



Annual Financial Report
As of and for the year ended
September 30, 2011



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As of and for the Year Ended
September 30, 2011

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**TARRANT REGIONAL WATER DISTRICT
FORT WORTH, TEXAS**

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INDEPENDENT AUDITORS' REPORT

Members of the Board of Directors
Tarrant Regional Water District
Fort Worth, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Tarrant Regional Water District (the District), as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Tarrant Regional Water District's management. Our responsibility is to express opinions on the respective 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 respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, and each major fund of the Tarrant Regional Water District as of September 30, 2011, and the respective changes in financial position and respective cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the District adopted the provisions of Statement No. 54 of the Governmental Accounting Standards Board, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective October 1, 2010.

Management's Discussion and Analysis, the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual (GAAP Basis) – General Fund, and the Schedule of Funding Progress and Employer Contributions – Other Postemployment Benefits are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the

United States of America. This supplementary information is the responsibility of the Tarrant Regional Water District's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the District's basic financial statements. The other supplementary information required by the Texas Commission on Environmental Quality is presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplementary information is the responsibility of the District's management. This supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Deloitte & Touche LLP

January 10, 2012

TARRANT REGIONAL WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2011 (UNAUDITED)

This section of Tarrant Regional Water District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended September 30, 2011. Please read this analysis in conjunction with the District's audited financial statements, which follow this discussion.

FINANCIAL HIGHLIGHTS

The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$613.3 million (*net assets*). Of this amount, \$188.6 million (*unrestricted net assets*) may be used to meet the District's ongoing obligations to citizens and creditors.

The District's total net assets increased by \$55.9 million. Of this increase 74.6% is due to the increase in capital assets, net of related debt.

As of the close of the current fiscal year, the District governmental funds reported combined ending fund balances of \$163.9 million, an increase of \$5.7 million in comparison with the prior year. Approximately 91% of this total amount, \$149.9 million, is available for spending at the District's discretion (*Unassigned fund balance*).

At the end of the current fiscal year the Enterprise Fund net assets increased by \$17.1 million the increase is due mainly to the increase of capital assets, net of related debt.

OVERVIEW OF LARGE PROJECTS

The District engaged in multiple large, water supply related, construction projects funded through bond issues and the Trinity River Vision Project funded through oil and gas revenues. These projects are discussed on the following pages.

ENTERPRISE FUND-WATER SUPPLY PROJECTS:

Third East Texas Pipeline/Integrated Pipeline

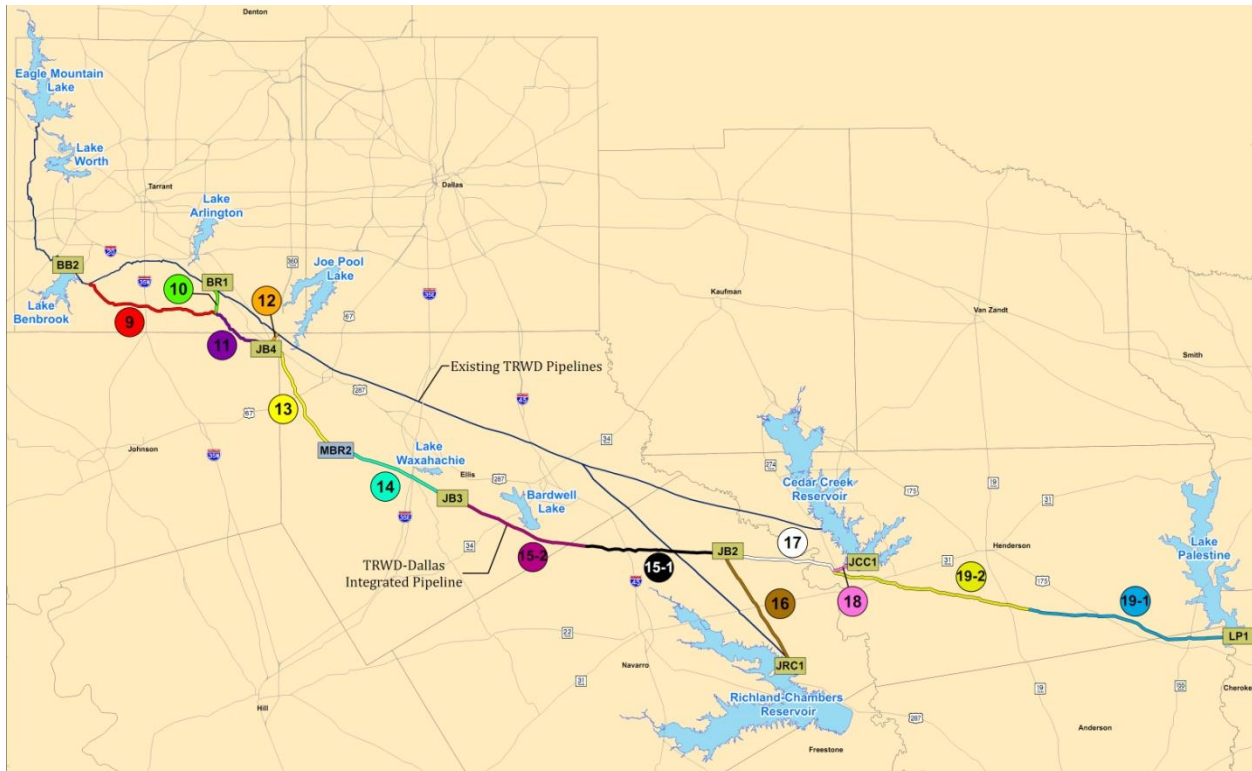
Tarrant Regional Water District (TRWD) and the City of Dallas Water Utilities (DWU) have partnered to finance, plan, design, construct, and operate the Integrated Pipeline (IPL) Project. The IPL Project is an integrated water delivery transmission system connecting Lake Palestine to Lake Benbrook with connections to Cedar Creek and Richland-Chambers Reservoirs that integrates TRWD's existing pipeline

system and creating flexibility in delivery as well as quick response to fluctuating customer water demands. The IPL Project consists of 150 miles of pipeline, three new lake pump stations, and two new booster pump stations, delivering a required capacity of 350 million gallons (MGD) of raw water per day to North Central Texas. TRWD and DWU currently serve over 4.4 million residents and the IPL Project will allow these agencies to continue supporting regional community and economic growth. On going studies and additional design is being paid for with the 2009, 2010, 2010A and 2010B bond issues as well as future bond issues. The estimated total cost to the District for this project is approximately one billion dollars. As of September 30, 2011 \$50.3 million has been spent on the IPL Project.

Some of the accomplishments of this project include the following:

- Project under design with eight pipeline design firms and two pump station design firms
- Right of entry received for approximately 75 percent of the project
- The Land Acquisition process began in August, with no purchases being made prior to September 30, 2011

Below is a general overview depicting the District's existing East Texas Pipeline in red and the new IPL pipeline in yellow.



