053,784
2020-2024	72,905,000	25,324,039	\$ 325,000	809,876	552,076	759,464	100,675,455
2025-2029	59,130,000	11,104,458	675,000	436,867	647,907	663,634	72,657,866
2030-2034	18,935,000	3,270,530	890,000	219,992	760,372	551,169	24,627,063
2035-2039	5,985,000	588,819	210,000	12,138	892,358	419,182	8,107,497
2040-2044					834,771	271,049	1,105,820
2045-2049					826,245	142,428	968,673
2050-2054					369,351	18,119	387,470
Total	\$ 229,605,000	\$ 78,813,533	\$ 2,100,000	\$ 2,646,048	\$ 5,353,501	\$ 3,666,165	\$ 322,184,247

Debt of the District's water, wastewater and non-potable systems includes revenue refunding and revenue bonds, State Participation funding, Water Supply Obligation and payments related to Commercial Paper. This debt is secured by and payable from net revenues of each of the District's systems. Some of the District's debt contains provisions that allow the District to prepay or call the debt.

Specifically, net revenues of the District's various systems have been pledged for repayment of the District's outstanding debt. All debt was originally issued to provide for construction of the various systems. The pledge continues for the life of the debt. For the Regional Treated Water System, net pledged revenues for the year ended September 30, 2014 were \$21,753,380 and actual annual debt service was \$18,405,836. For the Lakeview Regional Water Reclamation System, net pledged revenues were \$4,104,709 and actual annual debt service was \$3,757,024. For the Riverbend and Doe Branch Plants of the Northeast Regional Water Reclamation System, net pledged revenues were \$862,081 and actual annual debt service was \$578,061. For the Non-Potable System, net pledged revenues were \$278,811 and actual annual debt service was \$267,685.

The District uses a method that approximates the effective interest rate to amortize premiums and discounts on bond issuance.

There is no amortization schedule for the Commercial Paper or Notes Payable because these liabilities have undetermined payment schedules.

7. WATER RIGHTS/WATER SUPPLY OBLIGATIONS

In 1990 the District entered into a 50-year contract with the City of Commerce, Texas to obtain raw water rights in Chapman Reservoir. On January 31, 2006, the Corps of Engineers (COE) notified the Sulphur River Municipal Water District (SRMWD) of its final accounting for construction. The final construction cost allocated to water supply was \$14,930,738. The District's share of SRMWD's obligation is 41.81%, or \$6,242,542. As of September 30, 2014, the District had paid \$889,042 for principal, leaving a remaining liability of \$5,353,500. Inclusive of capitalized costs during the construction period of the reservoir, the net book value, net of amortization, of the District's water rights was \$6,866,843 at September 30, 2014. The District amortizes its water rights over the life of the contract, on straight-line basis for 50 years.

8. EMPLOYEES' RETIREMENT PLANS

Defined Contribution Plan — A retirement plan is provided for all regular employees of the District and is administered by the ICMA Retirement Corporation. It is a single-employer defined contribution retirement plan created in accordance with Internal Revenue Code Section 401(a), which provides retirement benefits for all regular employees. The retirement plan is established by the District's Board, which may

periodically amend the plan and its respective contributions. The District's employer contribution to the 401(a) plan is 10% of the employees' gross compensation.

Employees hired before October 1, 2000, become fully vested after five years of employment or upon attaining age 60, whichever occurs first, and are eligible to receive benefits upon retirement. Full vesting for employees hired after September 30, 2000, occurs at seven years of employment or upon reaching age 62, whichever occurs first.

During fiscal year 2014, the District contributed the required employer contribution of 10% of the employees' gross compensation. The District also contributed the required employees' contribution of 6.2% of the employees' gross compensation pursuant to the IRC Section 414(h)(2) Pick-Up Election under the Plan. Under the Pick-Up Election, any plan established by a governmental unit can have its employees tax defer the required employee contribution since the employer "picks-up" the required contribution from the employee and makes the payment to the Plan on behalf of the employee. The employer and employee contributions were \$501,555 and \$310,964 respectively, based on a covered payroll of \$5,015,545. Total payroll for the District was \$5,207,539.

The District makes contributions to the 401(a) plan by matching, dollar-for-dollar, employees' contributions to the deferred compensation plan, discussed below, up to 2% of each employee's gross income. The District contributed \$79,873 to the 401(a) plan as a result of employee contributions into the deferred compensation plan.

Deferred Compensation Plan — The District also offers its regular employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits participants to defer a portion of their salary until future years. Any withdrawal requires a penalty, except upon termination, retirement, death or an unforeseeable emergency. The District does not make any contribution to the deferred compensation plan.

All amounts of compensation deferred under the plan are placed into a trust for the benefit of participants. The plan is administered by ICMA Retirement Corporation. These deferred amounts; all property and rights with those amounts, and all income attributable to those amounts are solely the property and rights of the employees. As such, these assets are not included in the financial statements of the District as of September 30, 2014.

