



UPPER TRINITY REGIONAL WATER DISTRICT LEWISVILLE, TEXAS



TREATED WATER

NON-POTABLE WATER

WATER CONSERVATION

LONG-RANGE WATER SUPPLY

WATER RECLAMATION

COLLECTION OF HOUSEHOLD
HAZARDOUS WASTE

WATERSHED PROTECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED SEPTEMBER 30, 2018

Upper Trinity Regional Water District
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UPPER TRINITY REGIONAL WATER DISTRICT

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE

FISCAL YEAR ENDED SEPTEMBER 30, 2018

PREPARED BY THE BUSINESS DEPARTMENT

OF THE

UPPER TRINITY REGIONAL WATER DISTRICT

UPPER TRINITY REGIONAL WATER DISTRICT COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED SEPTEMBER 30, 2018

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February 25, 2019

To the Board of Directors
Upper Trinity Regional Water District

Your Staff is proud to present this Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2018 – reflecting steady progress in achieving the goals of the Upper Trinity Regional Water District (“Upper Trinity” or “District”). Board Members can be proud of their role in setting priorities and providing guidance toward the desired results for this regional enterprise. This CAFR is a good source of useful information about the finances and operations of the District; and, it summarizes the condition of the enterprise and the progress of regional service. As a regional utility system, we provide water and wastewater services on a wholesale basis to cities and utilities in the rapidly growing area on the north side of the Dallas/Fort Worth Metroplex.

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

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

General Information

Structure of the Enterprise

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

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

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

The District is composed of 23 public entities (Members) – including 18 towns and cities, plus Denton County, one utility authority, and three special districts. Each Member entity appoints one Director to the Board of Directors of the District. As an exception, Denton County appoints two Directors – one to represent Denton County “at-large” and one to represent the Denton County Commissioners Court. The Board of Directors appoints an Executive Director who manages the District, its employees, and the services and programs offered. In addition to serving its Members, the District enters into “Customer” contracts for water and wastewater services with non-member cities, non-profit water supply corporations and special districts under similar terms as member entities.

This CAFR covers the various wholesale services provided by the District: raw water supply, treated water service, water reclamation (wastewater treatment) service, non-potable and reclaimed water, and collection of household hazardous waste. In addition, the District has a component unit (Upper Trinity Conservation Trust) for the purpose of promoting watershed protection.

Funding of District Projects

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

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

Mission, Vision, and Goals

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

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

The District's vision is to:

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

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

Development History

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

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

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

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

The District is continuing with its strategic planning activities to achieve an adequate long-range supply of water resources for future needs. At five-year intervals, the Texas Water Development Board prepares an updated Texas Water Plan, a master plan for the State of Texas based on a consolidation of 16 regional plans prepared locally. In 2013, a survey was conducted by the local Regional Planning Group (Region C) of the District's Members and Customers to assist in preparation of the latest Plan. In May 2016, the Texas Water Development Board approved the updated final Plan and submitted it to the Texas Legislature. The approved Plan became the 2017 Texas Water Plan. The Texas Water Plan incorporates and reflects the District's own initiatives and outlines a range of recommended strategies to assure an adequate water supply for the District over the next 50 years. The current 2017 Plan provides for water supply needs through 2060. Efforts are already underway for the next five-year update.

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

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

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

It is important to note that the District currently has water supply resources which are adequate for about 10 to 12 years into the future. The long-range planning activities summarized above reflect the District's efforts to develop adequate sources as needed for the next 50 years.

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

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

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

Services Provided

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

UPPER TRINITY REGIONAL WATER DISTRICT
As of September 30, 2018

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

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

**Participating jointly with Upper Trinity in a water project

Operational Information

Internal Accounting Controls

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

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

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

Budgetary Controls

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

Risk Management

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

Other Information

Submission for Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its CAFR for the most recent fiscal year, through September 30, 2017. This was the District’s eighteenth consecutive Certificate of Achievement award from GFOA. In order to be awarded a Certificate of Achievement, the District must publish an easily readable and efficiently organized CAFR, which conforms to program standards. Each CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

Each Certificate of Achievement applies to a CAFR that presents the financial position and results of operations for one particular year. We believe this year’s CAFR will conform to

Certificate of Achievement Program requirements; and, we will submit it to GFOA for consideration.

In addition, GFOA awarded the Distinguished Budget Presentation Award to the District for the FY 2018 budget year. This was the District's ninth year to submit and to receive this award. The Distinguished Budget Presentation Award encourages and assists state and local governments in preparation of budget documents of the highest quality that reflect both the guidelines established by the National Advisory Council on State and Local Budgeting, and the GFOA's best practices on budgeting. Awards are given by the GFOA to recognize individual governments that succeed in achieving that goal.

The Distinguished Budget Presentation Award is given on annual basis. We believe that the budget submitted for the FY 2018 budget year continues to satisfy the requirements to receive the Award. Therefore, the FY 2018 budget was submitted in November 2017 for consideration.

Acknowledgements

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

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

Respectfully submitted,



Larry N. Patterson, P.E.
Executive Director



William A. Greenleaf
Director of Business Services

UPPER TRINITY REGIONAL WATER DISTRICT

BOARD OF DIRECTORS As of September 30, 2018

<u>Name</u>	<u>Term</u>	<u>Appointing Entity</u>
Kevin Mercer, President	A	Denton County FWSD No. 7
Richard A. Lubke, Vice President	A	City of Highland Village
Ramiro Lopez, Treasurer	B	City of Irving
Mike Fairfield, Secretary	A	Lake Cities Municipal Utility Authority
Troy Norton	B	Town of Argyle
Brian Roberson	A	City of Aubrey
Del Knowler	B	Town of Bartonville
James Burnham	B	City of Celina
Mark Pape	B	Town of Copper Canyon
Cody Collier	B	City of Corinth
Timothy Fisher	B	City of Denton
Johnny D. Harris	A	Denton County
Jean Campbell	B	Denton County At-Large
Kristina Clark	A	Denton County FWSD No. 1-A
Dick Cook	B	Town of Double Oak
Clay Riggs	A	Town of Flower Mound
Virginia L. Blevins	B	City of Justin
Gary Calmes	B	City of Krum
Eric Ferris	B	City of Lewisville
Chris Boyd	A	Mustang Special Utility District
Lyle Dresher	B	Town of Northlake
Alan Guard	A	City of Pilot Point
Mike Anderson	A	Town of Ponder
Frank Jaromin	A	Town of Prosper
Alina Ciocan	A	City of Sanger

A -- Term expires May 31, 2019 and each four years thereafter

B -- Term expires May 31, 2021 and each four years thereafter

UPPER TRINITY REGIONAL WATER DISTRICT

MANAGEMENT OFFICERS

<u>Name</u>	<u>Position and Length of Time in this Position</u>	<u>Length of Employment with Upper Trinity</u>
Larry N. Patterson, P.E.	Executive Director 6 Months	16 Years
William A. Greenleaf	Director of Business Services 13 Years	20 Years
Thomas W. Snyder, P.E.	Director / Engineering & Construction 2 Years	25 Years
D. Jody Zabolio, P.E.	Director / Operations 2 Years	13 Years

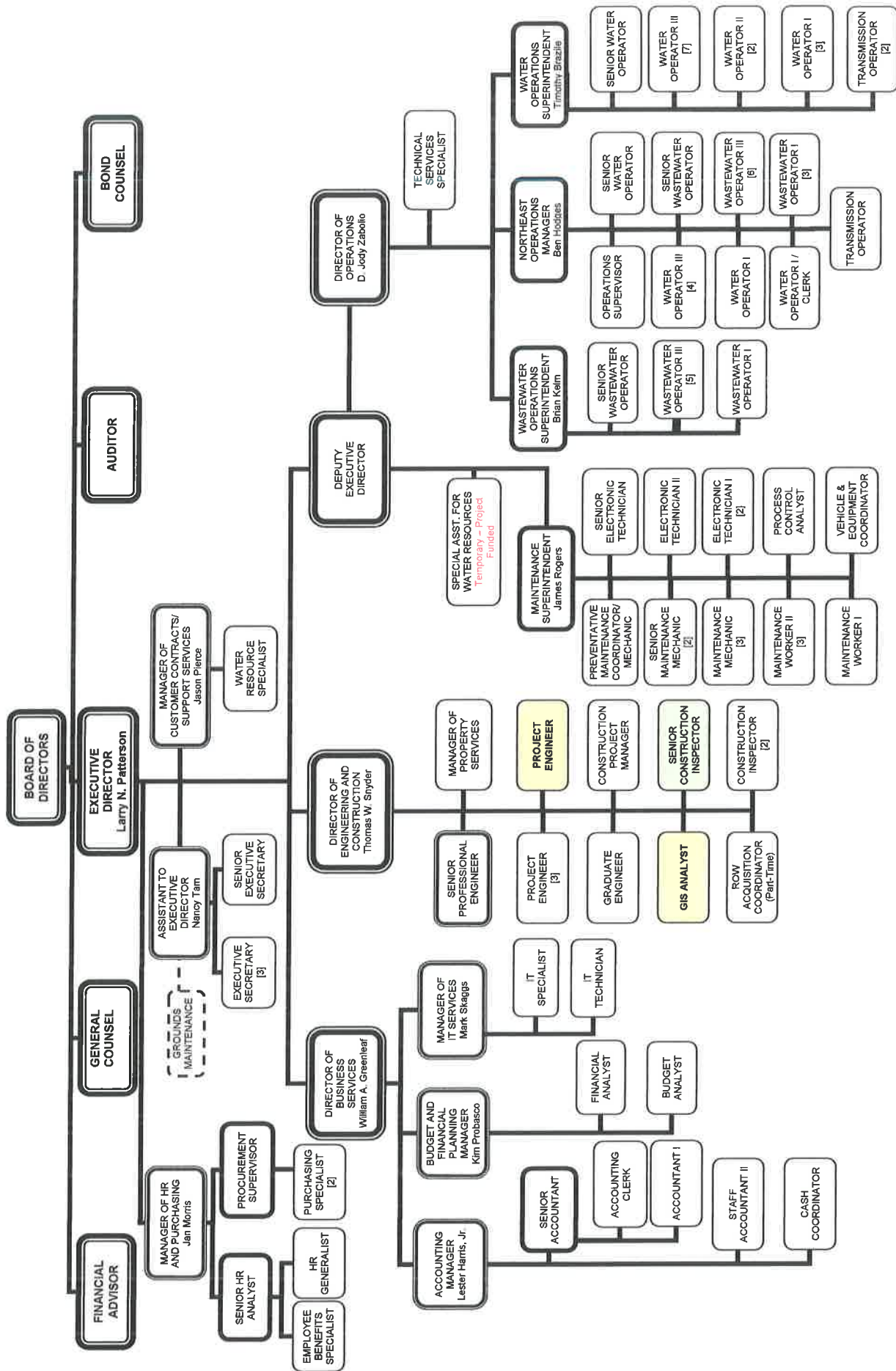
INDEPENDENT AUDITORS Deloitte & Touche LLP Dallas, Texas

GENERAL COUNSEL and CO-BOND COUNSEL Boyle and Lowry LLP Irving, Texas

CO-BOND COUNSEL Bracewell LLP Dallas, Texas

FINANCIAL ADVISOR HilltopSecurities Dallas, Texas

FY 2018 ORGANIZATIONAL CHART



Unfunded for FY 2018, but still authorized. If position is required to be filled during the budget year, the District's Board of Directors can vote to approve funding at the Mid-Year Budget period in April 2018.

New Positions



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Upper Trinity Regional Water District
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morill

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, 2018, 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 the discretely presented component unit of the District, as of September 30, 2018, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis 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 Upper Trinity Regional Water District's basic financial statements. The 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 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 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 25, 2019

UPPER TRINITY REGIONAL WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR ENDED SEPTEMBER 30, 2018 (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, 2018.

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 2018 was over \$135 million, an increase of approximately 12% for the year. The increase was largely due to:
 - Vigilance of the Board and Staff in controlling costs.
 - Taking advantage of available low-cost capital financing.
 - A steady commitment to funding reserve accounts.
- Favorable interest rates remained through FY 2018. Use of Commercial Paper for capital improvements in the Regional Treated Water System saved substantial money. Interest rates on Commercial Paper ranged from a low of 0.84% to a high of 1.80%.
- Total capital asset additions were nearly \$31 million, of which over \$20 million was for the Northeast Regional Water Reclamation System and nearly \$10 million was for the Regional Treated Water 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.

The *Statements of Net Position* presents information on all District assets, deferred outflows, and liabilities, with the difference between assets, deferred outflows, and liabilities being 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 *Statements 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. Year-end assets and deferred outflows exceeded liabilities by over \$135 million—an approximate increase of 12% in net position compared with fiscal year 2017. As noted on page 1, the increase was due to controlling costs, use of low-cost capital financing and a commitment to fund the District's reserves.

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 Water Implementation Fund for Texas (SWIFT) *Board Participation Program*. Board Participation funds were received for the purpose of acquiring land and for other aspects of the Lake Ralph Hall Project, a key component of the Regional Treated Water System. Board Participation funds allow for added flexibility -- with repayment to occur more closely to the time when Lake Ralph Hall is completed and being used. As a result, there is little cost to the current customer of using Board Participation funds.