Richland-Chambers Wetlands

The George W. Shannon Wetlands at Richland-Chambers Reservoir is located southeast of the reservoir and in northern Freestone and southern Navarro Counties. It currently has two phases of constructed wetlands in place and operational. These wetlands are used to polish the Trinity River water to a quality such that no adverse impacts will be seen as it is introduced into the reservoir. Current efforts to design the final expansion will bring the project to its ultimate size of 2,000 acres.

The first phase of the project began operating in June of 2003 and includes a pump station at the Trinity River to introduce the water to the system and 243 acres of wetlands and other structures to purify the water. This portion of the system has the ability to treat twelve million gallons of water per day.

The second phase of the wetlands project was completed during the summer of 2010 and includes the addition of 200 acres of wetlands and a pump station to move the water from the end of the wetlands into Richland-Chambers Reservoir. This will allow for the treatment of an additional ten million gallons per day of river water.

The final expansion started construction during the winter of 2011. It includes an additional 1,250 acres of wetlands, various canals, and other structures which will provide the necessary footprint for new cells. This expanded area is needed to provide treatment for an additional 90 million gallons of Trinity River water per day which will be introduced into Richland-Chambers as needed for supplemental water supply. As of September 30, 2011 \$44.1 million has been spent on the Richland-Chambers Wetlands Project. These funds were paid for with multiple bond issues (1999, 2002, 2006, 2008A, 2010).

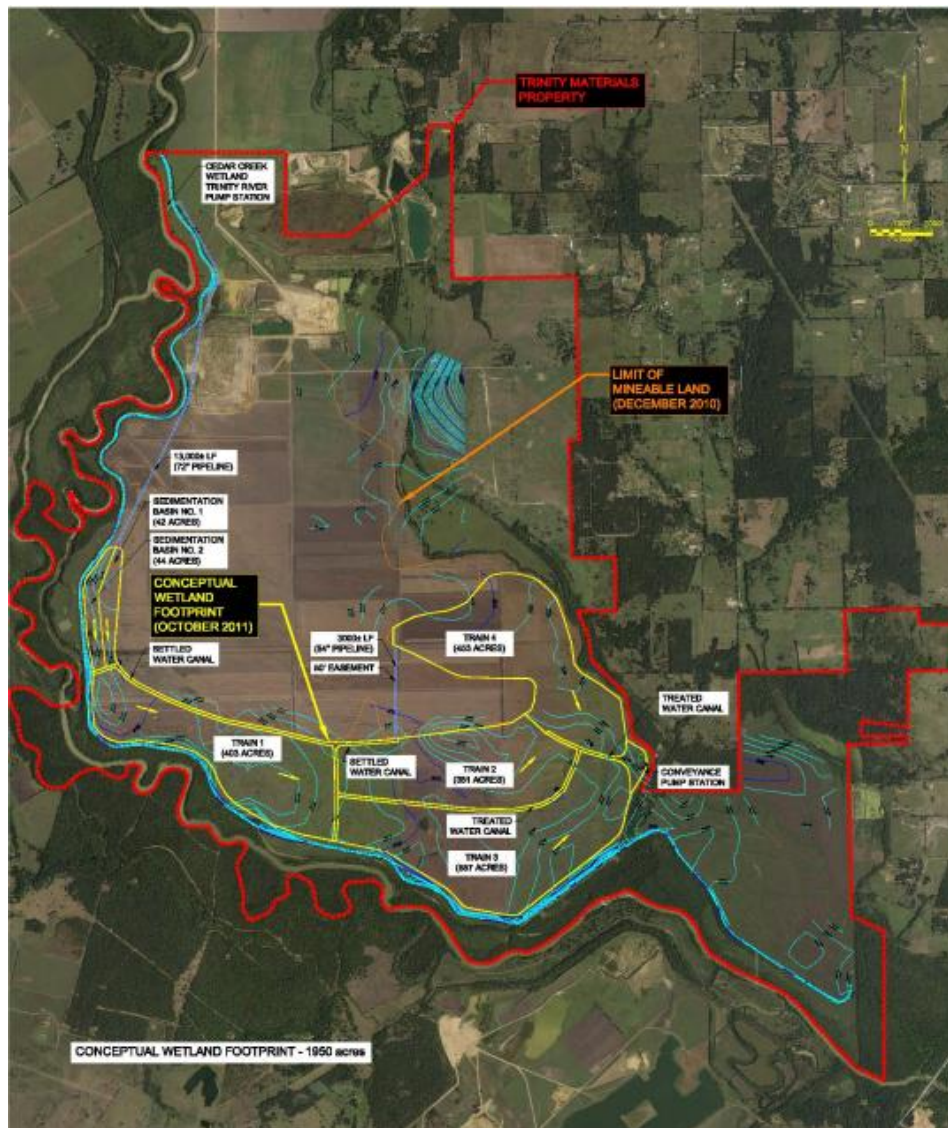
A picture showing the George W. Shannon Wetlands is on the following page.



Cedar Creek Wetlands

The proposed wetlands at Cedar Creek Reservoir are currently under preliminary design. The area of interest of the project location is in northern Kaufman County to the west of the reservoir. The facility is planned to be constructed in one effort which will include the construction of a pump station at the Trinity River, 2,000 acres of wetland cells and associated structures, a final pump station, and its associated pipeline to transport 80 million gallons of treated water per day from the wetlands into the reservoir. The focus of these wetlands is to improve the quality of the Trinity River water prior to its introduction into Cedar Creek Reservoir. Preliminary design efforts will be funded with the 2008B bond issue (\$6.7 million) and 2010 bond issue (only \$15 million from this bond will be used). To date \$481.5 thousand has been spent on this project.

Below is a map of the proposed location of the Cedar Creek Wetlands.



GENERAL FUND-FLOOD CONTROL AND RECREATION PROJECTS:

Trinity River Vision Project

The United States Army Corps of Engineers (USACE) and the District have been partnering to address water resources needs associated with the Trinity River for more than fifty years. After severe flooding in the late 1940s Congress authorized the Fort Worth Floodway Program which allowed the USACE to construct a flood protection system on the Trinity River in Fort Worth. This created the Fort Worth Floodway as we know it today. The District is the local sponsor of the Fort Worth Floodway and responsible for operation and maintenance of thirty miles of river and trail system. In the mid 1980s, the USACE, in cooperation with the District and other regional sponsors, began a series of Trinity River planning and flood-plan management initiatives basin-wide, which ultimately led to the Trinity River Vision Project (TRV).

This multi-agency collaboration between the District, the City of Fort Worth, and Tarrant County is bringing flood protection and related infrastructure to an 800 acre area north of downtown Fort Worth between the Tarrant County Courthouse and Northside Drive. The key component is the construction of a bypass channel, approximately 1.5 miles long, which will divert flood flows around the segment of the Trinity River adjacent to downtown. Construction of this new bypass channel and related dam and isolation gates will allow the existing river to function as a “quiescent watercourse”-a calm, constant-level, lake-like body that can be enjoyed all year round.