9. CONTRIBUTIONS

The District recorded a total of \$16,298,898 in contributions in fiscal year 2014. The contributions received by the District were from member entities in aid of construction for the Regional Treated Water System, the Lakeview Water Reclamation System and the Northeast Regional Water Reclamation System.

The UTCT recorded a total of \$25,000 in contributions. The contributions were received from the District. The contributions were made to assist the financial position of the UTCT.

10. SEGMENT INFORMATION

The three condensed schedules on the next two pages represent a breakdown of the financial information of the three major segments of the District. The Water segment is composed of the Regional Treated Water System; the Water Reclamation segment is composed of the Lakeview and Northeast Water Reclamation Systems; the Non-Potable Segment is composed of the Non-Potable Water System.

Condensed Schedule of Net Position by Segment	September 30, 2014			
	Water	Water Reclamation		Non-Potable
		Lakeview	Northeast	
Assets:				
Current assets	\$ 21,170,141	\$ 2,821,611	\$ 1,625,621	\$ 303,475
Long-term assets	3,415,024			
Restricted assets	14,250,602	4,191,500	29,186,803	545,132
Capital assets	<u>211,392,413</u>	<u>36,084,262</u>	<u>31,234,694</u>	<u>1,606,105</u>
Total assets	<u>250,228,180</u>	<u>43,097,373</u>	<u>62,047,118</u>	<u>2,454,712</u>
Deferred outflow:				
Deferred loss on refunding of debt	<u>2,222,962</u>	<u>241,009</u>		
Total Deferred outflow	<u>2,222,962</u>	<u>241,009</u>		
Liabilities:				
Current liabilities	4,283,487	497,379	3,686,737	10,943
Liabilities payable from restricted assets	12,355,533	2,639,623	534,286	250,802
Non-current liabilities	<u>215,206,046</u>	<u>29,850,549</u>	<u>31,760,187</u>	<u>250,772</u>
Total Liabilities	<u>231,845,066</u>	<u>32,987,551</u>	<u>35,981,210</u>	<u>512,517</u>
Net position:				
Net investment in capital assets	(2,160,041)	7,205,195	12,395,565	1,116,105
Restricted:				
For debt service	11,096,134	2,659,579	820,374	267,558
Contributions for capital improvements			14,074,925	
Unrestricted	<u>11,669,983</u>	<u>486,058</u>	<u>(1,224,956)</u>	<u>558,532</u>
Total net position	<u>\$ 20,606,076</u>	<u>\$ 10,350,832</u>	<u>\$ 26,065,908</u>	<u>\$ 1,942,195</u>

Condensed Schedule of Revenues, Expenses, and Changes in Net Position by Segment	Year Ended September 30, 2014			
	Water	Water Reclamation		Non-Potable
		Lakeview	Northeast	
Total Revenue	\$ 34,533,041	\$ 6,362,259	\$ 2,360,202	\$ 336,304
Depreciation	(6,407,284)	(1,443,472)	(1,049,424)	(65,787)
Other operating expenses	(13,050,333)	(2,281,839)	(1,493,623)	(60,686)
Operating income (loss)	15,075,424	2,636,948	(182,845)	209,831
Non-operating revenues (expenses):				
Equity fee income	20,000			
Investment income	33,752	11,085		2,117
Interest income	250,675	24,293	76,893	3,193
Interest expense net of capitalized interest	(8,161,219)	(1,269,958)	(421,209)	(35,862)
Gain/Loss on Disposal of capital assets	1,103	(15,797)	(44,331)	(3)
Net non-operating revenues (expenses)	(7,855,689)	(1,250,377)	(388,647)	(30,555)
Net income (loss) before contributions and transfers	7,219,735	1,386,571	(571,492)	179,276
Contributions	5,354	74,973	16,218,571	
Transfers from (to) other systems	128,685	(37,082)	(53,053)	(1,350)
Change in net position	7,353,774	1,424,462	15,594,026	177,926
Beginning net position	19,310,196	9,886,972	10,630,656	1,783,486
Restatement of beginning net position due to implementation of GASB 65	(6,057,894)	(960,602)	(158,774)	(19,218)
Net position - Beginning of year as restated	13,252,302	8,926,370	10,471,882	1,764,268
Total net position - End of year	\$ 20,606,076	\$ 10,350,832	\$ 26,065,908	\$ 1,942,194

Condensed Schedule of Cash Flows by Segment	Year Ended September 30, 2014			
	Water	Water Reclamation		Non-Potable
		Lakeview	Northeast	
Net cash provided (used) by:				
Operating activities	\$ 20,725,247	\$ 3,863,804	\$ 1,595,426	\$ 307,888
Capital and related financing activities	(22,277,345)	(3,835,198)	26,234,757	(269,453)
Investing activities	250,012	24,118	76,893	3,185
Net increase (decrease)	(1,302,086)	52,724	27,907,076	41,620
Cash and cash equivalents beginning of year	25,721,055	4,886,414	2,699,931	528,259
Cash and cash equivalents — end of year	\$ 24,418,969	\$ 4,939,138	\$ 30,607,007	\$ 569,879