Similar to the structure of the *Board Participation Program* is the *State Participation Program* of the TWDB. 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 what the cost would be 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 both the Board Participation and State Participation Programs 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. Board Participation and the remaining State Participation are 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 the previously discussed Board Participation and State Participation financing. Other sources including Commercial Paper financing, Participant Advance Funding and other SWIFT programs such as the *Deferred Interest Program* all serve as integral components of the District's financial strategy. This strategy enables the District to plan most effectively for future growth needs by not 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 \$14,858,110 is *Restricted for Debt Service*, and \$2,490,216 is *Restricted Contributions 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, 2018
(With Comparative Totals As Of September 30, 2017)

	FY 2018	FY 2017
ASSETS:		
Current and other assets	\$ 129,253,800	\$ 147,077,655
Capital assets	<u>354,175,476</u>	<u>333,880,524</u>
Total assets	<u>483,429,276</u>	<u>480,958,179</u>
DEFERRED OUTFLOW OF RESOURCES:		
Loss on debt refunding	<u>1,495,296</u>	<u>1,880,561</u>
Total deferred outflows of resources	<u>1,495,296</u>	<u>1,880,561</u>
LIABILITIES:		
Current and other liabilities	27,874,634	28,113,375
Long-term liabilities outstanding	<u>322,016,928</u>	<u>333,847,880</u>
Total liabilities	<u>349,891,562</u>	<u>361,961,255</u>
NET POSITION:		
Net investment in capital assets	74,161,525	58,301,439
Restricted:		
For debt service	14,858,110	18,878,672
Contributions for capital improvements	2,490,216	9,484,921
Unrestricted	<u>43,523,159</u>	<u>34,212,453</u>
Total net position	<u>\$ 135,033,010</u>	<u>\$ 120,877,485</u>

**Upper Trinity Regional Water District's Condensed Schedule of Revenues,
Expenses and Changes in Net Position
For the Year Ended September 30, 2018
(With Comparative Totals for Year Ended September 30, 2017)**

	FY 2018	FY 2017
OPERATING REVENUES		
Charges for Services	\$ 57,974,584	\$ 53,749,737
Miscellaneous Income	<u>267,512</u>	<u>268,747</u>
Total Operating Revenue	<u>58,242,096</u>	<u>54,018,484</u>
OPERATING EXPENSES:		
Operation and maintenance	22,168,276	17,725,248
Depreciation and amortization	11,272,242	9,409,453
Administrative expenses	<u>3,857,121</u>	<u>3,400,843</u>
Total operating expenses	<u>37,297,639</u>	<u>30,535,544</u>
OPERATING INCOME	<u>20,944,457</u>	<u>23,482,940</u>
NON-OPERATING REVENUES/(EXPENSES)		
Investment income/(loss)	(10,371)	(1,351)
Interest income	1,975,577	958,805
Interest and fiscal charges	(9,264,625)	(7,919,151)
Other non-operating revenue	1,035,663	150,620
Other non-operating expense	(1,442,633)	
Gain/(loss) on disposal of capital assets	<u>(204,539)</u>	<u>(63,694)</u>
Total non-operating revenues/(expenses)	<u>(7,910,928)</u>	<u>(6,874,771)</u>
INCOME BEFORE CONTRIBUTIONS	13,033,529	16,608,169
CONTRIBUTIONS	<u>1,121,996</u>	<u>1,127,278</u>
CHANGE IN NET POSITION	14,155,525	17,735,447
TOTAL NET POSITION—beginning of year	<u>120,877,485</u>	<u>103,142,038</u>
TOTAL NET POSITION—end of year	<u>\$ 135,033,010</u>	<u>\$ 120,877,485</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

The District's total capital assets as of September 30, 2018, were \$354,175,476 (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 2018, the most significant additions to capital assets were for the Northeast Regional Water Reclamation System and the Regional Treated Water System -- which increased by approximately \$20 million and \$10 million, respectively. The investments in capital assets for the Northeast

Regional Water Reclamation System were largely related to the expansion of the Riverbend Plant. In the Regional Treated Water System, capital asset investments included on-going planning, regulatory permitting and land purchases for the Lake Ralph Hall Water Supply Project and various other capital improvement projects.

Upper Trinity Regional Water District's Capital Assets
(Net of accumulated depreciation)
As of September 30, 2018
(With Comparative Totals As Of September 30, 2017)

	FY 2018	FY 2017
Land	\$ 13,857,688	\$ 13,835,416
Furniture and Equipment	2,695,835	1,956,048
Plant/Pipeline Facilities	236,996,563	235,282,731
Water Rights	6,162,551	6,338,624
Reservoirs	1,182,880	1,214,008
Construction in progress:		
Land - General purpose	1,735,201	999,564
Reservoir land	22,303,201	19,423,487
Other construction costs	<u>69,241,557</u>	<u>54,830,646</u>
 Total	 <u>\$ 354,175,476</u>	 <u>\$ 333,880,524</u>

Debt Administration

As mentioned earlier, over a period of years, the District received significant funding from the Texas Water Development Board (TWDB) *State Participation Program* for equity participation in construction of extra capacity in water and wastewater regional systems to meet future growth needs, reaching a peak of approximately \$55.5 million. Taking advantage of low-interest opportunities, the District has 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 under the State Participation program, plus non-current accrued interest remaining to be reimbursed when timely, was approximately \$2.44 million at fiscal year-end.

Early in FY 2016 the District received \$15.565 million from a TWDB program that is essentially the same in structure and nature as the State Participation Program – the *Board Participation Program*. Board Participation funding is part of the State Water Infrastructure Fund for Texas (SWIFT) Program of the TWDB that is specifically designed to assist for future water needs. Board Participation funding is being used for land purchases and other associated costs of the Lake Ralph Hall Project in the Regional Treated Water System. The State's equity ownership under the Board Participation program, plus non-current accrued interest remaining to be reimbursed when timely, was approximately \$17.30 million at fiscal year-end.

During FY 2016, the District also acquired \$29,115,000 as part of the SWIFT *Deferred Interest Program*. Under Deferred Interest, the District pays no principal or interest until construction is completed for Lake Ralph Hall or FY 2024, whichever is earlier. Also during that period, interest is not accrued. This funding source is being used for various planning costs associated with Lake

Ralph Hall. The District classifies Deferred Interest funding as “Revenue Bonds” for financial reporting purposes.

During FY 2008, the District also received project funding for its Lake Ralph Hall Project from the TWDB *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. Like Deferred Interest, the WIF-10 funds are classified as “Revenue Bonds” for financial reporting purposes.

Further, the total of outstanding debt (including both State Participation and Board Participation) and other long-term liabilities is approximately \$330.1 million. Of this total, 73% is for the Regional Treated Water System; 19% is for the Northeast Regional Water Reclamation System (Riverbend and Doe Branch Plants); and, the remaining 8% is for the Lakeview Water Reclamation System and the Peninsula Water Reclamation Plant.

**Upper Trinity Regional Water District's Outstanding Debt
As of September 30, 2018
(With Comparative Totals As Of September 30, 2017)**

	FY 2018	FY 2017
Revenue Bonds	\$ 267,065,000	\$ 285,060,000
State/Board Participation Debt	17,665,000	17,665,000
Commercial Paper	27,350,000	19,950,000
Water Supply Obligations	4,983,282	5,080,327
Notes Payable	10,965,097	11,260,297
State Participation Accrued Interest	<u>2,078,027</u>	<u>1,586,489</u>
 Total	 <u>\$ 330,106,406</u>	 <u>\$ 340,602,113</u>

As of September 30, 2018, the District's revenue bonds were rated as follows:

	Moody's Investors	Standard & Poor's
Regional Treated Water System	A2	A+
Lakeview Regional Water Reclamation System	A2	A+
Northeast Regional Water Reclamation System	A3	A+
Peninsula Water Reclamation Plant	n/a	AA-

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

On March 1, 2018, the Board of Directors appointed Larry N. Patterson as Executive Director. Mr. Patterson is a Licensed Professional Civil Engineer with the State of Texas with over 45 years of experience in the water/wastewater utility industry – over 29 years in the Dallas Water Utilities

Department and 16 years with the District. Mr. Patterson also served for 30 years in the Texas Army National Guard, ending his military career with the rank of Brigadier General. With Mr. Patterson's vast amount of industry experience and demonstrated leadership performance, the District's top management remains well-prepared to meet future challenges.

In FY 2018, the Board of Directors also 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 2018 represented the fourteenth consecutive year that the District has achieved an increase in total Net Position, with an increase of 12% for this fiscal year.

During FY 2018, the national economy was improving, but continued to have a moderating effect on growth and development in the District's service area as a whole. Accordingly, the District will continue 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, although improving, continues to be in a recovery mode.

With continued growth in the District's service area, capital planning continued at a steady pace. Accordingly, the District proceeded with key capital projects: (1) acquisition of land and permitting for the important future water supply source in Lake Ralph Hall; (2) projects to improve efficiency and service in the Regional Treated Water System; and (3) expansion of the Riverbend Plant in the Northeast Regional Water Reclamation System.

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 is expected 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 2018, the Board of Directors approved new rates and charges for Fiscal Year 2019:

- Lakeview Regional Water Reclamation System. The average increase for various fees and charges was 1.25%.
- Northeast Regional Reclamation System. The average increase for various fees and charges was 1.50%.
- Peninsula Water Reclamation Plant. The average increase for various fees and charges was 7.39%.
- Regional Treated Water System. Combined, the blended rate increase for the fixed "Demand" components and the variable "Volume" components averaged 1.50%.

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.

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

STATEMENTS OF NET POSITION

September 30, 2018

	UTRWD	Component Unit
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$ 43,971,924	\$ 60,890
Investments	3,992,037	
Accounts receivable from customers	9,678,573	
Interest receivable	57,236	
Other current assets	81,527	
Restricted assets:		
Cash and cash equivalents	1,250,629	
Total current assets	59,031,926	60,890
Non-current assets:		
Contractual agreements receivable	2,052,504	
Restricted assets:		
Cash and cash equivalents	38,043,103	
Cash held in escrow	28,153,784	
Investments	1,972,483	
Non-depreciable capital assets	107,137,647	
Depreciable capital assets - net	247,037,829	
Total non-current assets	424,397,350	-
TOTAL ASSETS	483,429,276	60,890
DEFERRED OUTFLOW OF RESOURCES:		
Loss on debt refunding	1,495,296	
TOTAL DEFERRED OUTFLOW OF RESOURCES	1,495,296	-
LIABILITIES:		
Current liabilities:		
Accounts payable	6,733,509	9,238
Unearned revenue	380,996	
Accrued wages and benefits	765,346	
Other current liabilities	19,756	
Payable from restricted assets:		
Accrued interest payable	1,681,994	
Construction retainage payable	1,435,516	
Current portion of long-term bonds	16,330,000	
Current portion of water supply obligation	100,202	
Current portion of long-term accrued interest	113,315	
Unpaid self-insurance claims	314,000	
Total current liabilities	27,874,634	9,238
Non-current liabilities:		
Long-term bonds	258,377,338	
Long-term board /state participation debt	17,665,000	
Commercial paper payable	27,350,000	
Long-term water supply obligation	4,883,080	
Long-term accrued compensated absences	811,701	
Notes payable	10,965,097	
Long-term accrued interest	1,964,712	
Total non-current liabilities	322,016,928	-
TOTAL LIABILITIES	349,891,562	9,238
NET POSITION		
Net investment in capital assets	74,161,525	
Restricted:		
For debt service	14,858,110	
Contributions for capital improvements	2,490,216	
Unrestricted	43,523,159	51,652
Total net position	\$ 135,033,010	\$ 51,652

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, 2018

	UTRWD	Component Unit
OPERATING REVENUES:		
Charges for services	\$ 57,974,584	\$ 4,225
Miscellaneous income	267,512	
Total operating revenues	58,242,096	4,225
OPERATING EXPENSES:		
Operation and maintenance:		
Salaries and benefits	4,771,504	14,970
Water and wastewater treatment	10,885,377	
Lab chemicals and supplies	1,665,981	
Maintenance materials service	1,399,284	
Utilities	2,594,487	
Equipment and tools	36,083	
Sludge removal	512,072	
Disposal service	14,862	
Miscellaneous	288,626	
Depreciation and amortization	11,272,242	
Overhead expenses	3,134,670	
Administrative/other	722,451	9,185
Total operating expenses	37,297,639	24,155
OPERATING INCOME (LOSS)	20,944,457	(19,930)
Non-operating revenues (expenses):		
Operating contribution from UTRWD		25,000
Investment loss	(10,371)	
Interest income	1,975,577	36
Interest and fiscal charges	(9,264,625)	
Other non-operating revenue	1,035,663	
Other non-operating expense	(1,442,633)	
Loss on disposal of capital assets	(204,539)	
Net non-operating revenues (expense)	(7,910,928)	25,036
INCOME BEFORE CONTRIBUTIONS	13,033,529	5,106
CONTRIBUTIONS	1,121,996	
CHANGE IN NET POSITION	14,155,525	5,106
TOTAL NET POSITION - beginning of year	120,877,485	46,546
TOTAL NET POSITION - end of year	\$ 135,033,010	\$ 51,652

See notes to financial statements

UPPER TRINITY REGIONAL WATER DISTRICT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED SEPTEMBER 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 58,681,767
Cash paid to vendors	(20,772,382)
Cash paid to employees	(6,945,696)

Net cash provided by operating activities	30,963,689
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital asset additions	(30,864,799)
Contributions received	1,121,996
Bond principal payments	(17,995,000)
Water supply obligation	(97,045)
Commercial paper proceeds	103,400,000
Commercial paper payments	(96,000,000)
Notes payable payments	(295,200)
Payment of interest and related fees	(10,531,329)
Payment of long-term accrued interest	(113,315)

Net cash used in capital and related financing activities	(51,374,692)
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CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income	1,662,693
Purchase of investments	(28,738,409)
Maturity of investments	39,000,000

Net cash provided by investing activities	11,924,283
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Decrease in cash and cash equivalents	(8,486,720)
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Cash and cash equivalents, beginning of year	119,906,160
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Cash and cash equivalents, end of year	\$ 111,419,440
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(Continued)

UPPER TRINITY REGIONAL WATER DISTRICT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED SEPTEMBER 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating income	\$ 20,944,457
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation and amortization	11,272,242
Change in accounts receivable	(595,992)
Change in accounts payable	(755,748)
Change in unearned revenue	(103,505)
Change in accrued wages and benefits	228,186
Change in other current assets	(25,951)
Total adjustments	10,019,232

NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 30,963,689
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NON-CASH ITEM:

Change in fair value of investments	\$ 256,331
Capitalized interest	1,030,036
Amortization of bond discount	(3,367)
Amortization of bond refunding loss	(385,267)
Amortization of bond premium	1,196,325
Accounts payable relating to construction	(1,523,957)

See notes to financial statements.	(Concluded)
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UPPER TRINITY REGIONAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2018

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 19 customers in Denton County. The total subscribed capacity for RTWS' customers is 73.32 million gallons per day (mgd). Flower Mound is the RTWS'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 (NERWRS) is composed of the Riverbend and Doe Branch Plants. Riverbend currently provides wastewater treatment service to Mustang Special Utility District (MSUD), Providence Village, and DCFWS's #8A, #10, and #11. The Doe Branch

Plant provides wastewater treatment services to Celina, Prosper, MSUD and DCFWSD #10. The combined contracted capacities for the two plants are 4.05 mgd.

The Peninsula plant is also located in Northeast Denton County and became operational in 2003. The Peninsula plant serves Mustang SUD. Peninsula has a contracted capacity of .94 mgd.