As of September 30, 2011 the project has accomplished the following:

- The USACE excavated over 950,000 cubic yards of soil for valleys storage at the Samuels Avenue sites. The contracts are in the final phases of closing out.
- 178 businesses and tenants have been successfully relocated.
- Property continues to be acquired based on project schedule needs. Currently we are in year five of a nine year acquisition program.
- Demolition work continues with buildings being taken down in the Henderson Street and Main Street areas, clearing the way for the bypass channel and bridge construction. Concrete removal has also occurred in preparation for construction.
- Final design continues on the Trinity Uptown bridges and Henderson Street, Main Street and White Settlement. Henderson Street Bridge is at 90% design level and will be the first to be constructed.
- Design on municipal and franchise utility relocations continue. Franchise Agreements are being negotiated.
- The City of Fort Worth will begin water and sanitary sewer relocation in November.
- Design work for USACE valley storage excavation at Gateway Park, Rockwood Park and Riverside Park has begun and the Ham Branch is nearing completion.

As of year-end, the District and the Trinity River Vision Authority (TRVA) have spent a total of \$76 million on this project. Of this amount \$64 million was contributed by the District, the remaining balance of \$12 million was contributed by the City of Fort Worth Tax Increment Reinvestment Zone Number Nine (TIF) in accordance to the project cost funding agreement as described in Note 1 which accompanies the financial statements.

Below is a picture of the Samuels Avenue Valley Storage site.



Marine Creek Hike and Bike Trail

This project will result in a hike and bike trail around the entire lake. Currently, construction is on the east-southeast side of the lake near the college campus and public boat ramp. Total spent on the project as of September 30, 2011 was \$0.84 million.

Twin Points Park

This project will provide additional lake amenities to the citizens. The Boat Ramp is scheduled to open in the spring of 2012 and the swim beach is scheduled to open in the spring of 2013. Total spent on the project as of September 30, 2011 was \$0.85 million.

A picture of the Twin Points Park masterplan is shown below:



OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements contain three components. 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains Management's Discussion and Analysis and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, presented in a manner similar to that of a private-sector business.

Statement of Net Assets

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

Statement of Activities

The Statement of Activities presents information showing how the District's net assets have changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Both the Statement of Net Assets and the Statement of Activities distinguish between the two functions of the District. Property taxes, oil and gas royalties, and inter-governmental revenues support the governmental activities. These activities include flood control, floodway maintenance, and improvements, recreation, and general government administration. The business-type activities of the District are intended to recover all or a significant portion of their costs through user fees and charges. The District's business-type activity is supplying raw water to municipalities. The government-wide financial statements can be found on pages 20-21 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The funds of the District can be divided into two categories: governmental and proprietary.

Governmental Funds

Governmental funds are used to account for the same functions shown in the governmental activities on the Statement of Activities mentioned above. However, unlike the government-wide financial

statements, governmental fund financial statements focus on near-term inflows and outflows and the expending of available resources, as well as on balances of resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliations to facilitate this comparison between governmental funds and governmental activities. The District maintains only one governmental fund: the General Fund.

Proprietary Funds

Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District's proprietary funds account for the raw water system, its repairs, and its improvements.

Component Unit

Component units are organizations that are legally separate, tax exempt entities that have the following characteristics: 1) the economic resources received or held are almost entirely for the direct benefit of the primary government, 2) the primary government has the ability to access a majority of the economic resources held by the separate organization and 3) the assets held by the separate entity are significant to the primary government. The District has one discretely-presented component unit: the Trinity River Vision Authority.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-53 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other required supplementary information such as budget to actual, other post employment benefits and other supplementary information such as property tax statistics related to the governmental activities, and other miscellaneous financial information and statistics.

FINANCIAL ANALYSIS: GOVERNMENT-WIDE STATEMENTS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$613 million at the close of the 2011 fiscal year.

CONDENSED SCHEDULE OF NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Current and other assets	\$ 160,008,806	\$ 178,474,120	\$ 309,316,216	\$ 255,252,032	\$ 469,325,022	\$ 433,726,152
Capital assets	126,850,508	147,836,049	643,020,480	701,402,958	769,870,988	849,239,007
Total Assets	\$ 286,859,314	\$ 326,310,169	\$ 952,336,696	\$ 956,654,990	\$1,239,196,010	\$ 1,282,965,159
Current liabilities	\$ 2,591,528	\$ 3,162,605	\$ 37,279,464	\$ 51,905,469	\$ 39,870,992	\$ 55,068,074
Long-term liabilities	2,278,654	2,356,547	639,685,225	612,263,366	641,963,879	614,619,913
Total Liabilities	\$ 4,870,182	\$ 5,519,152	\$ 676,964,689	\$ 664,168,835	\$ 681,834,871	\$ 669,687,987
Net assets:						
Invested in capital assets, net of related debt	\$ 126,850,508	\$ 147,836,049	\$ 202,799,524	\$ 223,542,977	\$ 329,650,032	\$ 371,379,026
Restricted for debt service			53,627,614	53,338,190	53,627,614	53,338,190
Unrestricted	155,138,624	172,954,968	18,944,869	15,604,988	174,083,493	188,559,956
Total Net Assets	\$ 281,989,132	\$ 320,791,017	\$ 275,372,007	\$ 292,486,155	\$ 557,361,139	\$ 613,277,172

Government-wide

- **Unrestricted Net Assets**

Increased from \$174 million to \$189 million due mainly to an increase in the Governmental Activities due to contributions from the TIF and a decrease in the Business-type Activities due to the large ongoing construction projects.

- **Current and Other Assets (including all assets other than Capital Assets)**

Decreased from \$469 million to \$434 million due to the expenditures for ongoing large projects such as the TRV, IPL, and Wetlands projects at Richland-Chambers and Cedar Creek Reservoirs.

- **Capital Assets**

Increased from \$770 million to \$849 million due to the ongoing purchase of property for the Trinity River Vision project and design and construction related to the 2009 and 2010 bond

issues which included projects such as the Wetlands projects at Richland-Chambers and Cedar Creek Reservoirs, the IPL project, and other various large projects.

- **Invested in Capital Assets, Net of Related Debt**

The district has \$371 million (60.6%) of its net assets invested in capital assets (e.g. dams, spillways and water transmission facilities as well as land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding.

The District uses the majority of these capital assets to provide services to its water customers; consequently, those assets are not available for future spending.

Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

- **Current Liabilities (including all liabilities other than Long-Term Liabilities)**

Increased from \$40 million to \$55 million due to an increase in accounts payable as of September 30, 2011 of \$8.1 million, an increase of \$5.5 million in Other Liabilities due to accrued litigation costs and an increase in the current portion of bonds payable of \$1.5 million.

- **Restricted for Debt Service**

An additional \$53 million (8.7%) of the District's net assets represents resources that are subject to restrictions for debt service.

- **Unrestricted Net Assets**

The remaining balance of \$189 million (30.7%) is considered unrestricted net assets and may be used to meet the District's ongoing liabilities.

Governmental Activities

- **Current and other assets**

Increase of \$18 million was due mainly to the TIF contribution for the TRV Project.

- **Capital Assets**

Increase of \$21 million was due mainly to the TRV Project land purchases

Business-Type Activities

- **Current Liabilities**

Increased from \$37.3 million to \$51.9 million due to increased accounts payable at year end attributed to the Wetlands and the IPL project in the amount of \$7 million, \$5 million for accrued litigation costs and \$1.5 million increase in Revenue bonds payable and the remaining increase due to retainage.