11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; workers' compensation; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are managed through the purchase of commercial insurance policies. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

These losses include an estimate of claims that have been incurred but not reported. The District has a partially self-funded health care insurance program. The District had estimated partially self-funded health insurance liabilities as follows:

	Year ended 9/30/14	Year ended 9/30/13
Unpaid claims, beginning of fiscal year	\$ 81,208	\$ 70,877
Incurred claims (including IBNRs)	645,045	787,233
Claim payments	<u>(657,253)</u>	<u>(776,902)</u>
Unpaid claims, end of fiscal year	<u>\$ 69,000</u>	<u>\$ 81,208</u>

No significant reductions in insurance coverage have occurred. No settlements have exceeded coverage in the past two years.

12. COMMITMENTS AND CONTINGENCIES

The District frequently enters into contractual commitments for construction of water and wastewater facilities, pipelines and other related construction costs. Commitments for construction projects not completed at September 30, 2014, had a total contracted amount of \$33,811,952 of which \$5,911,879 has been spent. Funds to pay these obligations are provided by debt proceeds, internally generated capital and from entities that participate in projects

The District from time to time is the condemnor in eminent domain cases and is subject to other suits in the normal course of business, for which the ultimate cost is unknown. The exposure to the District in condemnation matters depends on testimony as to the value of the right taken. Management does not expect the potential exposure in these cases to be material, and has not recorded an accrual at September 30, 2014.

13. NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued the following statements:

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This Statement is effective for the District beginning in fiscal year ending September 30, 2015.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement is effective for the District beginning in fiscal year ending September 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This Statement is effective for the District beginning in fiscal year ending September 30, 2015.

Management has not yet determined the impact of these statements on the basic financial statements.

SUPPLEMENTAL SYSTEM AND PROJECT SCHEDULES

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STATISTICAL SECTION
(Unaudited)

Financial Trends – These schedules contain trend information to help the reader understand how the District’s financial performance and well-being have changed over time.

	<u>Page</u>
Schedule 1 – Net Position	42
Schedule 2 – Changes in Net Position	43

Revenue Capacity – These schedules contain trend information to help the reader understand the Districts’s revenue sources.

Schedule 3 – Revenue by Service	44
Schedule 4 – Revenue Rates	45
Schedule 5 – Revenue Payers	46-47

Debt Capacity – These schedules contain trend information to help the reader understand the District’s outstanding debt, the capacity to repay that debt, and the ability to issue additional debt in the future.

Schedule 6 – Debt Service to Total Expense	48
Schedule 7 – Outstanding Debt	48
Schedule 8 – Revenue Bond Coverage	49-50

Demographic Information – This schedule offers demographic information to help the reader understand the environment within which the District’s financial activities take place.

Schedule 9 – Principal Employers in County Served.....	51
Schedule 10 – Member / Customer Population.....	52

Operating Information – These schedules assist the reader in evaluating the size, efficiency, and effectiveness of the District.

Schedule 11 – District Employees by Function.....	53
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UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 1 - NET POSITION
 LAST TEN FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net investment in capital assets	\$ 19,179,156	\$ 18,533,606	\$ 9,705,365	\$ 6,362,662	\$ 7,374,959	\$ 9,360,283	\$ 6,928,379	\$ 5,348,307	\$ (14,752,435)	\$ (15,623,272)
Restricted										
For debt service	14,843,645	14,217,237	14,547,560	6,330,065	4,414,206	4,210,642	2,290,511	3,638,232	16,194,959	17,821,434
Contributions for capital improvements	14,074,925									
Unrestricted	12,332,615	10,316,368	11,659,576	17,443,778	11,437,509	6,170,797	10,111,067	8,810,385	12,093,723	9,520,535
Total Net Position	\$ 60,431,341	\$ 43,106,791	\$ 35,013,301	\$ 30,136,505	\$ 25,226,684	\$ 19,417,722	\$ 19,330,957	\$ 17,796,944	\$ 13,533,217	\$ 11,718,697
% change from prior year	40%	20%	19%	30%	18%	2%	9%	31%	16%	1%