The other sub funds 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 established in June 2010. The purpose of the UTCT is to receive, acquire, invest and maintain financial, 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 a business type activity, as it charges fees for services to users. The UTCT does not issue 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, deferred outflows, and liabilities, with the difference between the two reported as net position.

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 capital 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 capital 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. Escrow funds are held in UTRWD's name but are restricted for construction. 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	\$ 1,250,629
Total Current Restricted Cash and Cash Equivalents	<u>1,250,629</u>
<u>Non-current Restricted Cash and Cash Equivalents</u>	
Interest and Sinking Reserve	2,167,161
Debt Service Reserve	14,478,487
Construction Funds	13,327,253
Dfund cash held in escrow	1,517,422
Board Participation cash	744,030
Board Participation cash held in escrow	6,665,876
State Water Infrastructure Fund for Texas (SWIFT) - cash	7,326,172
State Water Infrastructure Fund for Texas (SWIFT) - escrow	19,970,486
Total Non-current Restricted Cash and Cash Equivalents	<u>66,196,887</u>
Total Restricted Cash and Cash Equivalents	<u>\$ 67,447,516</u>

- F. **Capital Assets** — Capital assets are recorded at historical cost. In the case of gifts or contributions, such assets are recorded at their acquisition 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 \$585,844 is included in accrued wages and benefits.

As of September 30, 2018, liabilities relating to accrued vacation and sick leave have been recorded as shown:

	Sick Leave	Vacation
Beginning of fiscal year	\$ 763,679	\$ 523,065
Decrease	(242,340)	(375,087)
Increase	299,988	428,239
End of fiscal year	<u>\$ 821,327</u>	<u>\$ 576,217</u>

The District does not provide post-employment benefits that meet the definition of GASB Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* that became effective for the District in FY2018.

- H. **Net Position** – Net position on the Statements 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 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 District as a whole.

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 restricted for capital improvements.

Unrestricted – the difference between the assets, deferred outflows, and liabilities that is not reported in Net Investment in Capital Assets and Restricted Net Position.

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, 2018, the District's cash and cash equivalents included deposits with carrying amount of \$3,652,559 for the District and \$60,790 for the UTCT. The bank balance as of September 30, 2018 was \$5,208,572 for the District and \$60,790 for the UTCT. Both bank balances at September 30, 2018, 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, 2018, the District had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. Treasury Notes	\$ 5,964,520	0.4301

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 (Texas Public Funds Investment Act).

Interest Rate Risk — In accordance with the District's Board approved investment policy and with Chapter 2256, Texas Government Code (Texas Public Funds Investment Act), 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 — In accordance with the District's Board approved investment policy and with Chapter 2256, Texas Government Code (Texas Public Funds Investment Act), the District's investments in public funds investment pools include investments with TexPool. As of September 30, 2018, TexPool was rated as an AAA 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, 2018, the District's investment in TexPool was \$79,613,098.

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.

The District recognizes the net unrealized gain/loss on investments as investment income/loss.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market based measurement, not an entity specific measurement.

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels. These three levels are as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities in active markets that a government can access at the measurement date. An active market for the asset or liability is a market in which transactions for an asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Accordingly, a quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. If an asset or liability has a specified term to maturity, then to qualify for Level 2 designation, an input must be observable for substantially the full term to maturity of the asset or liability.

Level 2 inputs include the following: (a) Quoted prices for similar assets or liabilities in active markets; (b) Quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers (for example, some brokered markets), or in which little information is released publicly (for example, a principal-to-principal market); (c) Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, implied volatilities, prepayment speeds, loss severities, credit risks, and default rates); (d) Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market--corroborated inputs).

Level 3- Inputs that are unobservable for an asset or liability.

U.S. Treasury Notes

The District holds investments in U.S. Treasury Notes, which are categorized based on trade activity. As they have little to no recent trade activity, they are categorized as Level 2. They are valued using benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing and has a fair value as of September 30, 2018 of \$5,964,520.

TexPool

The \$79,613,098 of District's investments in Texpool is in a public funds investment pool which measures its investments at amortized cost in accordance with GASB Statement 79. The District has accordingly measured its investments in Texpool at amortized cost and as such, they are not subject to the fair value hierarchy categorization.

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 Water Supply Corporation (WSC). The amount of \$2,815,242 represents the principal and interest to be paid by these entities, of which \$762,738 is 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 are expected to 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. 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, 2018:

	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets not being depreciated:					
Land	\$ 13,835,416		\$ (24,238)	\$ 46,510	\$ 13,857,688
Construction in progress:					
Land - General purpose	999,564	735,637			1,735,201
Reservoir land	19,423,487	2,879,714			22,303,201
Other construction costs	54,830,646	29,075,167	(150,403)	(14,513,853)	69,241,557
	<u>89,089,113</u>	<u>32,690,518</u>	<u>(174,641)</u>	<u>(14,467,343)</u>	<u>107,137,647</u>
Total capital assets not being depreciated					
Capital assets that are being depreciated:					
Plant/pipeline facilities	361,889,352	149,674	(2,825,722)	14,467,343	373,680,647
Water rights	8,801,511				8,801,511
Reservoirs	1,556,416				1,556,416
Furniture and equipment	4,471,772	1,147,652	(107,976)		5,511,448
	<u>376,719,050</u>	<u>1,297,326</u>	<u>(2,933,698)</u>	<u>14,467,343</u>	<u>389,550,022</u>
Total depreciable capital assets — net					
Less accumulated depreciation for:					
Plant/pipeline facilities	126,606,621	10,691,478	(614,015)		136,684,084
Water rights	2,462,887	176,073			2,638,960
Reservoirs	342,408	31,128			373,536
Furniture and equipment	2,515,724	373,563	(73,674)		2,815,613
	<u>131,927,640</u>	<u>11,272,242</u>	<u>(687,689)</u>		<u>142,512,193</u>
Total depreciable capital assets — net	<u>244,791,410</u>	<u>(9,974,916)</u>	<u>(2,246,009)</u>	<u>14,467,343</u>	<u>247,037,829</u>
Capital assets — net	<u>\$ 333,880,524</u>	<u>\$ 22,715,602</u>	<u>\$ (2,420,650)</u>	<u>\$</u>	<u>\$ 354,175,476</u>

For the year ended September 30, 2018, the total amount of interest cost incurred was \$10,294,661. Capitalized interest of approximately \$1,030,036 was added to construction in progress.

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

Long-term debt of the District at September 30, 2018 includes bonded indebtedness consisting of revenue bonds payable, State and Board 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 with the Texas Water Development Board (TWDB) on February 20, 2002 related to the Northeast Water Reclamation System and received \$2,325,000 of State Participation funding. The funding was for improvements to pump stations and transmission and distribution pipelines.

On October 1, 2015, the District entered into another master agreement related to the Regional Treated Water System and received \$15,565,000 of Board Participation funding as part of the SWIFT Program of the TWDB. The funding is for land purchases and associated costs related to the Lake Ralph Hall Project.

Under the master agreements regarding State Participation and Board 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 \$2,078,027 in long-term accrued interest as of September 30, 2018.

In addition to the Board Participation funding for Lake Ralph Hall, the District received \$29,115,000 of Deferred Interest funding for Lake Ralph Hall as part of the SWIFT Program. Under this program, the District pays no principal or interest until FY 2024. During that period, interest is also not accrued. The District classifies Deferred Interest funding as revenue bonds for financial reporting purposes.

Previous funding specifically for Lake Ralph Hall also includes Water Infrastructure Funding (WIF-10) from the TWDB. In FY 2008, the District received \$10,400,000 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.

When the District issues revenue refunding bonds, the proceeds are 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, 2018, none of the defeased bonds are still outstanding.

During fiscal year 2018, 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.

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 December 31, 2019 (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 2018, the annual interest rate for Commercial Paper ranged from .84% to 1.80%.

During the year ended September 30, 2018, 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 RTWS. As of year-end there was no balance owed by the District on the LOC.

If market condition provide favorable interest rates for long-term debt, the District may refund a part or all of the Commercial Paper outstanding at any point in the future. In FY 2017, such conditions allowed the District to refund \$18,000,000 of Commercial Paper with revenue refunding bonds. The outstanding principal balance of the Commercial Paper program as of September 30, 2018 was \$27,350,000.

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 \$4,983,282. See note 7 for further explanation of this obligation.

The District had a remaining balance of \$10,965,097 of Notes Payable as of September 30, 2018. 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. The notes payable are reduced by 90% of the permit fees received by the District from the Denton County Fresh Water Supply Districts.

Total activity for notes payable, long-term debt and other liabilities for the year ended September 30, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 285,060,000	\$ -	\$ (17,995,000)	\$ 267,065,000	\$ 16,330,000
Board/State participation	17,665,000			17,665,000	
Discount	(32,238)		3,367	(28,871)	
Premium	8,867,534	-	(1,196,325)	7,671,209	
Revenue bonds and board / state participation debt	<u>311,560,296</u>	<u>-</u>	<u>(19,187,958)</u>	<u>292,372,338</u>	<u>16,330,000</u>
Commercial paper	19,950,000	103,400,000	(96,000,000)	27,350,000	
Water supply obligation	5,080,327		(97,045)	4,983,282	100,202
Notes payable	11,260,297		(295,200)	10,965,097	
Non-current accrued interest	<u>1,586,489</u>	<u>604,853</u>	<u>(113,315)</u>	<u>2,078,027</u>	<u>113,315</u>
Other long-term liabilities	<u>37,877,113</u>	<u>104,004,853</u>	<u>(96,505,560)</u>	<u>45,376,406</u>	<u>213,517</u>
Total notes payable, long-term debt and other liabilities	<u>\$ 349,437,409</u>	<u>\$ 104,004,853</u>	<u>\$ (115,693,518)</u>	<u>\$ 337,748,744</u>	<u>\$ 16,543,517</u>

The following is a detailed listing of the long-term debt of the District as of September 30, 2018:

Series	Amount	Final Maturity	Interest Rates
Regional treated water system:			
Revenue bonds:			
Series 2008 (WIF-10)	\$ 9,355,000	2027	2.01-2.83%
Series 2010 (refunding)	3,010,000	2026	2.00-4.35%
Series 2010A	15,035,000	2025	2.00-4.00%
Series 2012 (refunding)	9,710,000	2029	2.00-3.75%
Series 2012A (refunding)	30,155,000	2037	2.00-5.00%
Series 2013 (refunding)	14,180,000	2030	3.11%
Series 2015 (refunding)	36,915,000	2044	2.00-5.00%
Series 2015A (SWIFT)	29,115,000	2045	2.14-4.11%
Series 2016 (refunding)	26,160,000	2032	2.00-5.00%
Series 2017 (refunding)	17,690,000	2047	2.00-4.00%
Lakeview water reclamation system:			
Revenue bonds:			
Series 2006 (refunding)	1,470,000	2027	4.00-4.25%
Series 2011	3,430,000	2030	3.00-5.00%
Series 2012 (refunding)	3,365,000	2028	2.00-4.00%
Series 2012A (refunding)	11,775,000	2028	2.00-5.00%
Series 2014 (refunding)	2,405,000	2030	2.00-3.50%
Series 2015	3,170,000	2035	2.00-4.00%
Northeast water reclamation system:			
Revenue bonds:			
Series 2007	2,895,000	2032	3.70-4.38%
Series 2014	10,710,000	2038	3.00-4.38%
Series 2016 (D-Fund)	11,560,000	2045	1.57-3.63%
Series 2017 (D-Fund)	23,990,000	2045	1.88-4.28%
Peninsula water reclamation system:			
Revenue bonds:			
Series 2016	970,000	2035	2.00-3.00%
Total revenue bonds	<u>\$ 267,065,000</u>		
Regional treated water system:			
Board participation:			
Series 2015	\$ 15,565,000	2050	3.98-4.11%
Northeast water reclamation system:			
State participation:			
Series 2003	2,100,000	2036	5.58-5.78%
Total state participation	<u>\$ 17,665,000</u>		
Regional treated water system:			
Water rights:			
Initial water	\$ 1,098,497	2040	3.25%
Future water	3,884,785	2050	3.25%
Total water rights	<u>\$ 4,983,282</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		Board /State Participation		Water Supply Obligation		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2019	\$ 16,330,000	\$ 9,118,528	\$ -	\$ 358,577	\$ 100,202	\$ 162,106	\$ 26,069,413
2020	15,400,000	8,479,950		358,577	103,462	158,847	24,500,836
2021	15,490,000	7,899,775		421,147	106,827	155,481	24,073,230
2022	14,655,000	7,290,592	100,000	370,404	110,302	152,006	22,678,304
2023	15,605,000	6,727,187	110,000	458,680	113,890	148,418	23,163,175
2024-2028	78,740,000	29,177,224	640,000	3,320,267	627,494	684,046	113,189,031
2029-2033	43,165,000	17,701,058	845,000	6,277,298	736,416	575,124	69,299,896
2034-2038	32,385,000	10,597,091	2,795,000	4,223,656	864,245	447,296	51,312,288
2039-2043	24,625,000	4,998,120	4,700,000	2,290,382	874,884	299,509	37,787,895
2044-2048	10,670,000	701,652	5,790,000	1,249,500	800,214	168,459	19,379,825
2049-2053			2,685,000	161,389	545,345	35,859	3,427,593
Total	<u>\$ 267,065,000</u>	<u>\$ 102,691,177</u>	<u>\$ 17,665,000</u>	<u>\$ 19,489,877</u>	<u>\$ 4,983,281</u>	<u>\$ 2,987,151</u>	<u>\$ 414,881,486</u>

Debt of the District's water, wastewater and non-potable systems includes revenue refunding and revenue bonds, State/Board 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, 2018 were \$26,052,060 and actual annual debt service was \$21,038,331. For the Lakeview Regional Water Reclamation System, net pledged revenues were \$4,676,394 and actual annual debt service was \$3,073,394. For the Northeast Regional Water Reclamation System, net pledged revenues were \$3,129,563 and actual annual debt service was \$2,724,370. For the Peninsula Water Reclamation Plant, net pledged revenues were \$250,484 and actual annual debt service was \$70,594.

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, 2018, the District had paid \$1,259,260 for principal, leaving a remaining liability of \$4,983,282. 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 \$6,162,551 at September 30, 2018. 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 2018, 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 \$739,087 and \$430,070 respectively, based on a covered payroll of \$6,936,600. Total payroll for the District was \$7,240,486.

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 \$70,534 to the 401(a) plan as a result of employee contributions into the deferred compensation plan.