- **Long Term Liabilities**

Decreased from \$640 million to \$612 million due to scheduled repayment of Revenue bonds.

CONDENSED SCHEDULE OF ACTIVITIES

	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Revenues:						
Program Revenues:						
Charges for services	\$ 35,147,114	\$ 28,830,916	\$ 79,718,947	\$ 90,564,705	\$ 114,866,061	\$ 119,395,621
Contributions	2,499,268	13,944,124	717,421	95,078	3,216,689	14,039,202
Total Program Revenues	37,646,382	42,775,040	80,436,368	90,659,783	118,082,750	133,434,823
General Revenues:						
Property tax revenues	9,051,507	8,580,069			9,051,507	8,580,069
Unrestricted investment income	1,468,495	1,045,664	2,969,407	1,873,044	4,437,902	2,918,708
Other revenues	87,102	186,874	115,714	1,337,690	202,816	1,524,564
Total Revenues	48,253,486	52,587,647	83,521,489	93,870,517	131,774,975	146,458,164
Expenses:						
General government	7,595,520	7,494,646			7,595,520	7,494,646
Flood control	5,605,584	6,291,116			5,605,584	6,291,116
TRV Project	3,000,000				3,000,000	
Water supply			69,126,434	76,756,369	69,126,434	76,756,369
Total Expenses	16,201,104	13,785,762	69,126,434	76,756,369	85,327,538	90,542,131
Increase in Net Assets	32,052,382	38,801,885	14,395,055	17,114,148	46,447,437	55,916,033
Net Assets - Beginning	249,936,750	281,989,132	260,976,952	275,372,007	510,913,702	557,361,139
Net Assets - Ending	\$ 281,989,132	\$ 320,791,017	\$ 275,372,007	\$ 292,486,155	\$ 557,361,139	\$ 613,277,172

Governmental Activities

- **Program Revenues-Contributions**

During 2011, the District received a contribution from TIF #9 in the amount of \$11.9 million. Details related to this contribution can be found in Note 1 which accompanies the financial statements. Additionally, there was a \$1.1 million contribution from TRVA and \$889,000 from a HUD grant, City of Fort Worth and Streams and Valleys.

- **Expenses-TRV Project**

TRWD contributed \$2 million to TRVA, but at year end all land related expenses are contributed back to the District and recorded with the asset, therefore the expense line item is shown as zero.

Business Type Activities and Enterprise Fund

- **Program Revenues-Charges for Services**

Increased \$10.8 million due to increase water sales due to the drought conditions in the service area.

- **Program Revenues-Contributions**

During 2011, the District received no equity buy in premiums for new customer water contracts. There was program revenue of \$95,078 from Texas Water Development Board, related to IPL studies.

- **Expenses-Water Supply**

Increased \$8 million mainly due to the District using more pumping power. More pumping power was needed because of the decreasing lake levels and drought conditions.

- **General Revenues-Other Revenue**

Increased \$1.2 million mainly due to the Dallas Water Utilities payment for administrative overhead related to the IPL project.

FINANCIAL ANALYSIS: FUND STATEMENTS

General Fund

As of the end of the 2011 fiscal year, the District's General Fund reported an ending fund balance of \$163.9 million, an increase of \$5.7 million in comparison to the prior year. This total includes Nonspendable fund balance in the amount of \$14 million. The District has \$149.9 million in Unassigned fund balance, which is available for spending at the District's discretion.

The General Fund includes floodway support and maintenance, flood control efforts, recreation, and general administrative costs. Tax revenues, oil and gas royalties, and a reimbursement from the Proprietary Funds for allocated costs provide the major sources of revenue.

Enterprise Funds

The District's proprietary fund provides the same type of information found in the government-wide financial statements, but with comparative data for the prior year. The Internal Balances are included in assets at the government-wide level but as a liability at the fund level.

FINANCIAL ANALYSIS: CAPITAL ASSETS

The District's capital assets for its governmental and business-type activities as of September 30, 2011 were \$849 million. Capital assets include: dams, spillways and water transmission facilities as well as land, roads, buildings, machinery, equipment, construction costs, and surplus water rights.

Major asset events during the current year included the following:

- **Land-Governmental Activities**
 - Trinity River Vision land purchases increased by \$12 million
- **Construction in Progress-Governmental Activities**
 - Trinity River Vision capital costs increased by \$6.3 million
- **Construction in Progress-Business-type Activities**
 - Water studies increased \$2.6 million
 - Richland-Chambers Wetland Phase II increased \$14.1 million
 - Integrated Pipeline increased \$37 million
 - Capitalized Interest increased by \$4.7 million
 - Benbrook Variable Frequency Drive increased by \$1.1 million
 - Eagle Mountain Dam increased by \$1 million

CAPITAL ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Nondepreciable:						
Land	\$ 72,329,466	\$ 84,420,736	\$ 89,063,282	\$ 89,128,194	\$ 161,392,748	\$ 173,548,930
Construction in progress	35,365,555	42,121,147	30,971,897	92,996,965	66,337,452	135,118,112
Total nondepreciable assets	107,695,021	126,541,883	120,035,179	182,125,159	227,730,200	308,667,042
Depreciable :						
Dams and spillways	3,378,736	3,378,736	200,780,092	200,755,092	204,158,828	204,133,828
Pipeline			492,304,640	501,326,815	492,304,640	501,326,815
Wetlands			8,823,497	8,823,497	8,823,497	8,823,497
Communications			1,079,657	1,087,448	1,079,657	1,087,448
Buildings	16,990,507	20,131,789	6,568,382	6,575,998	23,558,889	26,707,787
Machinery and equipment	8,785,682	9,161,138	10,753,661	12,025,125	19,539,343	21,186,263
Flood control and other project costs	8,095,940	8,095,940	36,064,760	37,654,088	44,160,700	45,750,028
Capital Lease-Machinery & Equip	380,714	469,571	-	-	380,714	469,571
	37,631,579	41,237,174	756,374,689	768,248,063	794,006,268	809,485,237
Less:						
Accumulated depreciation	(18,424,553)	(19,802,771)	(234,160,271)	(249,671,594)	(252,584,820)	(269,474,365)
Capital Lease-Accum. Depr.	(51,539)	(140,237)	-	-	(51,539)	(191,776)
Total depreciable assets	19,155,487	21,294,166	522,214,418	518,576,469	541,369,905	539,870,635
Water rights, net of Accum Depr.			770,883	701,330	770,883	701,330
Total	<u>\$ 126,850,508</u>	<u>\$ 147,836,049</u>	<u>\$ 643,020,480</u>	<u>\$ 701,402,958</u>	<u>\$ 769,870,988</u>	<u>\$ 849,239,007</u>

ECONOMIC FACTORS AND BUDGETARY HIGHLIGHTS-GENERAL FUND

The 2011 budgeted revenues for the General Fund were \$42.5 million and the year ended with actual revenues for \$39.5 million.