Source: UTRWWD Comprehensive Annual Financial Report

UPPER TRINITY REGIONAL WATER DISTRICT
 SCHEDULE E 2 - CHANGES IN NET POSITION
 LAST TEN FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating Revenues										
Charges for services	\$ 43,626,393	\$ 41,789,296	\$ 40,774,563	\$ 40,110,762	\$ 37,957,922	\$ 35,186,375	\$ 32,750,527	\$ 28,747,112	\$ 28,165,489	\$ 24,552,985
Miscellaneous Income	125,263	118,961	79,385	49,924	89,025	744,799	473	42,830	21,086	13,278
Total Operating Revenues	\$ 43,751,656	\$ 41,907,357	\$ 40,844,948	\$ 40,160,686	\$ 38,046,955	\$ 35,931,174	\$ 32,751,000	\$ 28,789,942	\$ 28,186,585	\$ 24,566,360
Operating Expenses										
Water/Wastewater Treatment	\$ 9,230,839	\$ 8,455,278	\$ 8,257,044	\$ 8,198,525	\$ 7,313,063	\$ 7,105,174	\$ 7,131,311	\$ 6,461,304	\$ 7,272,659	\$ 5,454,647
Utilities	2,371,989	2,529,513	2,495,730	2,472,745	2,258,201	2,422,982	2,508,683	2,123,171	1,983,221	1,619,047
Chemicals	1,046,790	1,073,818	1,009,471	1,204,492	1,021,823	1,178,386	1,106,331	792,621	709,853	604,654
Depreciation & Amortization	8,982,059	9,225,989	9,429,899	9,821,882	9,619,055	10,417,152	6,489,304	6,961,492	6,852,214	6,652,604
Other	4,350,063	4,297,377	4,128,268	3,705,929	4,001,826	4,012,754	4,223,259	3,392,270	3,012,707	2,169,779
Total Operating Expenses	\$ 25,981,740	\$ 25,581,775	\$ 25,320,412	\$ 25,503,573	\$ 24,213,978	\$ 25,136,448	\$ 21,458,888	\$ 19,735,858	\$ 19,830,654	\$ 16,500,731
Operating Income	\$ 17,769,916	\$ 16,325,582	\$ 15,524,536	\$ 14,657,113	\$ 13,832,977	\$ 10,794,726	\$ 11,292,112	\$ 9,054,084	\$ 8,355,931	\$ 8,064,629
Other Changes in Net Position										
Equity Fees	\$ 20,000	\$ -	\$ -	\$ 160,000	\$ -	\$ -	\$ 317,522	\$ 62,168	\$ 153,437	\$ 507,492
Investment Income (Loss)	46,954	(153,335)	4,923	12,766	(9,083)	15,567	(9,597)	5,781	42,213	(62,385)
Interest Income	357,532	349,145	439,045	613,390	699,015	944,338	1,658,729	2,401,727	1,857,554	1,337,109
Interest Expense and fiscal charges	(9,888,248)	(9,495,377)	(10,324,702)	(10,552,215)	(11,810,537)	(12,088,201)	(12,780,613)	(12,296,756)	(10,975,759)	(10,572,183)
Other non-operating revenue	-	-	-	-	384,000	-	-	-	-	-
Contributors	16,298,898	547,136	571,702	2,486,934	345,855	776,930	1,052,982	5,038,898	2,383,174	822,102
Gain (Loss) on disposal of capital asset	(83,792)	(378,861)	(429,508)	(468,169)	42,735	(31,585)	1,878	(4,205)	-	-
Total Other Changes in Net Position	\$ 6,751,142	\$ (9,131,292)	\$ (9,748,540)	\$ (7,747,292)	\$ (10,348,013)	\$ (10,387,961)	\$ (9,759,099)	\$ (4,792,387)	\$ (6,539,381)	\$ (7,967,865)
Total Change in Net Position	\$ 24,521,058	\$ 7,194,290	\$ 5,775,996	\$ 6,909,821	\$ 3,484,962	\$ 411,765	\$ 1,533,013	\$ 4,261,697	\$ 1,816,556	\$ 96,764

Source: UTRW.D Comprehensive Annual Financial Report

UPPER TRINITY REGIONAL WATER DISTRICT

**SCHEDULE 3 - OPERATING REVENUE BY SERVICE PROVIDED
LAST TEN FISCAL YEARS**

Fiscal Year	Water Services	Water Reclamation	Non-Potable	Solid Waste	Administration and Project Development	Other Revenue	Total
2005	\$ 19,572,386	\$ 4,350,454	\$ 296,442	\$ 242,516	\$ 90,287	\$ 13,275	\$ 24,565,360
2006	\$ 22,942,745	\$ 4,500,272	\$ 329,690	\$ 308,209	\$ 84,573	\$ 21,096	\$ 28,186,585
2007	\$ 22,502,338	\$ 5,443,457	\$ 317,026	\$ 397,299	\$ 86,992	\$ 42,830	\$ 28,789,942
2008	\$ 26,062,896	\$ 5,781,166	\$ 340,586	\$ 417,895	\$ 147,984	\$ 473	\$ 32,751,000
2009	\$ 28,128,208	\$ 6,490,333	\$ 331,490	\$ 131,465	\$ 104,879	\$ 744,799	\$ 35,931,174
2010	\$ 29,526,583	\$ 7,756,159	\$ 337,622	\$ 140,166	\$ 197,402	\$ 89,023	\$ 38,046,955
2011	\$ 32,165,111	\$ 7,340,130	\$ 355,511	\$ 127,438	\$ 122,572	\$ 49,924	\$ 40,160,686
2012	\$ 32,424,268	\$ 7,823,019	\$ 337,011	\$ 61,564	\$ 128,701	\$ 70,385	\$ 40,844,948
2013	\$ 33,296,713	\$ 8,025,167	\$ 333,595	\$ 5,218	\$ 128,603	\$ 118,061	\$ 41,907,357
2014	\$ 34,421,728	\$ 8,708,511	\$ 336,304	\$ 15,864	\$ 143,986	\$ 125,263	\$ 43,751,656