The market value of the balance in the District's forfeiture account at September 30, 2018 was \$8,463.

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, 2018.

9. CONTRIBUTIONS

The District recorded a total of \$1,121,996 in capital contributions in fiscal year 2018. The contributions received by the District were for the Riverbend and Doe Branch Plants of 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 System, the Northeast Water Reclamation System and the Peninsula Water Reclamation Plant; the Non-Potable Segment is composed of the Non-Potable Water System.

Condensed Schedule of Net
Position by Segment

September 30, 2018

	Water	Water Reclamation			Non-Potable
		Lakeview	Riverbend/Doe Branch	Peninsula	
Assets:					
Current assets	\$ 44,027,246	\$ 7,447,659	\$ 5,805,495	\$ 1,175,940	\$ 587,608
Non-current assets	2,052,504				
Restricted assets	48,472,505	4,819,379	15,280,935	423,907	403,053
Capital assets	226,812,941	34,856,165	83,645,199	6,980,315	1,454,575
Total assets	321,365,196	47,123,203	104,731,629	8,580,162	2,445,236
Deferred outflow:					
Deferred loss on refunding of debt	1,348,797	146,499			
Total Deferred outflow	1,348,797	146,499			
Liabilities:					
Current liabilities	5,286,016	311,169	4,612,468	288,198	21,246
Liabilities payable from restricted assets	15,122,351	2,350,733	2,439,642	56,731	493
Non-current liabilities	234,612,901	24,098,239	62,012,647	931,906	969
Total Liabilities	255,021,268	26,760,141	69,064,757	1,276,835	22,708
Net position:					
Net investment in capital assets	24,923,086	12,648,301	28,386,583	6,322,700	1,454,575
Restricted:					
For debt service	9,372,778	2,211,065	3,198,596	75,671	
Contributions for capital improvements			2,490,216		
Unrestricted	33,396,861	5,650,195	1,591,477	904,956	967,953
Total net position	\$ 67,692,725	\$ 20,509,561	\$ 35,666,872	\$ 7,303,327	\$ 2,422,528

**Condensed Schedule of Revenues, Expenses, and
Changes in Net Position by Segment**

Year Ended September 30, 2018

	Water	Water Reclamation			Non-Potable
		Lakeview	Riverbend/Doe Branch	Peninsula	
Total Revenue	\$ 44,723,503	\$ 6,945,383	\$ 5,331,149	\$ 860,497	\$ 177,530
Depreciation	(6,128,257)	(1,505,046)	(3,311,721)	(229,860)	(61,414)
Other operating expenses	<u>(20,020,157)</u>	<u>(2,436,529)</u>	<u>(2,628,725)</u>	<u>(625,746)</u>	<u>(94,116)</u>
Operating income (loss)	<u>18,575,089</u>	<u>3,003,808</u>	<u>(609,297)</u>	<u>4,891</u>	<u>22,000</u>
Non-operating revenues (expenses):					
Investment income (loss)	(9,121)		(1,250)		
Interest income	1,348,714	167,540	427,139	15,733	5,460
Interest expense net of capitalized interest	(6,903,969)	(907,014)	(1,434,355)	(19,287)	
Other non-operating revenue	1,035,663				
Other non-operating expense	(1,035,663)		(406,970)		
Gain/Loss on Disposal of capital assets	<u>(206,061)</u>	<u>168</u>	<u></u>	<u></u>	<u></u>
Net non-operating revenues (expenses)	<u>(5,770,437)</u>	<u>(739,306)</u>	<u>(1,415,436)</u>	<u>(3,554)</u>	<u>5,460</u>
Net income (loss) before contributions and transfers	12,804,652	2,264,502	(2,024,733)	1,337	27,460
Contributions			1,121,996		
Transfers from (to) other systems	<u>49,212</u>	<u>(37,915)</u>	<u>(79,408)</u>	<u>(4,633)</u>	<u>(1,726)</u>
Change in net position	12,853,864	2,226,587	(982,145)	(3,296)	25,734
Beginning net position	<u>54,838,861</u>	<u>18,282,974</u>	<u>36,649,017</u>	<u>7,306,623</u>	<u>2,396,794</u>
Total net position - End of year	<u>\$ 67,692,725</u>	<u>\$ 20,509,561</u>	<u>\$ 35,666,872</u>	<u>\$ 7,303,327</u>	<u>\$ 2,422,528</u>

**Condensed Schedule of Cash Flows
by Segment**

Year Ended September 30, 2018

	Water	Water Reclamation			Non-Potable
		Lakeview	Riverbend/Doe Branch	Peninsula	
Net cash provided (used) by:					
Operating activities	\$ 25,837,265	\$ 4,388,615	\$ 242,951	\$ 231,755	\$ 165,930
Capital and related financing activities	(23,654,889)	(3,788,109)	(23,991,552)	(145,459)	(4,984)
Investing activities	<u>10,296,681</u>	<u>1,161,927</u>	<u>422,023</u>	<u>16,326</u>	<u>5,906</u>
Net increase (decrease)	12,479,057	1,762,433	(23,326,578)	102,622	166,852
Cash and cash equivalents — beginning of year	<u>65,055,801</u>	<u>9,725,271</u>	<u>41,689,656</u>	<u>1,417,262</u>	<u>811,255</u>
Cash and cash equivalents — end of year	<u>\$ 77,534,858</u>	<u>\$ 11,487,704</u>	<u>\$ 18,363,078</u>	<u>\$ 1,519,884</u>	<u>\$ 978,107</u>

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. This is subject to stop-loss of \$35,000 per year per covered person. The District had estimated partially self-funded health insurance liabilities as follows:

	Year ended 9/30/18	Year ended 9/30/17	Year ended 9/30/16
Unpaid claims, beginning of fiscal year	\$ 218,001	\$ 136,000	\$ 115,001
Incurred claims (including IBNRs)	1,252,059	1,071,212	970,914
Claim payments	(1,156,060)	(989,211)	(949,915)
Unpaid claims, end of fiscal year	<u>\$ 314,000</u>	<u>\$ 218,001</u>	<u>\$ 136,000</u>

No significant reductions in insurance coverage have occurred. No settlements have exceeded coverage in the past three 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, 2018, had a total contracted amount of \$61,468,210 of which \$51,619,005 has been spent. Funds to pay these obligations are provided by debt proceeds, internally generated capital (Non-Bond Reserve Funds) 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, 2018.

13. SUBSEQUENT EVENTS

The District issued \$7,590,000 in Revenue Bonds for the Regional Treated System during the month of November 2018. The interest rates for the Bonds were between 1.40% and 3.01%. The final repayment will occur during FY 2043.

The District also issued Revenue and Refunding Bonds for the Northeast Regional Water Reclamation System during the month of January 2019. The Bonds had a par value of \$28,390,000. The interest rates for the Bonds were between 3.00% and 5.00%. The final maturity of the Bonds will occur during FY 2048.

14. NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued the following statements that are not yet effective:

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement is effective for the District beginning in fiscal year ending September 30, 2019.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is effective for the District beginning in fiscal year ending September 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement is effective for the District beginning in fiscal year ending September 30, 2021.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement is effective for the District beginning in fiscal year ending September 30, 2019.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement is effective for the District beginning in fiscal year ending September 30, 2021.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*. This Statement is effective for the District beginning in fiscal year ending September 30, 2020.

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

SUPPLEMENTAL SYSTEM AND PROJECT SCHEDULES

COMBINING SCHEDULE OF NET POSITION - SYSTEMS AND PROJECTS
September 30, 2018

Non-Potable		Solid Waste	Administration and Project Development			Component Unit	
Non-Potable Water System	Household Hazardous Waste Program	Growth Project	Administration and Capital Projects	Intersystem Elimination	Total		
\$ 575,054	\$ 155,554	\$ 55,725	\$ 1,304,309	\$	\$ 43,971,924	\$ 60,890	
12,186	2,458		1,328		3,992,037		
			258,583	(3,075,650)	9,678,573		
368	7		35,034		57,236		
					81,527		
1,963			20,221		1,250,629		
589,571	158,019	55,725	1,619,475	(3,075,650)	59,031,926	60,890	
					2,052,504		
					744,030		
					6,665,876		
					7,326,172		
					19,970,486		
401,090					13,327,253		
					1,517,422		
					14,478,487		
					1,972,483		
					2,167,161		
401,090					70,221,874		
27,966			24,961		13,857,688		
7,767			139,037		1,606,993		
10,485			518,893		5,511,448		
2,671,238					372,073,654		
					8,801,511		
					1,556,416		
(1,262,881)			(280,345)		(142,512,193)		
					1,735,201		
			23,735		22,303,201		
1,454,575			426,281		69,241,557		
					354,175,476		
1,855,665			426,281		424,397,350		
\$ 2,445,236	\$ 158,019	\$ 55,725	\$ 2,045,756	\$ (3,075,650)	\$ 483,429,276	\$ 60,890	
					1,495,296		
\$	\$	\$	\$	\$	\$ 1,495,296		

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UPPER TRINITY REGIONAL WATER DISTRICT

COMBINING SCHEDULE OF NET POSITION - SYSTEMS AND PROJECTS
September 30, 2018

	Water Regional Treated Water System	Lakeview Water Reclamation System	Water Reclamation Riverbend and Doe Branch Water Reclamation Plants	Peninsula Water Reclamation Plant
LIABILITIES AND NET POSITION				
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 4,652,537	\$ 129,915	\$ 1,861,662	\$ 31,076
Unearned revenue	380,996			
Accrued wages & benefits	252,483	91,038	103,494	7,504
Other current liabilities				19,756
Intersystem notes payable		90,216	2,647,312	229,862
Liabilities payable from restricted assets:				
Accrued interest payable	1,131,660	161,316	385,011	4,007
Construction retainage payable	103,610		1,331,906	
Current portion of long-term bonds	13,615,000	2,155,000	515,000	45,000
Current portion of water supply obligation	100,202			
Current portion of long-term accrued interest			113,315	
Unpaid self-insurance claims	171,879	34,417	94,410	7,724
Total current liabilities	20,408,367	2,661,902	7,052,110	344,929
Non-current liabilities, net of current portion				
Long-term bonds	184,839,865	24,000,263	48,611,129	926,081
Long-term board /state participation	15,565,000		2,100,000	
Commercial paper payable	27,350,000			
Long-term water supply obligation	4,883,080			
Long-term accrued compensated absences	236,873	97,976	109,792	5,825
Notes payable			10,965,097	
Long-term accrued interest	1,738,083		226,629	
Total non-current liabilities	234,612,901	24,098,239	62,012,647	931,906
TOTAL LIABILITIES	255,021,268	26,760,141	69,064,757	1,276,835
NET POSITION				
Net investment in capital assets	24,923,086	12,648,301	28,386,583	6,322,700
Restricted:				
For debt service	9,372,778	2,211,065	3,198,596	75,671
Contributions for capital improvements			2,490,216	
Unrestricted	33,396,861	5,650,195	1,591,477	904,956
Total net position	\$ 67,692,725	\$ 20,509,561	\$ 35,666,872	\$ 7,303,327

Non-Potable	Solid Waste	Administration and Project Development		Intersystem Elimination		Total	Component Unit
Non-Potable Water System	Household Hazardous Waste Program	Growth Project	Administration and Capital Projects				
\$ 11,087	\$ 1,710		\$ 45,522			\$ 6,733,509	\$ 9,238
1,137	82		309,608			380,996	
9,022			99,238	(3,075,650)		765,346	
						19,756	
						1,681,994	
						1,435,516	
						16,330,000	
						100,202	
						113,315	
493			5,077			314,000	
21,739	1,792		459,445	(3,075,650)		27,874,634	9,238
						258,377,338	
						17,665,000	
						27,350,000	
						4,883,080	
969			360,266			811,701	
						10,965,097	
						1,964,712	
969			360,266			322,016,928	
22,708	1,792		819,711	(3,075,650)		349,891,562	9,238
1,454,575			426,281			74,161,525	
						14,858,110	
						2,490,216	
967,953	156,227	55,725	799,764			43,523,159	51,652
\$ 2,422,528	\$ 156,227	\$ 55,725	\$ 1,226,045	\$		\$ 135,033,010	\$ 51,652

(Concluded)

**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - SYSTEMS AND PROJECTS
YEAR ENDED SEPTEMBER 30, 2018**

Non-Potable	Solid Waste	Administration and Project Development			Component Unit
Non-Potable Water System	Household Hazardous Waste Program	Growth Project	Administration and Project Development	Total	
\$ 177,068 462	\$ 19,770	\$ 16,355	\$ 167,909	\$ 57,974,584 267,512	\$ 4,225
177,530	19,770	16,355	167,909	58,242,096	4,225
10,115 42,724	6,427		147,772	4,771,504 10,885,377	14,970
3,068 16,821			1,403	1,665,981 1,399,284	
				2,594,487 36,083	
	14,862			512,072 14,862	
61,414 21,388	5,000		35,944 2,830	288,626 11,272,242	
			41,830	3,134,670 722,451	9,185
155,530	26,289		229,779	37,297,639	24,155
22,000	(6,519)	16,355	(61,870)	20,944,457	(19,930)
					25,000
5,460	1,884	822	8,285	(10,371) 1,975,577	36
				(9,264,625) 1,035,663	
				(1,442,633) 1,354	
5,460	1,884	822	9,639	(204,539) (7,910,928)	25,036
27,460	(4,635)	17,177	(52,231)	13,033,529	5,106
(1,726) 25,734	(4,635)	(16,355) 822	90,825 38,594	1,121,996 14,155,525	5,106
2,396,794	160,862	54,903	1,187,451	120,877,485	46,546
\$ 2,422,528	\$ 156,227	\$ 55,725	\$ 1,226,045	\$ 135,033,010	\$ 51,652