The 2011 budgeted expenditures for the General Fund were \$24.4 million and the year ended with actual expenditures of \$33.8 million. This increase was mainly due to several unbudgeted land purchases for the TRV Project, which is being reimbursed by the TIF, (see Note 1).

The fiscal year 2012 General Fund budgeted expenditures total \$19.6 million, a decrease of \$4.8 million over the fiscal year 2011 approved budget of \$24.4 million. This decrease is due to the District meeting its \$64.4 million obligation to the TRVA Project. The property tax rate will remain at \$.02/\$100 valuation.

ECONOMIC FACTORS-ENTERPRISE FUND

The fiscal year 2012 Enterprise Fund Budget, prepared in accordance with the Tarrant Regional Water Supply Facilities Amendatory Contract, totals \$106.7 million. This reflects an increase of \$9.6 million from the fiscal year 2011 approved budget of \$97.1 million. The increase is related to pumping power

and debt service. The total budget includes operating and maintenance expenses for improvements or renovations to District facilities, capital expenditures, and Debt Service that provides for principal and interest payments to retire outstanding bonds.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Tarrant Regional Water District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 800 East Northside Drive, Fort Worth, Texas 76102.

TARRANT REGIONAL WATER DISTRICT

STATEMENT OF NET ASSETS SEPTEMBER 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Cash and cash equivalents	\$ 83,043,439	\$ 32,689,228	\$ 115,732,667	\$ 555,298
Investments	69,837,270	3,991,560	73,828,830	
Receivables:				
Accounts, oil and gas royalties, and other	4,201,069	1,882,062	6,083,131	
Taxes-net of allowance	85,181		85,181	
Accrued interest	166,770	46,761	213,531	
Long-term receivable	11,919,659	748,873	12,668,532	
Internal balances	8,264,123	(8,264,123)		
Prepaid items	910,245	35,890	946,135	
Inventory of supplies-at cost	46,364		46,364	
Deferred bond issuance costs-net of amortization		5,626,530	5,626,530	
Cash and cash equivalents for bond projects		121,785,488	121,785,488	
Investments held for bond projects		41,168,200	41,168,200	
Cash and cash equivalents restricted for debt service		4,644,645	4,644,645	
Investments restricted for debt service		50,604,808	50,604,808	
Accrued interest receivable		292,110	292,110	
Land	84,420,736	89,128,194	173,548,930	
Construction in progress	42,121,147	92,996,965	135,118,112	
Depreciable capital assets, net of accumulated depreciation	21,294,166	518,576,469	539,870,635	
Water rights, net of amortization		701,330	701,330	
Total Assets	326,310,169	956,654,990	1,282,965,159	555,298
LIABILITIES:				
Accounts payable	2,289,639	14,699,601	16,989,240	358,464
Accrued vacation - due within one year	305,011	850,333	1,155,344	
Other liabilities	567,955	7,162,162	7,730,117	196,834
Payable from restricted assets - Accrued bond interest payable		2,203,373	2,203,373	
Revenue bonds payable, net of discount				
Due within one year		26,990,000	26,990,000	
Due in more than one year		608,528,669	608,528,669	
Long-term Payables				
Post employment benefits payable	2,012,598	2,775,810	4,788,408	
Accrued Vacation - due in more than one year	343,949	958,887	1,302,836	
Total Liabilities	5,519,152	664,168,835	669,687,987	555,298
NET ASSETS:				
Invested in capital assets, net of related debt	147,836,049	223,542,977	371,379,026	
Restricted for debt service		53,338,190	53,338,190	
Unrestricted	172,954,968	15,604,988	188,559,956	-
Total Net Assets	\$320,791,017	\$292,486,155	\$ 613,277,172	\$ -

The accompanying notes are an integral part of these financial statements.

TARRANT REGIONAL WATER DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for services	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 7,494,646	\$ 28,830,916	\$ 13,944,124	\$ 35,280,394		\$ 35,280,394	
Flood control	<u>6,291,116</u>			<u>(6,291,116)</u>		<u>(6,291,116)</u>	
Total governmental activities	<u>13,785,762</u>	<u>28,830,916</u>	<u>13,944,124</u>	<u>28,989,278</u>		<u>28,989,278</u>	
Business type activities-water supply	76,756,369	90,564,705	95,078		\$ 13,903,414	13,903,414	
TOTAL	<u>\$ 90,542,131</u>	<u>\$ 119,395,621</u>	<u>\$ 14,039,202</u>		13,903,414	42,892,692	
COMPONENT UNIT							
Trinity River Vision Authority							
Project Development	<u>2,938,630</u>	<u>1,805,666</u>					<u>(1,132,964)</u>
Total Component Unit	<u>\$ 2,938,630</u>	<u>\$ 1,805,666</u>					<u>\$ (1,132,964)</u>
GENERAL REVENUES:							
Property taxes				8,580,069		8,580,069	
Investment income				1,045,664	1,873,044	2,918,708	1,049
Miscellaneous				124,894	1,265,394	1,390,288	2,450
Gain on disposal of assets				<u>61,980</u>	<u>72,296</u>	<u>134,276</u>	
Total general revenues				<u>9,812,607</u>	<u>3,210,734</u>	<u>13,023,341</u>	<u>3,499</u>
CHANGES IN NET ASSETS				38,801,885	17,114,148	55,916,033	(1,129,465)
NET ASSETS-----Beginning of year				<u>281,989,132</u>	<u>275,372,007</u>	<u>557,361,139</u>	<u>1,129,465</u>
NET ASSETS-----End of year				<u>\$ 320,791,017</u>	<u>\$ 292,486,155</u>	<u>\$ 613,277,172</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

TARRANT REGIONAL WATER DISTRICT

BALANCE SHEET—GENERAL FUND

SEPTEMBER 30, 2011

ASSETS

CASH AND CASH EQUIVALENTS	\$ 83,043,439
INVESTMENTS	69,837,270
RECEIVABLES:	
Oil and gas royalties and other	4,201,069
Taxes—net	85,181
Accrued interest	166,770
DUE FROM ENTERPRISE FUND	7,096,235
NOTES AND INTEREST DUE FROM ENTERPRISE FUND	1,167,888
PREPAID ITEMS	910,245
INVENTORY OF SUPPLIES—At cost	46,364
LONG-TERM RECEIVABLE	<u>11,919,659</u>
TOTAL	<u>\$ 178,474,120</u>

LIABILITIES AND FUND BALANCES

LIABILITIES:	
Accounts payable	\$ 2,289,639
Deferred revenue	11,966,724
Accrued payroll and other liabilities	<u>311,547</u>
Total liabilities	<u>14,567,910</u>
FUND BALANCES:	
Nonspendable:	
Long-term receivable	11,919,659
Long-term interfund notes and interest	1,167,888
Prepaid items	910,245
Inventories	46,364
Unassigned	<u>149,862,054</u>
Total fund balances	<u>163,906,210</u>
TOTAL	<u>\$ 178,474,120</u>

The accompanying notes are an integral part of these financial statements.