Source: UTRWD Comprehensive Annual Financial Report

Year	WATER				WATER RECLAMATION				NON-POTABLE				SOLID WASTE		
	Regional Treated Water System	Lakeview Water Reclamation System	Northeast Water Reclamation System	Riverbend	Member Volume Per 1,000 Gallons	Member Transportation Per 1,000 Gallons	Member Volume Per 1,000 Gallons	Member Volume Per 1,000 Gallons	Member Volume Per 1,000 Gallons	Member Volume Per 1,000 Gallons	Member Volume Per 1,000 Gallons	Member Volume Per 1,000 Gallons	Member Volume Per 1,000 Gallons	Member Volume Per 1,000 Gallons	Regional Biosolids Program
2005	\$0.88/\$0.57	\$225,000	\$1.25	\$0.07	\$350,000	\$1.25	\$150,000	\$1.25	\$446,080	\$0.22	\$0.48	\$275,000	\$17.02	\$65	
2006	\$0.76/\$0.59	\$259,000	\$1.25	\$0.07	\$350,000	\$1.30	\$170,000	\$1.30	\$528,613	\$0.22	\$0.48	\$300,000	\$18.55	\$65	
2007	\$0.76/\$0.76	\$274,000	\$1.34	\$0.07	\$350,000	\$1.40	\$170,000	\$1.40	\$528,613	\$0.25	\$0.48	\$300,000	\$24.10	\$80	
2008	\$0.76/\$0.76	\$290,000	\$1.42	\$0.08	\$390,000	\$1.56	\$175,000	\$1.56	\$528,600	\$0.25	\$0.48	\$305,000	\$37.80	\$80	
2009	\$0.83/\$0.83	\$308,095	\$1.51	\$0.09	\$425,100	\$1.70	\$189,050	\$1.70	\$290,000	\$0.25	\$0.51	\$307,000	Discontinued	\$84	
2010	\$0.86/\$0.86	\$324,970	\$1.62	\$0.11	\$447,900	\$1.75	\$203,000	\$1.75	\$290,000	\$0.28	\$0.54	\$315,000	Discontinued	\$88	
2011	\$0.86/\$0.86	\$342,365	\$1.63	\$0.12	\$482,900	\$1.75	\$246,645	\$1.75	\$290,000	\$0.28	\$0.54	\$307,000	Discontinued	\$88	
2012	\$0.86/\$0.86	\$355,935	\$1.70	\$0.12	\$500,000	\$1.75	\$275,600	\$1.75	\$290,000	\$0.28	\$0.54	\$307,000	Discontinued	\$88	
2013	\$0.86/\$0.86	\$370,055	\$1.76	\$0.12	\$515,250	\$1.75	\$290,900	\$1.75	\$295,500	\$0.28	\$0.54	\$307,000	Discontinued	\$88	
2014	\$0.95/\$0.95	\$373,265	\$1.99	\$0.12	\$515,250	\$1.75	\$315,050	\$1.75	\$310,600	\$0.29	\$0.62	\$307,000	Discontinued	\$88	

Note:

(1) mgd is million gallons per day

(2) Actual subscribed capacity number converted to mgd

Source: UTRWD Annual Operating and Capita Budgets

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 5 - PRINCIPAL REVENUE PAYERS
CURRENT YEAR AND NINE YEARS PRIOR

REGIONAL TREATED WATER SYSTEM

Payer	2014		2005	
	Water Revenue Received	Percentage of Total Water Revenue	Water Revenue Received	Percentage of Total Water Revenue
Town of Flower Mound	\$ 13,900,785	40.25%	\$ 8,505,481	43.45%
City of Corinth	3,719,933	10.77%	2,561,950	13.09%
Highland Village	1,929,733	5.59%	1,263,412	6.45%
Lake Cities Municipal Authority	1,884,595	5.46%	1,202,514	6.14%
DCFWS#7 (1)	1,638,557	4.74%	891,701	4.55%
DCFWS#1A (1)	1,598,667	4.63%	877,990	4.48%
Mustang Special Utility District	1,363,554	3.95%	815,358	4.16%
DCFWS#1 (1)	1,320,384	3.82%	557,276	2.85%
City of Celina	1,194,498	3.46%	525,782	2.69%
DCFWS#10 (1)	1,143,033	3.31%	473,764	2.42%
Total attributable to ten largest payers:	\$ 29,693,739	85.99%	\$ 17,675,228	90.29%
Total Water Revenue	\$ 34,533,041	100.00%	\$ 19,576,829	100.00%