UPPER TRINITY REGIONAL WATER DISTRICT

COMBINING SCHEDULE OF CASH FLOWS - SYSTEMS AND PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Water Regional Treated Water System	Lakeview Water Reclamation System	Water Reclamation Northeast Water Reclamation Riverbend/Doe Branch Plants	Peninsula Water Reclamation Plant
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 45,113,667	\$ 6,923,471	\$ 5,311,389	\$ 850,172
Cash paid to vendors	(14,854,439)	(1,379,782)	(3,941,478)	(396,062)
Cash paid to employees	(4,421,963)	(1,155,074)	(1,126,960)	(222,355)
Net cash provided by (used in) operating activities	25,837,265	4,388,615	242,951	231,755
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Property additions	(9,877,400)	(622,580)	(20,407,552)	(59,103)
Contributions received		-	1,121,996	
Bond principal payments	(13,525,000)	(2,030,000)	(2,395,000)	(45,000)
Water supply obligation	(97,045)			
Commercial paper proceeds	103,400,000			
Commercial paper payments	(96,000,000)			
Interfund Notes Receivable	(188,370)			
Interfund Notes Payable		(54,220)	222,982	(11,129)
Notes payable payments			(295,200)	
Payment of interest and related fees	(7,416,286)	(1,043,394)	(2,046,055)	(25,594)
Payment of long-term accrued interest			(113,315)	
Transfer to UTCT				
Equity Fees and Other			-	
Interfund transfers	49,212	(37,915)	(79,408)	(4,633)
Net cash provided by (used in) capital and related financing activities	(23,654,889)	(3,788,109)	(23,991,552)	(145,459)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	1,117,426	161,927	339,687	16,326
Purchase of Investments	(15,820,745)	-	(12,917,664)	
Maturity of Investments	25,000,000	1,000,000	13,000,000	
Net cash provided by investing activities	10,296,681	1,161,927	422,023	16,326
Increase (decrease) in cash and cash equivalents	12,479,057	1,762,433	(23,326,578)	102,622
Cash and cash equivalents, beginning of year	65,055,801	9,725,271	41,689,656	1,417,262
Cash and cash equivalents, end of year	\$ 77,534,858	\$ 11,487,704	\$ 18,363,078	\$ 1,519,884

Non-Potable	Solid Waste	Administration and Project Development				Component Unit
Non-Potable Water System	Household Hazardous Waste Program	Growth Fund Project	Administration and Capital Projects	Intersystem Elimination	Totals	
\$ 272,889	\$ 17,312	\$ 16,355	\$ 176,512	\$	\$ 58,681,767	\$ 4,225
(97,193)	(18,140)		(85,288)		(20,772,382)	(7,675)
(9,766)	(6,365)		(3,213)		(6,945,696)	(14,970)
165,930	(7,193)	16,355	88,011		30,963,689	(18,420)
(2,892)			104,728		(30,864,799)	
					1,121,996	
					(17,995,000)	
					(97,045)	
					103,400,000	
					(96,000,000)	
			35,129		(153,241)	
(366)			(4,026)		153,241	
					(295,200)	
					(10,531,329)	
					(113,315)	
						25,000
(1,726)		(16,355)	90,825			(200)
(4,984)		(16,355)	226,656		(51,374,692)	24,800
5,906	1,884	822	18,714		1,662,693	96
					(28,738,409)	
					39,000,000	
5,906	1,884	822	18,714	-	11,924,283	96
166,852	(5,309)	822	333,381		(8,486,720)	6,476
811,255	160,863	54,903	991,149		119,906,160	54,414
\$ 978,107	\$ 155,554	\$ 55,725	\$ 1,324,530	\$ -	\$ 111,419,440	\$ 60,890

(Continued)

UPPER TRINITY REGIONAL WATER DISTRICT

COMBINING SCHEDULE OF CASH FLOWS - SYSTEMS AND PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Water Regional Treated Water System	Lakeview Water Reclamation System	Water Reclamation Northeast Water Reclamation Riverbend/Doe Branch Plants	Peninsula Water Reclamation Plant
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ 18,575,089	\$ 3,003,808	\$ (609,297)	\$ 4,891
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation and amortization	6,128,257	1,505,046	3,311,721	229,860
Change in accounts receivable	(645,499)	(21,912)	(19,760)	(10,325)
Change in accounts payable	1,924,978	(85,183)	(2,562,752)	4,345
Change in deferred revenue	(103,405)	(100)		
Change in accrued wages	(33,204)	(10,738)	122,658	4,500
Change in other current assets	(8,951)	(2,306)	381	(1,516)
Total adjustments	7,262,176	1,384,807	852,248	226,864
Net cash provided by (used in) operating activities	\$ 25,837,265	\$ 4,388,615	\$ 242,951	\$ 231,755
Non-cash Item:				
Change in fair value of investments	\$ 166,434	\$ 5,756	\$ 84,141	\$ -
Capitalized interest	387,812	39,727	596,456	6,041
Amortization of bond discount			(3,367)	
Amortization of bond refunding loss	(368,798)	(16,469)		
Amortization of bond premium	1,095,005	101,204		116
Accounts payable relating to construction	698,193	(95,152)	(2,125,410)	(1,588)

Non-Potable	Solid Waste	Administration and Project Development				Component Unit
Non-Potable Water System	Household Hazardous Waste Program	Growth Fund Project	Administration and Capital Projects	Intersystem Elimination	Totals	
\$ 22,000	\$ (6,519)	\$ 16,355	\$ (61,870)		\$ 20,944,457	\$ (19,930)
61,414			35,944		11,272,242	
95,359	(2,458)		8,603		(595,992)	
(12,905)	1,703		(25,934)		(755,748)	1,510
					(103,505)	
349	62		144,559		228,186	
(287)	19		(13,291)		(25,951)	-
143,930	(674)	-	149,881	-	10,019,232	1,510
\$ 165,930	\$ (7,193)	\$ 16,355	\$ 88,011	\$ -	\$ 30,963,689	\$ (18,420)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 256,331	\$ -
					1,030,036	
					(3,367)	
					(385,267)	
					1,196,325	
					(1,523,957)	

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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.

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Schedule 1 – Net Position	44
Schedule 2 – Changes in Net Position	45

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

Schedule 3 – Revenue by Service	46
Schedule 4 – Revenue Rates	47
Schedule 5 – Revenue Payers	48-49

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	50
Schedule 7 – Outstanding Debt	50
Schedule 8 – Revenue Bond Coverage	51-52

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

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

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UPPER TRINITY REGIONAL WATER DISTRICT

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net investment in capital assets	\$ 74,161,525	\$ 58,301,439	\$ 48,182,131	\$ 34,354,599	\$ 19,179,156	\$ 18,553,606	\$ 9,705,365	\$ 6,362,662	\$ 7,374,969	\$ 9,360,283
Restricted:										
For debt service	14,858,110	18,878,672	17,593,749	14,123,967	14,843,645	14,237,237	14,547,560	6,330,065	4,414,206	4,210,642
Contributions for capital improvements	2,490,216	9,484,921	15,792,791	8,280,146	14,074,925	10,315,948	11,659,576	17,443,778	11,437,509	6,170,797
Unrestricted	43,523,159	34,212,453	21,573,367	17,276,569	12,333,635	10,315,948	11,659,576	17,443,778	11,437,509	6,170,797
Total Net Position	\$ 135,033,010	\$ 120,877,485	\$ 103,142,038	\$ 74,035,081	\$ 60,431,361	\$ 43,106,791	\$ 35,912,501	\$ 30,136,505	\$ 23,226,684	\$ 19,741,722
% change from prior year	12%	17%	39%	23%	40%	20%	19%	30%	18%	2%

Source: UTRWD Comprehensive Annual Financial Report

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 2 - CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	2018	2017	2016	2015	Fiscal Year					2011	2010	2009
					2014	2013	2012	2011	2010	2009		
Operating Revenues												
Charges for services	\$ 57,974,584	\$ 53,749,737	\$ 51,445,158	\$ 47,000,481	\$ 43,626,393	\$ 41,789,296	\$ 40,774,563	\$ 40,110,762	\$ 37,957,932	\$ 35,186,375		
Miscellaneous Income	267,512	268,747	173,514	276,904	125,263	118,061	70,385	49,924	89,023	744,799		
Total Operating Revenues	\$ 58,242,096	\$ 54,018,484	\$ 51,618,672	\$ 47,277,385	\$ 43,751,656	\$ 41,907,357	\$ 40,844,948	\$ 40,160,686	\$ 38,046,955	\$ 35,931,174		
Operating Expenses												
Water/Wastewater Treatment	\$ 15,656,881	\$ 12,009,695	\$ 11,702,578	\$ 8,658,156	\$ 9,230,839	\$ 8,455,278	\$ 8,257,044	\$ 8,198,525	\$ 7,313,063	\$ 7,105,174		
Utilities	2,594,487	2,307,845	2,172,681	2,181,651	2,371,989	2,529,313	2,495,730	2,572,745	2,258,201	2,422,982		
Chemicals	1,665,981	1,488,522	1,513,111	1,301,614	1,046,790	1,073,818	1,009,471	1,204,492	1,021,823	1,178,386		
Depreciation & Amortization	11,272,242	9,409,453	9,031,406	8,850,626	8,982,059	9,225,989	9,429,899	9,821,882	9,619,055	10,417,152		
Other	6,108,048	5,320,029	4,904,400	4,494,530	4,350,063	4,297,377	4,128,268	3,705,929	4,001,836	4,012,754		
Total Operating Expenses	\$ 37,297,639	\$ 30,535,544	\$ 29,324,176	\$ 25,486,577	\$ 25,981,740	\$ 25,581,775	\$ 25,320,412	\$ 25,503,573	\$ 24,213,978	\$ 25,136,448		
Operating Income	\$ 20,944,457	\$ 23,482,940	\$ 22,294,496	\$ 21,790,808	\$ 17,769,916	\$ 16,325,582	\$ 15,524,536	\$ 14,657,113	\$ 13,832,977	\$ 10,794,726		
Other Changes in Net Position												
Equity Fees	\$ -	\$ -	\$ -	\$ 60,000	\$ 20,000	\$ -	\$ -	\$ 160,000	\$ -	\$ -		
Investment Income (Loss)	(10,371)	(1,351)	3,289	92,346	46,954	(153,335)	4,923	12,768	(9,083)	15,567		
Interest Income	1,975,577	958,805	549,894	359,161	357,332	349,145	429,045	613,390	699,015	944,358		
Interest Expense and fiscal charges	(9,264,625)	(7,919,151)	(8,694,166)	(9,252,633)	(9,888,248)	(9,495,377)	(10,324,702)	(10,552,215)	(11,810,537)	(12,088,201)		
Other non-operating revenue	1,035,663	150,620	-	-	-	-	-	-	-	384,000		
Other non-operating expense	(1,442,633)	-	-	-	-	-	-	-	-	-		
Contributions	1,121,996	1,127,278	14,930,004	709,522	16,298,898	547,136	571,702	2,486,934	345,855	776,900		
Gain (Loss) on disposal of capital asset	(204,539)	(63,694)	23,440	(155,484)	(83,794)	(378,861)	(429,508)	(468,169)	42,735	(31,885)		
Total Other Changes in Net Position	\$ (6,788,932)	\$ (5,747,493)	\$ 6,812,461	\$ (8,187,088)	\$ 6,751,142	\$ (9,131,292)	\$ (9,748,540)	\$ (7,747,292)	\$ (10,248,015)	\$ (10,382,961)		
Total Change in Net Position	\$ 14,155,525	\$ 17,735,447	\$ 29,106,957	\$ 13,603,720	\$ 24,521,058	\$ 7,194,290	\$ 5,775,996	\$ 6,909,821	\$ 3,484,962	\$ 411,765		

Source: UTRWD 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
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
2015	\$36,447,257	\$10,048,624	\$ 336,683	\$ 13,842	\$ 154,075	\$276,904	\$ 47,277,385
2016	\$39,413,117	\$11,610,202	\$ 244,142	\$ 24,310	\$ 153,387	\$173,514	\$ 51,618,672
2017	\$41,166,095	\$12,212,147	\$ 181,330	\$ 19,530	\$ 170,635	\$268,747	\$ 54,018,484
2018	\$44,507,689	\$13,085,793	\$ 177,068	\$ 19,770	\$ 184,264	\$267,512	\$ 58,242,096

Source: UTRWD Comprehensive Annual Financial Report

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 4 - REVENUE RATES BY SYSTEM LAST TEN FISCAL YEARS

WATER										WATER RECLAMATION										NON-POTABLE										SOLID WASTE	
Regional Treated Water System					Lakeview Water Reclamation System					Riverbend & Doe Branch Northeast Water Reclamation System					Non-Potable Water System					Household Hazardous Waste Program											
Member	Rate	Demand	Volume	Member	Rate	Transportation	Joint Capital/Fixed O&M (2)	Member	Rate	Joint Capital/Fixed O&M (2)	Volume	Member	Rate	Joint Capital/Fixed O&M (2)	Treated Effluent	Member	Rate	Demand	Per												
Per 1,000 Gallons	Per subscribed	Per 1,000 Gallons	Per 1,000 Gallons	Per 1,000 Gallons	Per 1,000 Gallons	Per 1,000 Gallons	Per 1,000 Gallons	Per 1,000 Gallons	Per 1,000 Gallons	Per 1,000 Gallons	Per 1,000 Gallons	Per 1,000 Gallons	Per 1,000 Gallons	Per 1,000 Gallons	Per 1,000 Gallons	Per 1,000 Gallons	Per 1,000 Gallons	Per 1,000 Gallons	Per Year	Per											
Winter/Summer	mgd per Year (1)	mgd per Year (1)	Gallons	Gallons (3)	mgd per Year (1)	Gallons	mgd per Year (1)	Gallons	Gallons	mgd per Year (1)	Gallons	Gallons	Gallons	mgd per Year (1)	Gallons	Gallons	Gallons	Gallons	Per Year	Household											
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	\$80																		
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	\$84																		
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	\$315,000	\$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	\$88																		
2013	\$0.86/\$0.86	\$370,055	\$1.76	\$0.12	\$515,250	\$1.75	\$290,900	\$1.75	\$296,500	\$0.28	\$0.54	\$307,000	\$88																		
2014	\$0.95/\$0.95	\$373,265	\$1.90	\$0.12	\$515,250	\$1.75	\$315,050	\$1.75	\$310,600	\$0.29	\$0.62	\$307,000	\$88																		
2015	\$0.94/\$0.94	\$388,110	\$1.75		\$625,300	\$1.80	\$327,500	\$1.80	\$330,000	\$0.29	\$0.65	\$307,000	\$88																		
2016	\$1.09/\$1.09	\$398,110	\$1.50		\$174,250	\$1.50	\$390,000	\$1.50	\$430,000	\$0.29	\$0.91	\$225,000	\$88																		
2017	\$1.11/\$1.11	\$411,500	\$1.25		\$392,200	\$1.25	\$490,000	\$1.25	\$597,500	\$0.54	\$1.00	\$150,000	\$88																		
2018	\$1.11/\$1.11	\$428,200	\$1.25		\$392,200	\$1.25	\$521,350	\$1.25	\$597,500	\$0.54	\$1.10	\$125,000	\$91																		

Note:

(1) mgd is million gallons per day.