TARRANT REGIONAL WATER DISTRICT

RECONCILIATION OF BALANCE SHEET-GENERAL FUND TO GOVERNMENT-WIDE STATEMENT OF NET ASSETS SEPTEMBER 30, 2011

TOTAL FUND BALANCES—General Fund	\$ 163,906,210
Amounts reported for governmental activities in the statement of net assets are different because:	
Certain revenues do not provide current financial resources and therefore are deferred at the fund level	11,966,724
Certain liabilities are not payable from current resources and are therefore not accrued at the fund level	(2,661,558)
Certain lease are not due and payable in the current period and therefore are not reported as liabilities to governmental funds.	(256,408)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds	<u>147,836,049</u>
TOTAL NET ASSETS—Governmental activities	<u>\$ 320,791,017</u>

The accompanying notes are an integral part of these financial statements.

TARRANT REGIONAL WATER DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2011

REVENUES:

Property taxes	\$ 8,600,104
Land lease rentals	662,857
Oil and gas royalties	27,777,427
Sale of rock and gravel	25,000
Investment income	1,045,664
Grants and contributions	889,000
Other	463,647
Total revenues	<u>39,463,699</u>

EXPENDITURES:

Current:

General and administrative	7,579,916
Personnel services	4,177,093
Pension plan contribution	369,932
Capital expenditures	<u>21,707,824</u>
Total expenditures	<u>33,834,765</u>

EXCESS REVENUES OVER EXPENDITURES 5,628,934

OTHER FINANCING SOURCES

Proceeds from Capital Lease	<u>88,858</u>
Total other financing sources	88,858

CHANGE IN FUND BALANCES 5,717,792

FUND BALANCES—Beginning of year 158,188,418

FUND BALANCES—End of year \$ 163,906,210

The accompanying notes are an integral part of these financial statements.

TARRANT REGIONAL WATER DISTRICT

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES--GENERAL FUND--TO GOVERNMENT WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2011

CHANGE IN FUND BALANCES—General Fund \$ 5,717,792

Amounts reported for governmental activities in the statement of net assets are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund.

Change in deferred property taxes	(20,034)
TIF	11,919,659
Contribution from TRVA recorded as capital outlay	1,135,465

Change in certain liabilities are not payable from current resources and are therefore not accrued in the fund. 179,127

Certain lease proceeds provide current financial resources to governmental funds, while entering into the leases increases long-term liabilities in the government-wide statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds (\$88,858) exceeds repayments (\$108,660) 19,802

The general fund reports capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation.

Capital Lease (\$469,572) exceeded depreciation (\$88,698)	380,874
Capital Assets (\$21,116,704) exceeded depreciation (\$1,647,504)	<u>19,469,200</u>

CHANGE IN NET ASSETS—Governmental activities \$ 38,801,885

The accompanying notes are an integral part of these financial statements.

TARRANT REGIONAL WATER DISTRICT

STATEMENT OF NET ASSETS—ENTERPRISE FUND SEPTEMBER 30, 2011

ASSETS:

Current Assets:		
Cash and cash equivalents	\$	32,689,228
Investments		3,991,560
Receivables:		
Accounts and other		1,882,062
Accrued interest		46,761
Prepaid items		35,890
Total current assets		<u>38,645,501</u>
Noncurrent assets:		
Cash and cash equivalents-Bond projects		121,785,488
Investments-Bond projects		41,168,200
Cash and cash equivalents-Restricted for debt service		4,644,645
Investments-Restricted for debt service		50,604,808
Accrued interest receivable		292,110
Long-term receivable		748,873
Deferred bond issuance costs—net of amortization		5,626,530
Capital Assets:		
Land		89,128,194
Construction in progress		92,996,965
Depreciable capital assets—net		518,576,469
Water rights—net of amortization		<u>701,330</u>
Total noncurrent assets		<u>926,273,612</u>
Total assets	\$	<u>964,919,113</u>

The accompanying notes are an integral part of these financial statements.

(Continued)

TARRANT REGIONAL WATER DISTRICT

STATEMENT OF NET ASSETS—ENTERPRISE FUND SEPTEMBER 30, 2011

LIABILITIES:

Current Liabilities:

Accounts payable	\$ 14,699,601
Due to General Fund	7,096,235
Accrued vacation	850,333
Other liabilities	1,867,162
Payable from restricted assets—accrued bond interest payable	2,203,373
Revenue bonds payable	26,990,000
Notes and interest payable to General Fund	<u>95,467</u>

Total current liabilities	<u>53,802,171</u>
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Noncurrent Liabilities:

Accrued vacation	958,887
Accrued litigation judgements	5,295,000
Long-term post employment benefits	2,775,810
Revenue bonds payable—net of deferred amounts on refunding	608,528,669
Notes and interest payable to General Fund	<u>1,072,421</u>

Total noncurrent liabilities	<u>618,630,787</u>
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Total liabilities	<u>672,432,958</u>
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NET ASSETS:

Invested in capital assets—net of related debt	223,542,977
Restricted for debt service	53,338,190
Unrestricted	<u>15,604,988</u>

TOTAL NET ASSETS	<u>\$ 292,486,155</u>
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The accompanying notes are an integral part of these financial statements.

(Concluded)

TARRANT REGIONAL WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS—ENTERPRISE FUND FOR THE YEAR ENDED SEPTEMBER 30, 2011

OPERATING REVENUES:	
Sale of water	\$ 90,310,650
Land lease rentals	79,586
Other	<u>1,439,863</u>
Total operating revenues	<u>91,830,099</u>
OPERATING EXPENSES:	
General and administrative	14,737,095
Personnel services	10,501,881
Utilities	15,108,701
Depreciation and amortization	16,174,207
Pension plan contribution	<u>1,093,831</u>
Total operating expenses	<u>57,615,715</u>
OPERATING INCOME	34,214,384
NONOPERATING INCOME (EXPENSE):	
Investment income	1,873,044
Interest expense	(19,140,654)
Gain on disposal of capital assets	<u>72,296</u>
Total nonoperating income (expense)	<u>(17,195,314)</u>
INCOME BEFORE CONTRIBUTIONS	<u>17,019,070</u>
CAPITAL CONTRIBUTIONS	95,078
NET INCOME	<u>17,114,148</u>
NET ASSETS—Beginning of year	<u>275,372,007</u>
NET ASSETS—End of year	<u>\$ 292,486,155</u>

The accompanying notes are an integral part of these financial statements.

TARRANT REGIONAL WATER DISTRICT

STATEMENT OF CASH FLOWS—ENTERPRISE FUND FOR THE YEAR ENDED SEPTEMBER 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 91,266,375
Miscellaneous receipts	1,439,863
Payments to suppliers and contractors	(22,296,474)
Payments to employees for services	(9,515,689)
Receipts from General Fund	<u>2,150,207</u>
Net cash provided by operating activities	<u>63,044,282</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES—

Contributions	<u>95,078</u>
Net cash provided by noncapital financing activities	<u>95,078</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Principal paid on revenue bonds payable	(25,520,000)
Interest paid on revenue bonds and contract payable	(27,034,092)
Acquisition and construction of capital assets	(62,641,186)
Refund of bond related items	38,964
Proceeds from disposal of capital assets	<u>72,296</u>
Net cash used by capital and related financing activities	<u>(115,084,018)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(107,000,000)
Proceeds from sale and maturity of investments	144,930,000
Arbitrage payment	(410,210)
Interest received on investments	<u>2,389,757</u>
Net cash provided by investing activities	<u>39,909,547</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (12,035,111)

CASH AND CASH EQUIVALENTS—Beginning of year 171,154,472

CASH AND CASH EQUIVALENTS—End of year \$ 159,119,361

The accompanying notes are an integral part of these financial statements.