LAKEVIEW REGIONAL WATER RECLAMATION SYSTEM

Payer	2014		2005	
	Lakeview Revenue Received	Percentage of Total Lakeview Revenue	Lakeview Revenue Received	Percentage of Total Lakeview Revenue
Highland Village	\$ 1,983,420	31.17%	\$ 1,466,809	38.87%
City of Corinth	1,846,383	29.02%	886,245	23.49%
DCFWS#7 (1)	1,298,092	20.40%	884,846	23.45%
Lake Cities Municipal Authority	1,168,001	18.36%	495,003	13.12%
Town of Bartonville	31,079	0.49%	22,219	0.59%
Town of Double Oak	21,556	0.34%	13,125	0.35%
Total attributable to six largest payers:	\$ 6,348,531	99.78%	\$ 3,768,247	99.86%
Total Lakeview Revenue	\$ 6,362,259	100.00%	\$ 3,773,646	100.00%

Note: (1) DCFWSD is Denton County Fresh Water Supply District

Source: UTRWD Business Department

(Continued)

UPPER TRINITY REGIONAL WATER DISTRICT
 SCHEDULE 5 - PRINCIPAL REVENUE PAYERS
 CURRENT YEAR AND NINE YEARS PRIOR
 NORTHEAST REGIONAL WATER RECLAMATION SYSTEM

Payer	2014			Percentage of Total	Payer	2005			Percentage of Total
	Riverbank/ Doe Branch	Permisula	Total			Riverbank/ Doe Branch	Permisula	Total	
Providence Village	\$ 526,730	\$ -	\$ 526,730	22.32%	Providence Village	\$ 133,730	\$ -	\$ 133,730	22.97%
Mustang Special Utility District	79,738	369,312	449,050	19.03%	Oak Point	94,523	94,523	16.24%	16.03%
DCFWSD#10 (1)	384,951	-	384,951	16.31%	Cross Oak Ranch	93,342	93,342	15.12%	15.12%
DCFWSD#8 (1)	365,597	-	365,597	15.49%	DCFWSD#8 (1)	88,007	88,007	13.85%	13.85%
DCFWSD#11 (1)	335,078	-	335,078	14.20%	DCFWSD#10 (1)	80,864	80,864	9.28%	9.28%
Celina	142,169	-	142,169	6.02%	DCFWSD#11 (1)	54,000	54,000	5.74%	5.74%
Oak Point	49,308	103,754	153,062	4.40%	Lincoln Park	33,442	33,442	0.77%	0.77%
Lincoln Park	49,308	-	49,308	2.09%	Mustang Special Utility District	4,500	4,500	0.77%	0.77%
Prosper	236	-	236	0.01%					
Total attributable to nine largest payers:	\$ 1,853,797	\$ 473,068	\$ 2,326,865	98.85%	Total attributable to eight largest payers:	\$ 389,843	\$ 192,365	\$ 582,208	100.00%
Total Northeast Revenue	\$ 1,887,092	\$ 473,110	\$ 2,360,202	100.00%	Total Northeast Revenue	\$ 389,843	\$ 192,365	\$ 582,208	100.00%

Note (1) DCFWSD is Denton County Fresh Water Supply District

Source: UTRWD Business Department

(Continued)

UPPER TRINITY REGIONAL WATER DISTRICT
 SCHEDULE 6 - RATIO OF REVENUE BOND AND STATE PARTICIPATION DEBT SERVICE TO TOTAL EXPENSES
 LAST TEN FISCAL YEARS

	2014		2013		2012		2011		2010		2009		2008		2007		2006		2005	
Principal Interest	\$ 11,007,204	\$ 12,665,000	\$ 10,340,000	\$ 10,125,000	\$ 7,075,000	\$ 6,805,000	\$ 6,450,000	\$ 5,725,000	\$ 5,330,000	\$ 4,565,000	\$ 4,565,000	\$ 4,565,000	\$ 4,565,000	\$ 4,565,000	\$ 4,565,000	\$ 4,565,000	\$ 4,565,000	\$ 4,565,000	\$ 4,565,000	\$ 4,565,000
Total Debt Service	\$ 24,152,204	\$ 22,197,511	\$ 20,788,765	\$ 23,562,715	\$ 21,166,744	\$ 20,162,454	\$ 20,151,155	\$ 19,112,525	\$ 15,181,321	\$ 14,945,672	\$ 14,945,672	\$ 14,945,672	\$ 14,945,672	\$ 14,945,672	\$ 14,945,672	\$ 14,945,672	\$ 14,945,672	\$ 14,945,672	\$ 14,945,672	\$ 14,945,672
Total Expenses	\$ 41,200,344	\$ 37,642,512	\$ 36,337,373	\$ 38,348,484	\$ 38,284,917	\$ 35,131,363	\$ 33,888,301	\$ 33,603,405	\$ 30,157,990	\$ 21,677,259	\$ 21,677,259	\$ 21,677,259	\$ 21,677,259	\$ 21,677,259	\$ 21,677,259	\$ 21,677,259	\$ 21,677,259	\$ 21,677,259	\$ 21,677,259	\$ 21,677,259
Ratio of Debt Service to Total Expenses	58.62%	58.97%	57.21%	61.44%	55.29%	57.99%	59.45%	56.89%	50.34%	67.56%	67.56%	67.56%	67.56%	67.56%	67.56%	67.56%	67.56%	67.56%	67.56%	67.56%