(2) fixed O&M charges introduced in FY2016

(3) transportation charge discontinued in FY2015

Source: UTRWD Annual Operating and Capital Budgets

UPPER TRINITY REGIONAL WATER DISTRICT

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

REGIONAL TREATED WATER SYSTEM

2018				2009			
Payer	Water Revenue Received	Percentage of Total Water Revenue		Payer	Water Revenue Received	Percentage of Total Water Revenue	
Town of Flower Mound	\$ 16,616,103	37.15%		Town of Flower Mound	\$ 11,063,096	38.33%	
City of Corinth	4,502,386	10.07%		City of Corinth	3,170,057	10.98%	
Mustang Special Utility District	2,390,174	5.34%		Highland Village	1,620,037	5.61%	
Lake Cities Municipal Authority	2,293,926	5.13%		Lake Cities Municipal Authority	1,569,572	5.44%	
City of Celina	2,222,896	4.97%		DCFWS#1A (1)	1,378,548	4.78%	
Highland Village	2,202,328	4.92%		DCFWS#7 (1)	1,304,954	4.52%	
DCFWS#7 (1)	2,168,200	4.85%		Mustang Special Utility District	1,068,704	3.70%	
DCFWS#1A (1)	1,937,646	4.33%		Bartonville WSC	1,061,215	3.68%	
DCFWS#11 (1)	1,796,119	4.02%		DCFWS#11 (1)	1,014,200	3.51%	
DCFWS#10 (1)	1,389,485	3.11%		City of Celina	992,574	3.44%	
Total attributable to ten largest payers:	\$ 37,519,263	83.89%		Total attributable to ten largest payers:	\$ 24,242,957	84.00%	
Total Water Revenue	\$ 44,723,504	100.00%		Total Water Revenue	\$ 28,860,284	100.00%	

LAKEVIEW REGIONAL WATER RECLAMATION SYSTEM

2018				2009			
Payer	Lakeview Revenue Received	Percentage of Total Lakeview Revenue		Payer	Lakeview Revenue Received	Percentage of Total Lakeview Revenue	
Highland Village	\$ 2,065,993	29.75%		Highland Village	\$ 1,746,014	34.54%	
City of Corinth	1,972,544	28.40%		Lake Cities Municipal Authority	1,522,371	30.12%	
DCFWS#7 (1)	1,446,357	20.82%		City of Corinth	975,599	19.30%	
Lake Cities Municipal Authority	1,363,255	19.63%		DCFWS#7 (1)	744,234	14.72%	
Town of Bartonville	39,023	0.56%		Town of Double Oak	24,733	0.49%	
Town of Double Oak	18,105	0.26%		Town of Bartonville	18,511	0.37%	
Total attributable to six largest payers:	\$ 6,905,277	99.42%		Total attributable to six largest payers:	\$ 5,031,462	99.53%	
Total Lakeview Revenue	\$ 6,945,383	100.00%		Total Lakeview Revenue	\$ 5,055,138	100.00%	

Note: (1) DCFWS# 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	2018			2009		
	Northeast Revenue Received		Percentage of Total	Northeast Revenue Received		Percentage of Total
	Riverbend/ Doe Branch	Northeast Revenue		Riverbend/ Doe Branch	Northeast Revenue	
Celina						
DCFWSD#10 (1)	1,712,589	32.12%	DCFWSD#9 (1)	436,763	30.16%	
Prosper	744,562	13.97%	DCFWSD#8 (1)	266,914	18.43%	
Town of Providence Village	661,561	12.41%	DCFWSD#10 (1)	205,785	14.21%	
DCFWSD#11 (1)	653,509	12.26%	DCFWSD#11 (1)	154,464	10.67%	
DCFWSD#8 (1)	604,797	11.34%				
Mustang Special Utility District	514,777	9.66%				
Total attributable to seven largest payers:	426,552	8.00%	Total attributable to four largest payers:			
	\$ 5,318,347	99.75%		\$ 1,102,194	73.48%	
Total Northeast Revenue	\$ 5,331,149	100.00%	Total Northeast Revenue	\$ 1,447,918	100.00%	

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

PENINSULA WATER RECLAMATION SYSTEM

Payer	2018			2009		
	Peninsula Revenue Received		Percentage of Total	Peninsula Revenue Received		Percentage of Total
	Peninsula Revenue Received	Peninsula Revenue		Peninsula Revenue Received	Peninsula Revenue	
Mustang Special Utility District	\$ 856,824	99.57%	Payer			
Total attributable to largest payer:	\$ 856,824	99.57%	Mustang Special Utility District	268,483	77.66%	
			Oak Point	77,241	22.34%	
			Total attributable to two largest payers:	\$ 345,724	100.00%	
Total Peninsula Revenue	\$ 860,497	100.00%	Total Peninsula Revenue	\$ 345,724	100.00%	

Source: UTRWD Business Department

(Concluded)

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 6 - RATIO OF REVENUE BOND AND STATE PARTICIPATION DEBT SERVICE TO TOTAL EXPENSES LAST TEN FISCAL YEARS

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Principal	\$ 17,995,000	\$ 13,955,000	\$ 14,865,000	\$ 14,360,000	\$ 13,145,000	\$ 12,665,000	\$ 10,340,000	\$ 10,125,000	\$ 7,875,000	\$ 6,805,000
Interest	10,531,329	9,310,257	11,310,916	9,787,938	11,007,204	9,532,511	10,448,765	13,437,715	13,291,744	13,357,454
Total Debt Service	\$ 28,526,329	\$ 23,865,257	\$ 26,175,916	\$ 24,147,938	\$ 24,152,204	\$ 22,197,511	\$ 20,788,765	\$ 23,562,715	\$ 21,166,744	\$ 20,162,454
Total Expenses	\$ 56,244,407	\$ 43,953,410	\$ 45,663,745	\$ 40,238,416	\$ 41,200,344	\$ 37,642,512	\$ 36,337,373	\$ 38,348,484	\$ 38,284,817	\$ 35,131,363
Ratio of Debt Service to Total Expenses	50.72%	54.30%	57.32%	60.01%	58.62%	58.97%	57.21%	61.44%	55.29%	57.39%

Source: UTRWD Comprehensive Annual Financial Report - Operating expenses (Cash Basis) plus debt service from Statement of Cash Flows

SCHEDULE 7 - OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenue Bonds	\$ 267,065,000	\$ 285,060,000	\$ 256,975,000	\$ 232,865,000	\$ 229,605,000	\$ 228,785,000	\$ 241,450,000	\$ 201,750,000	\$ 178,420,000	\$ 186,010,000
Discount	(28,871)	(32,238)	(35,520)	(235,797)	(262,777)					
Premium	7,671,209	8,867,534	10,048,594	6,947,771	3,051,226	2,100,000	2,100,000	29,600,000	55,521,165	55,521,165
Board/State Participation	17,665,000	17,665,000	17,665,000	2,100,000	2,100,000	31,550,000	23,550,000	36,550,000	33,350,000	22,350,000
Commercial Paper	27,350,000	19,950,000	33,450,000	28,050,000	37,050,000					
Lease Obligation										
Long-term Water Supply Obligation	4,983,282	5,080,327	5,174,315	5,265,341	5,353,500	5,438,881	5,521,572	5,601,659	5,679,222	5,754,341
Notes Payable	10,965,097	11,280,297	11,794,447	12,319,147	12,710,647	10,663,725	10,890,524	11,088,518	11,212,516	11,381,154
	\$ 335,670,717	\$ 347,850,820	\$ 335,071,835	\$ 287,311,462	\$ 289,607,596	\$ 278,637,606	\$ 283,512,096	\$ 284,590,177	\$ 284,183,437	\$ 281,035,110

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 \$	
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
2015	37,014,131	12,852,888	24,161,243	6,342,759	2,116,384	8,459,143	2.86
2016	39,953,302	15,423,550	24,529,752	6,846,552	2,351,311	9,197,863	2.67
2017	42,063,235	15,954,021	26,109,214	6,828,333	2,399,669	9,228,002	2.83
2018	46,072,217	20,020,157	26,052,060	6,597,414	2,254,739	8,852,153	2.94

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 \$	
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	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
2015	7,225,217	2,148,242	5,076,975	1,619,750	477,721	2,097,471	2.42
2016	7,416,737	2,308,988	5,107,749	1,561,316	440,491	2,001,806	2.55
2017	7,074,234	2,327,475	4,746,759	1,535,833	403,440	1,939,273	2.45
2018	7,112,923	2,436,529	4,676,394	1,506,765	366,031	1,872,796	2.50

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

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

Source: UTRWD Comprehensive Annual Financial Report

(Continued)

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 8 - REVENUE BOND COVERAGE BY SYSTEM

REVENUE BOND COVERAGE--RIVERBEND/DOE BRANCH WATER RECLAMATION PLANTS 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	
	\$	\$	\$	\$	\$	\$	
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	1,704,612	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
2015 (3)	2,415,400	1,123,839	1,291,561	707,826	402,757	1,110,583	1.16
2016 (3)	3,561,471	1,667,402	1,894,069	955,345	561,275	1,516,620	1.25
2017 (3)	4,631,915	2,252,134	2,379,781	1,841,071	1,202,009	3,043,080	0.78
2018 (3)	5,758,288	2,628,725	3,129,563	1,820,556	1,141,773	2,962,329	1.06

REVENUE BOND COVERAGE--PENINSULA WATER RECLAMATION PLANT LAST TWO FISCAL YEARS

(No Revenue Bonds Issued For This Plant Prior to 2016)

FY	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Average Annual Debt Service Requirements			Coverage
				Principal	Interest	Total	
	\$	\$	\$	\$	\$	\$	
2016	808,281	527,159	281,122	55,526	16,004	71,530	3.93
2017	813,135	466,156	346,979	56,389	15,463	71,852	4.83
2018	876,230	625,746	250,484	57,059	14,905	71,964	3.48

(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	2018		Employer	2009	
	No. of Employees	Rank		No. of Employees	Rank
University of North Texas (UNT)	8,887	1	University of North Texas (UNT)	7,762	1
Denton ISD	4,417	2	Lewisville ISD	5,896	2
Walmart	3,722	3	Denton ISD	2,948	3
Frito-Lay Inc	2,500	4	American Airlines Alliance	2,105	4
Peterbilt Motors Co.	2,314	5	Frito-Lay Inc	2,050	5
Northwest ISD	2,246	6	Texas Women's University (TWU)	1,586	6
Lewisville ISD	2,061	7	Denton State School	1,500	7
Nebraska Furniture Mart	2,000	8	Denton County	1,458	8
Texas Women's University (TWU)	1,787	9	Peterbilt Motors Co.	1,404	9
Denton County	1,700	10	Centex Home Equity Phase I & II	1,400	10

Source: Denton County Budget in Brief

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 10 - MEMBER / CUSTOMER POPULATION
LAST TEN FISCAL YEARS

	Notes	2018	2017	2016	2015	Fiscal Year					2010	2009
						2014	2013	2012	2011	2010		
Argyle WSC	(2)	7,113	6,968	6,831	6,675	6,724	6,758	6,758	6,476	6,417	5,965	
Argyle		4,040	3,920	3,820	3,690	3,510	3,420	3,350	3,400	3,400	3,300	
Aubrey		3,200	3,110	3,100	2,780	2,670	2,610	2,610	2,610	2,600	2,550	
Bartonville		1,680	1,670	1,650	1,640	1,630	1,630	1,590	1,580	1,400	1,360	
Blackrock WSC	(2)	1,350	1,310	1,287	1,287	1,287	1,287	1,143	1,143	1,143	950	
Celina		14,364	10,310	8,650	7,320	6,660	6,460	6,260	6,240	5,355	4,900	
Copper Canyon		1,430	1,390	1,380	1,370	1,350	1,340	1,330	1,350	1,350	1,350	
Corinth		21,030	20,800	20,900	20,900	20,520	20,420	20,573	20,605	20,605	19,700	
Cross Timbers WSC	(2)	7,266	7,255	7,254	6,845	6,733	6,668	6,625	6,634	6,634	6,800	
Denton		130,990	128,160	125,980	123,200	120,820	116,950	115,810	114,440	110,300	107,250	
Denton County	(3)	53,751	52,164	30,931	29,677	30,324	28,676	32,351	38,178	25,256	52,000	
DCFWSWD #1A	(1)	12,977	12,106	10,881	10,881	9,973	9,650	10,213	8,481	8,270	4,650	
DCFWSWD #7	(1)	12,000	11,324	10,673	10,000	9,710	9,555	8,215	7,300	7,300	6,000	
DCFWSWD #8A	(1)	5,794	5,264	4,650	3,918	4,070	3,990	3,567	3,363	3,444	3,144	
DCFWSWD #10	(1)	3,729	11,783	6,634	7,142	5,160	5,059	4,396	4,275	4,107	3,999	
DCFWSWD #11	(1)	8,739	7,831	6,684	5,757	4,288	4,204	3,534	3,237	3,219	2,691	
Double Oak		2,960	2,970	2,950	2,920	2,920	2,880	2,880	2,880	2,600	2,600	
Flower Mound		73,130	71,850	70,180	66,820	66,130	66,095	65,060	65,474	62,950	62,666	
Highland Village		17,000	17,000	17,000	17,000	16,500	16,500	15,500	16,500	16,500	15,200	
Irving		237,490	234,710	231,040	228,610	227,030	220,750	218,850	216,970	213,700	212,250	
Justin		4,455	4,320	4,320	3,260	3,250	3,429	3,250	3,631	3,555	3,150	
Krum		5,760	5,760	5,760	4,790	4,750	4,420	4,250	4,190	4,000	3,825	
Lake Cities MUA		15,426	15,500	15,150	14,917	14,697	14,211	14,211	14,526	14,526	14,610	
Lewisville		104,780	103,640	100,400	99,480	98,330	97,140	96,000	96,450	96,450	95,250	
Lincoln Park		32,441	21,846	20,022	19,737	15,603	15,603	17,050	17,050	14,700	14,700	
Mustang SUD	(4)	4,500										
Northlake		3,440	3,210	3,180	3,040	3,040	2,930	2,820	2,900	2,700	2,525	
Oak Point		4,120	4,130	4,050	3,890	3,880	3,870	3,870	4,100	4,100	4,050	
Pilot Point		2,330	1,780	1,560	1,520	1,460	1,420	1,410	1,400	1,150	1,150	
Ponder		22,650	20,160	17,790	15,970	14,710	13,380	12,190	10,560	9,350	7,100	
Prosper		6,550	6,310	6,170	5,750	5,400	5,674	5,674	5,500	5,232	4,947	
Providence Village		7,991	8,000	7,800	7,415	7,490	7,170	6,970	7,300	7,300	6,950	
Sanger												