TARRANT REGIONAL WATER DISTRICT

STATEMENT OF CASH FLOWS—ENTERPRISE FUND FOR THE YEAR ENDED SEPTEMBER 30, 2011

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ 34,214,384
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation & Amortization expense	16,174,207
Change in assets and liabilities:	
Accounts and other receivables	876,139
Prepaid expenses	(23,417)
Accounts payable	7,083,574
Due to (from) other funds—net	2,243,268
Interfund note payable	(93,061)
Long-term vacation accrual	766,200
OPEB liability	1,313,823
Other liabilities	489,165
	<hr/>
Net cash provided by operating activities	<u>\$ 63,044,282</u>

NONCASH ACTIVITIES:

Disposal of \$201,768 of capital assets, net of \$201,768 accumulated depreciation.
Capitalization of \$5,295,000 in litigation accrual of the same amount
Capitalization of \$6,253,932 of interest on construction.
Removal of remaining 2006 bond fund arbitrage accrual of \$148,901
Record change in fair value of investments and change in premium/discounts on investments to interest income of \$355,717 and \$147,106 respectively.

The accompanying notes are an integral part of these financial statements.

(Concluded)

TARRANT REGIONAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity-The Tarrant Regional Water District (the "District") was created on October 7, 1924 as a municipality with full power to levy ad valorem taxes on all property within the District's boundaries. The District is governed by a board of five directors elected by qualified voters of Tarrant County (the "County") who reside within the District's boundaries. The District was formed to establish a local government agency to provide an adequate supply of raw water to Fort Worth and Tarrant County, Texas. The District also participates in flood control improvement programs and has overseen the construction of the Fort Worth Floodway.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units and promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the more significant policies.

Financial Reporting Entity-in evaluating the District's financial reporting entity, management has considered all potential component units. The following legally separate entity, Trinity River Vision Authority (TRVA), is included as a discrete component unit of the District in a separate column in the government-wide financial statements to emphasize that it is legally separated from the primary government. This component unit is financially accountable to the District and their relationship with the District is such that exclusion would be misleading or incomplete. Separately issued financial statements are available for this component unit. Additional financial information regarding the TRVA should be addressed to the Director of Finance, 800 East Northside Drive, Fort Worth, Texas 76102.

Trinity River Vision Authority-House Bill 2639 of the 79th Texas Legislature authorized the Board of Directors of the District to create one or more nonprofit corporations to act on behalf of the District as the District's authority and instrumentality. By resolution dated July 18, 2006, the Board of Directors of the District authorized the incorporation of Trinity River Vision Authority. Subsequently, TRVA was incorporated by the Texas Secretary of State on July 21, 2006 and is governed in part by the Texas Development Corporation Act of 1979 (the "Act"). The TRVA is authorized to act on behalf of the District as the District's authority and instrumentality for the public purposes of educating the general public regarding the Trinity River Vision Project in Fort Worth, Texas, publishing educational materials about said Project, assisting in the coordination and implementation of the Project, and performing such other activities and purposes as permitted by applicable law or authorized by the Board of Directors of TRVA. The District advanced \$2 million to TRVA to be used for the Project in 2011.

Measurement Focus and Basis of Accounting-The District's accounts are organized on the basis of funds, each of which are considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise each fund's assets, liabilities, fund equity, revenues and expenditures, or expenses. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund and the government-wide financial statements are

reported using the economic resources measurement focus. The governmental fund financial statements are reported using the current financial resources measurement focus.

Government-wide Financial Statements-Government-wide financial statements consist of the statement of net assets and the statement of activities. These statements report information on all of the activities of the District. Eliminations have been made to these statements to prevent double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents a comparison between direct expenses and program revenues of the business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund-level Financial Statements-The fund financial statements provide information about the District's individual funds, which are used to account for the District's various activities. Separate financial statements are provided for the General Fund (a governmental fund) and the Enterprise Fund (a proprietary fund), which are each classified as major funds.

Governmental Fund-The General Fund, the only governmental fund reported by the District, is used to account for all financial resources of the District, not specifically levied or collected for other District funds and for revenues and expenditures related to flood control operations and activities or improvements and recreation.

The General Fund is accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

The General Fund is reported using the current financial resources measurement focus. The reported fund balance is considered a measure of "available spending resources". The General Fund operating statement presents increases (revenues and other financing sources) and

decreases (expenditures and other financing uses) in net current assets. Accordingly, it is said to present a summary of sources and uses of “available spendable resources” during a period.

Proprietary Fund-The Enterprise Fund, the only proprietary fund reported by the District, is used to account for revenues and expenses relating to maintenance and operation of the water supply system. Currently, the District has outstanding Construction and Improvement Bonds Series 2002 Water Revenue Refunding and Improvement Bonds, Series 2006 Water Revenue Bonds, Series 2008A-RC Water Revenue Bonds, Series 2008B-CC Water Revenue Bonds, Series 2009 Water Revenue Bonds Refunding and Improvement Bonds, Series 2010 Water Revenue Bonds, Series 2010A Water Revenue Bonds, and Series 2010B Water Revenue Bonds. These bond issues provided funding for large infrastructure-type projects.

Proprietary funds report operations (a) 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, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Enterprise Fund is accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses when they are incurred. Claims incurred but not reported are included in payables and expenses.

The Enterprise Fund is reported using an economic resources measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with the activity are included in the Fund’s Statement of Net Assets.

Revenues and expenses for the District’s Enterprise Fund are categorized as either operating or non-operating. Normally, operating income would exclude from its components those transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities. For the District, operating revenues include sale of water and land lease rentals. Operating expenses include general and administrative, personnel services, utilities, depreciation and amortization, and pension plan contributions.

The District applies all GASB pronouncements as well as the Financial Accounting Standards Board (“FASB”) pronouncements, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements for the Enterprise Fund.

Cash, Cash Equivalents, and Investments-Cash and cash equivalents consist of deposits (principally interest-bearing accounts) with one financial institution and investments in three public funds investment pools. Investments consist of U.S. Government and government agency obligations recorded at fair value. For accounting purposes, fair value is defined as the price at which two willing parties would complete an exchange.

For purposes of the statement of cash flows, the Enterprise Fund considers all highly liquid (i.e. maturity date of three months or less from the date of purchase) deposits and investments

(including restricted assets and the investments in public funds investment pools) to be cash equivalents.