Source: UTRWD Comprehensive Annual Financial Report - Cash Basis from Statement of Cash Flows

SCHEDULE 7 - OUTSTANDING DEBT BY TYPE
 LAST TEN FISCAL YEARS

	2014		2013		2012		2011		2010		2009		2008		2007		2006		2005	
Revenue Bonds	\$ 229,605,000	\$ 228,785,000	\$ 241,450,000	\$ 201,750,000	\$ 178,420,000	\$ 186,010,000	\$ 192,815,000	\$ 188,865,000	\$ 151,580,000	\$ 156,375,000	\$ 156,375,000	\$ 156,375,000	\$ 156,375,000	\$ 156,375,000	\$ 156,375,000	\$ 156,375,000	\$ 156,375,000	\$ 156,375,000	\$ 156,375,000	\$ 156,375,000
Discount Premium	(262,777)	3,051,226																		
State Participation	2,100,000	2,100,000	2,100,000	29,600,000	55,521,165	55,521,165	55,521,165	55,521,165	55,521,165	55,521,165	55,521,165	55,521,165	55,521,165	55,521,165	55,521,165	55,521,165	55,521,165	55,521,165	55,521,165	55,521,165
Commercial Paper	37,050,000	31,550,000	23,550,000	36,550,000	33,350,000	22,350,000	19,350,000	19,350,000	19,350,000	19,350,000	19,350,000	19,350,000	19,350,000	19,350,000	19,350,000	19,350,000	19,350,000	19,350,000	19,350,000	19,350,000
Lease Obligation					534	8,450	22,138	22,138	22,138	22,138	22,138	22,138	22,138	22,138	22,138	22,138	22,138	22,138	22,138	22,138
Long-term Water Supply Obligation	5,353,500	5,438,881	5,521,572	5,601,659	5,679,222	5,754,341	5,827,094	5,897,555	5,965,796	5,981,491	5,981,491	5,981,491	5,981,491	5,981,491	5,981,491	5,981,491	5,981,491	5,981,491	5,981,491	5,981,491
Notes Payable	12,710,647	10,663,725	10,890,524	11,088,518	11,212,516	11,391,154	12,110,048	10,584,039	11,158,532	11,412,176	11,412,176	11,412,176	11,412,176	11,412,176	11,412,176	11,412,176	11,412,176	11,412,176	11,412,176	11,412,176
Security Deposit																				
Non-current Accrued Interest (State Participation Related)	793,204	793,204	793,204	8,924,388	11,587,065	13,148,033	14,365,795	15,224,934	15,451	15,451	15,451	15,451	15,451	15,451	15,451	15,451	15,451	15,451	15,451	15,451
	\$ 280,400,800	\$ 279,330,870	\$ 284,305,300	\$ 293,572,543	\$ 295,780,443	\$ 294,180,143	\$ 300,011,240	\$ 295,549,321	\$ 275,480,536	\$ 245,083,815	\$ 245,083,815	\$ 245,083,815	\$ 245,083,815	\$ 245,083,815	\$ 245,083,815	\$ 245,083,815	\$ 245,083,815	\$ 245,083,815	\$ 245,083,815	\$ 245,083,815

Source: UTRWD Comprehensive Annual Financial Report

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 8 - REVENUE BOND COVERAGE BY SYSTEM

REVENUE BOND COVERAGE --REGIONAL TREATED WATER SYSTEM
LAST TEN FISCAL YEARS

FY	Gross Revenues (1) \$	Operating Expenses (2) \$	Net Revenue Available for Debt Service \$	Average Annual Debt Service Requirements			Coverage
				Principal \$	Interest \$	Total \$	
2005	21,204,400	7,726,380	13,478,020	5,157,800	3,355,788	8,513,588	1.58
2006	24,623,940	10,571,754	14,052,186	5,225,000	3,033,295	8,258,295	1.70
2007	24,433,627	9,804,641	14,628,986	6,283,600	3,522,671	9,806,271	1.49
2008	27,644,431	11,629,250	16,015,181	6,772,917	3,418,709	10,191,626	1.57
2009	29,651,163	11,321,220	18,329,943	6,843,043	3,257,512	10,100,555	1.81
2010	30,080,458	11,103,796	18,976,662	6,886,136	3,034,154	9,920,290	1.91
2011	32,789,687	12,397,845	20,391,842	8,189,762	3,229,904	11,419,666	1.79
2012	32,816,364	12,384,461	20,431,903	8,043,800	3,101,817	11,145,617	1.83
2013	33,664,958	12,562,777	21,102,181	7,961,042	2,911,165	10,872,207	1.94
2014	34,803,716	13,050,333	21,753,383	7,889,565	2,589,484	10,479,049	2.08