Sources:

North Central Texas Council of Governments (NCTCOG)
UTRWD Annual Survey

Notes:

1. DCFWSWD - Denton County Fresh Water Supply District
2. WSC - Water Supply Corporation
3. Includes only unincorporated areas within the County
4. SUD - Special Utility District

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 11 - FUNDED DISTRICT EMPLOYEES BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Administration	15	15	16	9	9	9	9	9	9	8
Business/Finance	13	13	13	19	17	17	17	17	17	17
Operations	47	48	43	34	37	34	33	34	34	35
Maintenance	17	17	16	14	14	14	14	14	14	14
Engineering/Construction	13	12	11	19	14	18	18	17	17	17
Contract Positions	2									
Total	107	105	99	95	91	92	91	91	91	91

Source: UTRWD Business Department

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 12 - OPERATING INDICATORS BY SYSTEM LAST TEN FISCAL YEARS

SYSTEM	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Regional Treated Water System										
Wholesale Customers Contracted (See Note)	19	19	20	20	20	20	20	20	19	19
Total Town, Cities and Others Served (See Note)	29	29	30	30	30	30	29	29	29	29
Total Customer Delivery Points	27	31	28	28	25	25	24	24	24	24
Total Yearly Billed Flows (millions of gallons)	11,241	9,960	9,485	8,956	8,146	8,020	8,183	8,989	7,231	7,412
Lakeview Regional Water Reclamation System										
Wholesale Customers Contracted (See Note)	6	6	6	6	6	6	6	6	6	6
Total Town, Cities and Others Served (See Note)	9	9	9	9	9	9	8	8	8	8
Customer Points of Entry	10	10	10	10	10	10	8	8	8	8
Total Yearly Billed Flows (millions of gallons)	1,440	1,434	1,703	1,664	1,333	1,256	1,343	1,272	1,547	1,278
Northeast Regional Water Reclamation System										
Wholesale Customers Contracted (See Note)	9	9	9	8	8	7	6	6	6	6
Total Town, Cities and Others Served (See Note)	9	9	9	9	9	6	6	6	6	6
Customer Points of Entry	15	15	14	12	12	11	11	11	11	11
Total Yearly Billed Flows (millions of gallons)	1,123	899	768	655	511	447	401	370	374	310
Peninsula Water Reclamation Plant										
Wholesale Customers Contracted (See Note)	1	1	1	2	2	2	2	2	2	2
Total Town, Cities and Others Served (See Note)	2	2	2	2	2	2	2	2	2	2
Customer Points of Entry	2	2	2	2	2	2	2	2	2	2
Total Yearly Billed Flows (millions of gallons)	178	140	139	124	103	86	79	72	77	55

Note: Some contracting parties provide service to more than one town or city

Source: UTRWD Operations & Engineering Department

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 13 - CAPITAL ASSET (IN SERVICE) STATISTICS BY SYSTEM LAST TEN FISCAL YEARS

SYSTEM	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<u>Regional Treated Water System</u>										
Raw Water Intake Capacity	200mgd	200mgd	200mgd	200mgd	200mgd	200mgd	200mgd	200mgd	200mgd	200mgd
Water Treatment Plant Capacity	70mgd	70mgd	70mgd	70mgd	70mgd	70mgd	70mgd	70mgd	70mgd	70mgd
Treated Water Pumping Capacity (est)	130mgd	130mgd	130mgd	130mgd	130mgd	130mgd	130mgd	130mgd	130mgd	130mgd
<u>Transmission Pipelines (miles):</u>										
12" to 20"	37.10	45.93	45.29	30.18	30.18	30.18	30.18	30.18	30.18	30.18
24" to 36"	43.34	43.34	42.95	40.27	40.27	40.27	40.27	40.27	40.27	40.27
48" to 60"	22.74	22.74	20.34	18.88	18.88	18.88	18.88	18.88	18.07	18.07
<u>Treated Water Storage Tanks:</u>										
Treatment Plant	4	4	4	4	4	4	4	4	4	4
Other	6	6	6	6	6	6	6	6	6	6
<u>Tom Harpool Water Treatment Plant</u>										
Raw Water Intake Capacity	45mgd	45mgd	45mgd	45mgd	45mgd	45mgd	45mgd	45mgd	45mgd	45mgd
Water Treatment Plant Capacity	20mgd	20mgd	20mgd	20mgd	20mgd	20mgd	20mgd	20mgd	20mgd	20mgd
Treated Water Pumping Capacity (est)	16mgd	16mgd	16mgd	16mgd	16mgd	16mgd	16mgd	16mgd	16mgd	16mgd
<u>Lakeview Regional Water Reclamation System</u>										
Water Reclamation Plant Capacity	5.5mgd	5.5mgd	5.5mgd	5.5mgd	5.5mgd	5mgd	5mgd	5mgd	5mgd	5mgd
<u>Interceptor Pipeline (miles):</u>										
8" to 10"	1.82	1.82	1.82	1.82	1.82	1.82	1.82	1.82	1.82	1.82
14"	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
18" & 20"	7.6	7.6	7.55	7.55	7.55	7.55	7.55	7.55	7.55	7.55
24" & 27"	4.76	4.76	4.72	4.72	4.72	4.72	4.72	4.72	4.72	4.70
Wastewater Lift Stations	5	5	5	5	5	5	5	5	5	5
<u>Northeast Regional Water Reclamation System</u>										
Riverbend Water Reclamation Plant Capacity	2.0mgd	2.0mgd	2.0mgd	2.0mgd	2.0mgd	2.0mgd	1.5mgd	1.5mgd	1.5mgd	1.5mgd
Doe Branch Water Reclamation Plant Capacity	2.0mgd	2.0mgd								
<u>Interceptor Pipeline (miles):</u>										
8" to 21"	6.09	6.09	4.63	4.63	4.63	4.63	4.63	4.63	4.63	4.63
24" to 36"	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30
Wastewater Lift Stations	1	1	1	1	1	1	1	1	1	1
<u>Peninsula Water Reclamation Plant</u>										
Water Reclamation Plant Capacity	0.94mgd	0.94mgd	0.94mgd	0.94mgd	0.94mgd	0.94mgd	0.94mgd	0.94mgd	0.94mgd	0.94mgd
Interceptor Pipeline (miles):										
24" to 36"	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01

Note: mgd is million gallons per day

Source: UTRWD Operations & Engineering Department

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 14 - SUBSCRIBED CAPACITY BY PARTICIPANTS September 30, 2018

Participant	Treated Water		Lakeview		Northeast		Peninsula		Non-Potable Water	
	MGD	%	MGD	%	(Riverbend/Doe Branch) Wastewater Treatment MGD	%	Wastewater Treatment MGD	%	MGD	%
Argyle Water Supply Corp.	2.00	2.59								
Aubrey	0.10 (2)	0.13							0.00	
Bartonville			0.0378							
Celina	4.50	5.82		0.71	0.6650				16.42	
Corinth	7.50	9.70	1.6080	30.18						
Cross Timbers Water Supply Corp.	2.50	3.23								
Denton	(1)									
Denton County Fresh Water Supply Dist. #1A	3.00	3.88								
Denton County Fresh Water Supply Dist. #7	3.50	4.53	0.8440	15.84	0.4538				11.20	
Denton County Fresh Water Supply Dist. #8A	2.17	2.81			0.1560				3.85	
Denton County Fresh Water Supply Dist. #10	0.82	1.06			0.4538				11.20	
Denton County Fresh Water Supply Dist. #11	3.00	3.88								
Double Oak			0.0080	0.15						
Flower Mound	30.00	38.80								
Highland Village	3.00	3.88	1.6500	30.96						
Justin	0.85	1.10								
Krum	0.40 (2)	0.52								
Lake Cities Municipal Utility Authority	3.80	4.91	1.1810	22.16	0.9115				22.51	
Mustang Special Utility District	4.48	5.79								
Northlake	2.80	3.62								
Prosper										
Providence Village	2.40	3.10			1.0000				24.69	
Sanger	0.50 (2)	0.65			0.4100				10.12	
Total Subscriptions	77.32	100.00	5.3288	100.00	4.0501	100.00	All	100.00	All	100.00

(1) Service is provided according to need -- no specific capacity.

(2) Indirect customer. Receives water from an entity participating jointly with Upper Trinity.

(3) Includes Riverbend and Doe Branch Plants.

Source: UTRWD Operations Department

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

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UPPER TRINITY REGIONAL WATER DISTRICT

SERVICES AND RATES YEAR ENDED SEPTEMBER 30, 2018

1. Services Provided by the District:

- | | | |
|---|--|-------------------------------------|
| <input type="checkbox"/> Retail Water | <input checked="" type="checkbox"/> Wholesale Water | <input type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input checked="" type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
| <input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | |
| <input checked="" type="checkbox"/> Other (specify): <u>Household Hazardous Waste Disposal, Non-Potable Water</u> | | |

2. Retail Rates Based on 5/8" Meter: ☒ Retail Rates Not Applicable

Most prevalent type of meter (if not a 5/8"):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	\$			\$	to
				\$	to
WASTEWATER:	\$			\$	to
				\$	to
SURCHARGE:	\$			\$	to

District employs winter averaging for wastewater usage? Yes ☐ No ☐

Total water and wastewater charges per 10,000 gallons usage (including surcharges). \$

3. Retail Service Providers: Number of retail water and/or wastewater* connections within the District as of the fiscal year end. Provide actual numbers and single family equivalents (ESFC) as noted:

	Active Connections	Active ESFC	Inactive Connections (ESFC)**
Single Family			
Multi-Family			
Commercial			
Other - recreational centers government & VFD			
TOTAL			

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

** "Inactive" means that water and wastewater connections were made, but service is not being provided.

4. **Total Water Consumption (In Thousands) During The Fiscal Year:**

Gallons pumped into system: 11,701,227

Gallons billed to customers: 11,240,891

5. **Standby Fees:** Does the District assess standby fees? Yes ☐ No ☒

For the most recent full fiscal year, FYE _____

Debt Service:	Total levy	\$	_____
	Total Collected	\$	_____
	Percentage Collected		_____ %

Operation & Maintenance:	Total levy	\$	_____
	Total Collected	\$	_____
	Percentage Collected		_____ %

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

6. **Anticipated sources of funds to be used for debt service payments in the district's following fiscal year:**

a.	Debt Service Tax Receipts	\$	_____
b.	Surplus Construction Funds	\$	_____
c.	Water and/or Wastewater Revenue	\$	<u>26,069,413</u>
		\$	_____
d.	Standby Fees	\$	_____
e.	Debt Service Fund Balance To Be Used	\$	_____
f.	Interest Revenues	\$	_____
g.	Other (Describe)		
	_____	\$	_____
	_____	\$	_____
	_____	\$	_____

TOTAL ANTICIPATED FUNDS TO BE USED* \$26,069,413

* This total should equal the district's total annual debt service for the fiscal year following the fiscal year reported or in the audited financial statements.

7. **Location of District:**

County(ies) in which district is located. Denton, Collin, Dallas

Is the District located entirely within one county? Yes ☐ No ☒

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

City(ies) in which district is located. _____
*See List of Board Members
and Entity Represented

Is the District located within a city's extra territorial jurisdiction (ETJ)?
Entirely ☐ Partly ☒ Not at all ☐

ETJ's in which district is located. _____
*See List of Board Members
and Entity Represented

Is the general membership of the Board appointed by an office outside the district?
Yes ☒ No ☐

If Yes, by whom? Governing Body of Member Entities, plus Denton County Commissioners Court

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE OF TEMPORARY INVESTMENTS SEPTEMBER 30, 2018

Systems	Identification or Certificate Number	Interest Rate/Yield	Maturity Date	Balance at End of Year
Riverbend Water Reclamation System				
U.S. Treasury Note	912828V56	1.13%	01/31/19	\$ 996,050
Regional Treated Water System				
U.S. Treasury Note (Operating)	912828V56	1.13%	01/31/19	\$ 1,997,501
U.S. Treasury Note (Operating)	912828R44	0.88%	05/15/19	\$ 1,994,536
U.S. Treasury Note	912828V56	1.13%	01/31/19	\$ 976,433

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UPPER TRINITY REGIONAL WATER DISTRICT

INSURANCE COVERAGE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Type of Coverage	Amount of Coverage		Insurer Name	Type of Corporation	Policy Clause: Co-insurance
FIDELITY:					
Public Employee Dishonesty	\$	100,000 Per Employee	Texas Municipal League - IRP	Risk Pool	No
Forgery & Alterations	\$	40,000 Per Loss			
Theft, Disappearance, & Destruction	\$	40,000 Per Loss	Texas Municipal League - IRP	Risk Pool	No
Computer Fraud	\$	40,000 Per Loss			
			Texas Municipal League - IRP	Risk Pool	No
			Texas Municipal League - IRP	Risk Pool	No
			Texas Municipal League - IRP	Risk Pool	No
			Texas Municipal League - IRP	Risk Pool	No
LIABILITY:					
General	\$	10,000,000 Each Occurrence			
Includes Sudden Events Pollution	\$	2,000,000 Each Occurrence			
	\$	10,000,000 Annual Aggregate	Texas Municipal League - IRP	Risk Pool	No
Errors & Omissions	\$	5,000,000 Each Wrongful Act			
	\$	10,000,000 Annual Aggregate			
Automobile	\$	5,000,000 Each Occurrence	Texas Municipal League - IRP	Risk Pool	No
	\$	2,000,000 Uninsured/Underinsured Motorists/ (Each Accident)	Texas Municipal League - IRP	Risk Pool	No
	\$	25,000 Auto Medical Payments/(Each Person)			
CYBER LIABILITY & DATA BREACH:			Texas Municipal League - IRP	Risk Pool	No
Website Media	\$	1,000,000 Annual Aggregate			
Privacy Breach	\$	25,000 Per Incident and in the Aggregate			
Regulatory Defense & Penalties	\$	50,000 Aggregate Limit	Texas Municipal League - IRP	Risk Pool	No
Payment Cart Industry Fines, Expenses And Costs			Texas Municipal League - IRP	Risk Pool	No
Cyber Extortion					
PROPERTY:					
Buildings & Contents	\$	254,957,560 Special Form (Replacement Cost)/ Includes Earthquake & Flood Coverage	Texas Municipal League - IRP	Risk Pool	No
	\$	10,000,000 Acts of Terrorism Coverage/ (Each Occurrence)			
	\$	62,000,000 Boiler & Machinery Coverage/ (Per Accident Limit)			
Mobile Equipment	\$	1,146,071 As Scheduled (Replacement Cost) Includes Rented and Leased Equipment			
Automobile		As Scheduled Collision & Comprehensive Coverage/ (Actual Cash Value)			
ACCIDENT/INJURY:					
Workers' Compensation		Statutory Limits			

UPPER TRINITY REGIONAL WATER DISTRICT

COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES TWO YEARS ENDED SEPTEMBER 30, 2018

	Amount		% of Fund Total Revenues	
	2018	2017	2018	2017
REVENUES:				
Charges for services	\$ 57,974,584	\$ 53,749,737	99.5%	99.5%
Miscellaneous income	267,512	268,747	0.5%	0.5%
Total revenues	58,242,096	54,018,484	100.0%	100.0%
EXPENSES:				
Operation and maintenance:				
Salaries and benefits	4,771,504	4,350,365	8.2%	8.1%
Water and wastewater treatment	10,885,377	7,659,330	18.7%	14.2%
Lab chemicals and supplies	1,665,981	1,488,522	2.9%	2.8%
Maintenance materials service	1,399,284	1,103,404	2.4%	2.0%
Utilities	2,594,487	2,307,845	4.5%	4.3%
Equipment and tools	36,083	83,880	0.1%	0.2%
Sludge removal	512,072	445,934	0.9%	0.8%
Disposal service	14,862	15,544	0.0%	0.0%
Miscellaneous	288,626	270,424	0.5%	0.5%
Depreciation and amortization	11,272,242	9,409,453	19.4%	17.4%
Administrative other	3,857,121	3,400,843	6.6%	6.3%
Total expenses	37,297,639	30,535,544	64.0%	56.5%
EXCESS REVENUES OVER EXPENSES	\$ 20,944,457	\$ 23,482,940	36.0%	43.5%

UPPER TRINITY REGIONAL WATER DISTRICT

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS FOR THE YEAR ENDED SEPTEMBER 30, 2018

Complete District Mailing Address: P. O. Box 305, 900 N. Kealy, Lewisville, TX 75067

District Business Telephone Number: (972) 219-1228 Fax: (972) 221-9896

Names and Addresses	Term of Office (Elected or Appointed) or Date Hired	Appointing Entity	Expense Reimbursements Year Ended September 30, 2018	Title	Resident of District
Board Officers					
Kevin Mercer General Manager DCFWS #7 2652 FM 407 East, Suite 215 Bartonville, TX 76226	Appointed: June 1, 2018 Appointed: 11/02 – 05/19	Denton County FWSD #7	\$0.00	President Board of Directors	Yes
Richard A. Lubke 2700 Gentle Dr. Flower Mound, TX 75022	Appointed: June 1, 2018 04/00 - 05/19	Highland Village	\$0.00	Vice President Board of Directors	Yes
Ramiro Lopez Assistant City Manager City of Irving 825 W. Irving Blvd. Irving, TX 75060	Appointed: June 1, 2018 02/09 – 05/21	Irving	\$0.00	Treasurer Board of Directors	Yes
Mike Fairfield General Manager Lake Cities MUA 501 N. Shady Shores Dr. Lake Dallas, TX 75065-2409	Appointed: June 1, 2018 12/09 – 05/19	Lake Cities MUA	\$0.00	Secretary Board of Directors	Yes
Board Members					
Troy Norton Director of Public Works Town of Argyle P.O. Box 609 Argyle, TX 76226	Appointed 02/15 - 05/21	Argyle	\$0.00	Director	Yes
Brian Roberson 1745 FM 2931 Providence Village, TX 76227	Appointed 04/16 – 05/19	Aubrey	\$0.00	Director	Yes
Del Knowler 739 Seals Rd. Bartonville, TX 76226	Appointed 08/13 - 05/21	Bartonville	\$0.00	Director	Yes
James Burnham 401 Niles Ct. Oak Point, TX 75068	Appointed 07/17 – 05/21	Celina	\$0.00	Director	Yes
Mark Pape 12050 Meadow Lake Ln. Argyle, TX 76226-4501	Appointed 08/18 - 05/21	Copper Canyon	\$0.00	Director	Yes
Bob Hart City Manager City of Corinth 3300 Corinth Parkway Corinth, TX 76208	Appointed 05/18 – 05/21	Corinth	\$0.00	Director	Yes

Names and Addresses	Term of Office (Elected or Appointed) or Date Hired	Appointing Entity	Expense Reimbursements Year Ended September 30, 2018	Title	Resident of District
Timothy S Fisher Director of Water Utilities City of Denton 901A Texas St. Denton, TX 76201	Appointed 06/01 – 05/21	City of Denton	\$0.00	Director	Yes
Johnny Harris 516 Addison Lake Dallas, TX 75065	Appointed 03/10 – 05/19	Denton County	\$0.00	Director	Yes
Jean Campbell 405 Canyon Oaks Dr. Argyle, TX 76226	Statutory 03/10 - 05/21	Denton County At-Large	\$0.00	Director	Yes
Kristina Clark Director of Administration DCFWSO #1-A 2540 King Arthur Blvd., Ste. 220 Lewisville, TX 75056	Appointed: 5/16 – 05/19	Denton County FWSD #1-A	\$0.00	Director	Yes
Dick Cook 170 Oak Trail Double Oak, TX 75077	Appointed 07/12 – 05/21	Double Oak	\$0.00	Director	Yes
Clay Riggs Asst. Director, Public Works Town of Flower Mound 2121 Cross Timbers Road Flower Mound, TX 75028	Appointed 5/18 - 05/19	Flower Mound	\$0.00	Director	Yes
Virginia Blevins 22858 Indian Trail Justin, TX 76247	Appointed 06/03 - 05/21	Justin	\$0.00	Director	Yes
Gary Calmes 1421 N. Elm St. Ste. 102 Denton, TX 76201	Appointed: 10/09 – 05/21	Krum	\$0.00	Director	Yes
Eric Ferris Deputy City Manager City of Lewisville P.O. Box 299002 Lewisville, TX 75029-9002	Appointed 04/17 – 05/21	Lewisville	\$0.00	Director	Yes
Chris Boyd General Manager Mustang Special Utility District 7985 F.M. 2931 Aubrey, TX 76227	Appointed: 03/07 - 05/19	Mustang SUD	\$0.00	Director	Yes
Alan Guard City Manager City of Pilot Point 102 E. Main Street Pilot Point, TX 76258	Appointed 06/17 – 05/19	Pilot Point	\$0.00	Director	Yes
Mike Anderson 833 Lochmoor Lane Highland Village, TX 75077	Appointed 07/16 - 5/21	Ponder	\$0.00	Director	Yes
Frank Jaromin Director of Public Works Town of Prosper 601 W. 5 th St. P.O. Box 307 Prosper, TX 75078-0307	Appointed 07/15 - 05/19	Prosper	\$0.00	Director	Yes

Names and Addresses	Term of Office (Elected or Appointed) or Date Hired	Appointing Entity	Expense Reimbursements Year Ended September 30, 2018	Title	Resident of District
Alina Ciocan City Manager City of Sanger P.O. Box 1729 Sanger, TX 76266	Appointed 02/18 – 05/19	Sanger	\$0.00	Director	Yes
Key Administrative Personnel					
Larry N. Patterson, P.E. 900 N. Kealy P.O. Box 305 Lewisville, TX 75067	Hired 08/12/02 - Present	UTRWD	\$18,000	Executive Director	Yes
William A. Greenleaf 900 N. Kealy P.O. Box 305 Lewisville, TX 75067	Hired 09/28/98 - Present	UTRWD	\$6,716	Director - Business Services	Yes
Thomas W. Snyder, P.E. 900 N. Kealy P.O. Box 305 Lewisville, TX 75067	Hired 07/01/93 - Present	UTRWD	\$6,196	Director - Construction and Engineering	Yes
Jody Zabolio, P.E. 900 N. Kealy P.O. Box 305 Lewisville, TX 75067	Hired 12/13/04 - Present	UTRWD	\$6,219	Director - Operations	No
Consultants					
Dave Medanich Vice Chairman Hilltop Securities Inc. 777 Main St., Suite 1200 Fort Worth, TX 76102	Contracts 09/07/89 - Present	UTRWD	N/A	Financial Advisor	N/A
John F. Boyle, Jr. Boyle & Lowry LLP Attorneys and Counselors 4201 Wingren, Suite 108 Irving, TX 75062-2763	Contracts 02/02/95 - Present	UTRWD	N/A	General Counsel	N/A
Rob Collins, III - Partner Bracewell LLP 1445 Ross Avenue Suite 3800 Dallas, TX 75202-2711	Contracts 04/07/95 - Present	UTRWD	N/A	Bond Counsel	N/A
Sheila Hambrick Jones Gotcher 3800 First Place Tower 15 East Fifth St Tulsa, OK 74103-4309	Contracts 09/28/16 - Present	UTRWD	N/A	General Counsel	N/A
Richard H. Kelsey, P. C. Kelsey, Kelsey, and Hickey Attorneys At Law 2225 East McKinney Denton, TX 76209	Contracts 11/12/92 - Present	UTRWD	N/A	Real Estate Counsel	N/A
Lauren Kalisek Lloyd Gosselink 816 Congress Ave. Suite 1900 Austin, TX 78701	Contracts 05/06/99 - Present	UTRWD	N/A	General Counsel	N/A
Myles Porter Myles Porter, P.C. 411 N. Main St. Bonham, TX 75418	Contracts 09/10/15 - Present	UTRWD	N/A	Real Estate Counsel	N/A
Chris Young President Alan Plummer & Assoc., Inc. 1320 S. University Dr., Ste.300 Fort Worth, TX 76107	Contracts 02/20/91 - Present	UTRWD	N/A	Engineering	N/A

Names and Addresses	Term of Office (Elected or Appointed) or Date Hired	Appointing Entity	Expense Reimbursements Year Ended September 30, 2018	Title	Resident of District
S. Alan Skinner, PhD AR Consultants, Inc. 805 Business Parkway Richardson, TX 75081	Contracts 01/26/16 - Present	UTRWD	N/A	Engineering	N/A
Robert Brandes, P. E. Robert J. Brandes Consulting 6000 Mavrys Trail Austin, TX 78730	Contracts 03/17/17 - Present	UTRWD	N/A	Engineering	N/A
Ignacio Cadena Black & Veatch Corporation 5400 LBJ Freeway, Suite 975 Dallas, TX 75240	Contracts 09/30/16 - Present	UTRWD	N/A	Engineering	N/A
Samir S. Mathur, P. E. CDM Smith Inc. 8140 Walnut Hill Lane, Ste.1000 Dallas, TX 75231	Contracts 08/03/06 - Present	UTRWD	N/A	Engineering	N/A
Edward M. Motley P. E. - VP CH2M Hill., Inc. 12750 Merit Drive, Suite 1100 Dallas, TX 75251	Contracts 09/16/93 - Present	UTRWD	N/A	Engineering	N/A
Scott Hoff, P. E. – Senior VP Carollo Engineers Inc. 14785 Preston Rd., Suite 950 Dallas, TX 75254	Contracts 10/06/00 - Present	UTRWD	N/A	Engineering	N/A
Pete Patel, President, CEO CP&Y Inc. 1820 Regal Row, Ste. #200 Dallas, TX 75235	Contracts 09/16/93 - Present	UTRWD	N/A	Engineering	N/A
Kelly DiNatale - President DiNatale Water Consultants 2919 Valmont Road, Suite 204 Boulder, CO 80301	Contracts 05/02/16 - Present	UTRWD	N/A	Engineering	N/A
J.A. Sosebee, P. E. – Sr. VP Huit-Zollars, Inc. 1717 McKinney Ave, Suite 1400 Dallas, TX 75202	Contracts 05/05/11 - Present	UTRWD	N/A	Engineering	N/A
Antonio Almeida, P.E. Program Manager Half Associates, Inc. 12225 Greenville Ave., Suite 200 Dallas, TX 75243	Contracts 02/02/11 - Present	UTRWD	N/A	Engineering	N/A
Jerry W. Snead II, P.E. JQ Infrastructure 2015 Commerce Street, Suite 200 Dallas, TX 75201	Contracts 02/10/16 - Present	UTRWD	N/A	Engineering	N/A
Heather Harward Texas Water Supply Partners 3305 Silverleaf Drive Austin, TX 78757	Contracts 03/29/17 - Present	UTRWD	N/A	Engineering	N/A
Stephen W. McCullough 1616 Oak Meadow Drive Irving, TX 75061	Contracts 01/27/16 - Present	UTRWD	N/A	Engineering	N/A
Harvey Economics 469 South Cherry St, Suite 100 Denver, CO 80246	Contracts 01/08/18 - Present	UTRWD	N/A	Engineering	N/A
Jeff Sober Vice President Garver, LLC 3010 Gaylord Parkway, Ste. 190 Frisco, TX 75034	Contracts 03/03/16 - Present	UTRWD	N/A	Engineering	N/A

Names and Addresses	Term of Office (Elected or Appointed) or Date Hired	Appointing Entity	Expense Reimbursements Year Ended September 30, 2018	Title	Resident of District
Matt Barkley Project Manager Michael Baker Jr., Inc 810 Hester's Crossing., Suite 163 Round Rock, TX 78681	Contracts 10/02/08 - Present	UTRWD	N/A	Engineering	N/A
Independent Auditor					
Reem Samra Deloitte & Touche LLP Chase Tower, Ste. #1600 2200 Ross Avenue Dallas, TX 75201-6778	Contracts 11/12/93 - Present	UTRWD	N/A	Auditor	N/A
Investment Officers					
Larry N. Patterson, P.E. 900 N. Kealy P.O. Box 305 Lewisville, TX 75067	Contract 03/01/18 Hired 08/12/02 - Present	UTRWD	N/A	Executive Director	Yes
William A. Greenleaf 900 N. Kealy P.O. Box 305 Lewisville, TX 75067	Hired 09/28/98 - Present	UTRWD	N/A	Director - Business Services	Yes
Lester T. Harris Jr. 900 N. Kealy P.O. Box 305 Lewisville, TX 75067	Hired 05/05/03 - Present	UTRWD	N/A	Controller	No

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