REVENUE BOND COVERAGE--LAKEVIEW WATER RECLAMATION SYSTEM
LAST TEN FISCAL YEARS

FY	Gross Revenues (1) \$	Operating Expenses (2) \$	Net Revenue Available for Debt Service \$	Average Annual Debt Service Requirements			Coverage
				Principal \$	Interest \$	Total \$	
2005	3,948,039	1,321,163	2,626,876	1,009,600	499,947	1,509,547	1.74
2006	4,061,558	1,447,079	2,614,479	1,006,042	474,034	1,480,076	1.77
2007	4,771,319	1,638,675	3,132,644	1,118,251	489,943	1,608,204	1.95
2008	4,776,030	1,859,840	2,916,190	1,109,545	463,090	1,572,635	1.85
2009	5,127,307	2,048,450	3,078,857	1,097,619	436,086	1,533,705	2.01
2010	6,140,615	2,135,517	4,005,098	1,082,500	409,082	1,491,582	2.69
2011	5,630,539	1,985,235	3,645,304	1,305,000	504,785	1,809,785	2.01
2012 (3)	5,993,625	1,992,195	4,001,430	1,983,889	682,119	2,666,008	1.50
2013	5,985,545	2,379,552	3,605,993	1,965,588	646,794	2,612,382	1.38
2014	6,386,552	2,281,839	4,104,713	1,952,813	579,860	2,532,673	1.62

(1) Gross Revenues include operating revenue, interest and equity fee income

(2) Operating Expenses are exclusive of depreciation/amortization and interest expense

(3) Coverage changed due to increase in bonded debt

Source: UTRWD Comprehensive Annual Financial Report

(Continued)

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 8 - REVENUE BOND COVERAGE BY SYSTEM

REVENUE BOND COVERAGE--NON-POTABLE WATER SYSTEM
LAST TEN FISCAL YEARS

FY	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Average Annual Debt Service Requirements			Coverage
				Principal	Interest	Total	
2005	\$ 313,186	\$ 44,186	\$ 269,000	\$ 199,091	\$ 66,283	\$ 265,374	1.01
2006	358,341	57,034	301,307	203,500	61,891	265,391	1.14
2007	354,987	46,071	308,916	208,333	57,316	265,649	1.16
2008	365,296	67,902	297,394	213,125	52,537	265,662	1.12
2009	343,452	62,658	280,794	217,857	47,558	265,415	1.06
2010	344,452	46,577	297,875	223,333	42,390	265,723	1.12
2011	360,921	67,894	293,027	229,000	37,004	266,004	1.10
2012	339,303	60,003	279,300	235,000	31,388	266,388	1.05
2013	336,144	54,142	282,002	240,000	25,512	265,512	1.06
2014	339,497	60,686	278,811	245,000	19,425	264,425	1.05

REVENUE BOND COVERAGE--RIVERBEND/DOE BRANCH PLANTS OF THE NORTHEAST WATER RECLAMATION SYSTEM
LAST SEVEN FISCAL YEARS
(No Revenue Bonds issued For This System Prior to 2007)

FY	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Average Annual Debt Service Requirements			Coverage
				Principal	Interest	Total	
2007	\$ 1,217,483	\$ 827,488	\$ 389,995	\$ 167,200	\$ 112,991	\$ 280,191	1.39
2008	1,377,982	968,307	409,675	172,917	107,309	280,226	1.46
2009	1,203,006	818,926	384,080	175,870	104,370	280,240	1.37
2010	1,453,201	781,855	671,346	178,864	101,340	280,204	2.40
2011	1,500,822	738,787	762,035	182,143	98,231	280,374	2.72
2012	1,519,658	941,668	577,990	185,250	95,032	280,282	2.06
2013	1,794,612	982,077	722,535	188,684	91,748	280,432	2.58
2014 (3)	1,963,302	1,101,220	862,082	683,750	414,117	1,097,867	0.79

(1) Gross Revenues include operating revenue, interest and equity fee income

(2) Operating Expenses are exclusive of depreciation/amortization and interest expense

(3) Portions of debt service were financed via Capitalized Interest Funds during the year

Source: UTRWD Comprehensive Annual Financial Report

(Concluded)

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 9 - TOP TEN PRINCIPAL EMPLOYERS IN COUNTY SERVED CURRENT YEAR AND NINE YEARS PRIOR

Employer	2014		2005	
	No. of Employees	Rank	No. of Employees	Rank
University of North Texas (UNT)	8,887	1	7,719	1
JP Morgan Chase	4,350	2		
Walmart	3,900	3		
Denton ISD	3,300	4	2,030	6
Peterbilt Motors Co.	2,100	5	1,700	7
Lewisville ISD	2,061	6	4,500	2
Northwest ISD	1,895	7		
Texas Women's University (TWU)	1,787	8		
Denton County	1,582	9	1,461	10
Denton State School	1,500	10		
Frito Lay			2,436	3
American Airlines, Fort Worth			2,381	4
Vista Ridge Mall			2,288	5
Golden Triangle Mall			1,676	8
Horizon Health			1,500	9
Xerox Corporation, Lewisville				

Source: Denton County Budget in Brief