Long Term Receivables- During the fiscal year 2011 the District made expenditures on behalf of The City of Fort Worth TIF #9 (TIF) a project partner in the Trinity River Vision Project (TRV) under a Project Cost Funding Agreement between TRWD and TIF in the amount of \$11,919,659. Under the agreement TRWD is advancing funds for the TRV Project that would normally be paid by the TIF for costs related to the TIF Project Plan. The TIF currently does not have, and is not projected to have, timely funds to implement the TIF Project Plan as contemplated by the current schedule approved by the USACE. The TIF Board has authorized an agreement with TRWD dedicating revenue from the TIF Fund to cover the advances made by TRWD. The advances must be annually approved by the TIF board and are repayable without interest from future tax revenues of the TIF district.

Property Taxes-Property subject to taxation is certain real and personal property served by the District in the County. Certain properties of religious, educational, and charitable organizations are exempt from taxation.

The District's ad valorem taxes are levied on October 1, on 100% of assessed valuation at a rate approved by the District's Board per \$100 valuation as of the preceding January 1, and are due and payable from October 1 of the year in which levied, until January 31 of the following year without interest or penalty. Taxes paid after February 1 of each year are subject to interest and penalty charges.

In 2010, the District's ad valorem tax rate was \$0.02 per \$100 valuation. Collections of the current year's levy are reported as current collections if received by June 30 (within 9 months of the October 1 due date). Collections received thereafter are reported as delinquent collections.

Generally, property taxes, net of amounts estimated to be uncollectible, are recorded as a receivable on the assessment date and recognized as revenue when they become available (collected within 60 days of year-end). The allowance for uncollectible taxes as of September 30, 2011 was \$85,851. Under GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*, property taxes are imposed nonexchange revenue. Assets from imposed nonexchange transactions are recorded when the entity has enforceable legal claim to the asset, or when the District receives resources, whichever comes first. The assessment date has been designated at a date subsequent to fiscal year-end. The District has not recorded a receivable for accrual of future taxes at year-end because the assessment date had not yet occurred as of fiscal year-end.

The district's taxes on real property are a lien (as of the date of levy) against such property until paid. The District may foreclose on real property upon which it has a lien for unpaid taxes. Delinquent taxes on property not otherwise collected are generally paid when there is a sale or transfer of the title to the property. Any liens and subsequent suits against the taxpayer for payment of delinquent personal property taxes are barred unless instituted within four years from the time such taxes became delinquent.

Oil and Gas Royalties-The District receives royalties related to various oil and gas leases for which the District acts as lessor. The royalties are generally payable to the District when

production begins at the lease site, and revenue is recognized as revenue at the time the royalty is earned and considered measurable and available if received within 60 days after year-end.

Deferred Bond Issuance Cost-Deferred bond issuance costs are comprised of fees paid to underwriters and other issuance costs. These costs are being amortized over the term of the related bond indenture using the straight-line method. Accumulated amortization at September 30, 2011 was \$2,510,174.

Capital Assets-Capital assets, which include property, plant, equipment, construction in progress, and infrastructure assets, are reported in the applicable governmental and business-type activities columns in the government-wide financial statements and in the fund financial statements for the Enterprise Fund. The District capitalizes all capital purchases equal to and greater than \$5,000.

Major outlays for capital assets and improvements are capitalized in the Enterprise Fund as projects are constructed. These costs primarily include construction costs, engineering fees, and legal fees and settlements related to acquisition, condemnation, and mineral rights. Net interest incurred during the construction phase on Enterprise Fund capital assets is capitalized. Total interest capitalized during the year ended September 30, 2011 was \$6,253,932.

The costs of repairs and maintenance that do not extend the lives of or improve the value of related capital assets are expensed as incurred.

Depreciation-Depreciation of capital assets is charged as an expense against operations in the applicable governmental and business-type activities columns in the government-wide financial statements and in the fund financial statements for the Enterprise Fund. Capital assets are reported net of accumulated depreciation on the statements of net assets. Depreciation is recorded utilizing the straight-line method. Estimated useful lives are as follows:

Dams, spillways, and related costs	50 years
Pipeline and pipeline right-of-way	50 years
Wetlands	50 years
Communications	50 years
Other	50 years
Buildings	20 years
Machinery and equipment	5 years

Deferred Compensation Plan-The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency. The assets of this plan are excluded from the District's financial statements.

Water Rights-Water rights represent rights to surplus water in Benbrook Lake purchased in 1992 through a long term contract with the federal government. The rights are recorded at cost and amortized over the 30-year life of the contract using the straight-line method.

Interfund Transactions-Certain General Fund expenditures are allocated to the Enterprise Fund. The allocation is based on time and effort for the benefit of the Enterprise Fund by General Fund employees. These allocated expenditures are reflected in the appropriate areas in the accompanying basic financial statements rather than as an interfund transaction. At September 30, 2011, the outstanding balance for both loans owed by the Enterprise Fund is \$1,167,888. Refer to Note 7 for further detail about interfund transactions.

Vacation and Sick Leave-The District's employees are granted paid leave in specified amounts. In the event of termination, an employee is reimbursed for all accumulated unused paid leave. Accrued paid leave is reflected in other liabilities in the accompanying basic financial statements. The change in accrued paid leave during the year is as follows:

	Balance at October 1, 2010	Additions	Deletions	Balance at September 30, 2011	Due Within One Year
Governmental Activities	\$ 1,299,349	\$ 288,492	\$ 938,881	\$ 648,960	\$ 305,011
Business-type Activities	1,043,020	1,485,245	719,045	1,809,220	850,333
Total	<u>\$ 2,342,369</u>	<u>\$ 1,773,737</u>	<u>\$ 1,657,926</u>	<u>\$ 2,458,180</u>	<u>\$ 1,155,344</u>

Water Revenues-Water rates charged to customers during each year are based on budgeted operating expenses, revenue bond debt service requirements, and estimated customer water usage. Subsequent to year-end, calculations of adjusted water rates based on actual usage and costs are made and either billed or credited to customer accounts as of year-end. While the actual results could differ from the estimate calculated, management normally does not expect the difference to be material to the financial statements. The calculated year-end adjustments for 2011 were not material. The district has not experienced any credit losses resulting from its sale of water.

Restricted Assets-Certain assets are classified as restricted assets, because their use is limited by applicable bond terms. These assets include amounts restricted for reserve and interest and sinking funds, as required by bond covenants. It also reflects unspent proceeds of revenue bonds.

Program Revenue-Contributions-During 2011 the District received no buys-in premiums for new customer water contracts. There was program revenue of \$95,078 from the Texas Water Development Board.

Restricted Net Assets-Restricted net assets are required by bond covenants.

Budgets and Budgetary Accounting-Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual budget by function is adopted for the General Fund.

Governmental Fund Balances-In February 2009, the GASB issued statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 provides guidance related to fund balance classifications and clarifies the existing governmental fund type definitions. GASB statement No. 54 was effective for financial statement periods beginning

after June 15, 2010. Financial Statements for fiscal year ending September 30, 2011 have been revised to reflect implementation of this standard as follows:

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Non-Spendable fund balance - assets that will never convert to cash, such as inventory and prepaid items, or will convert in future periods such as long-term receivables. At September 30, 2011, the District had non-spendable fund balances.

Restricted fund balance - the portion of fund balance that reflects resources that are subject to externally enforceable legal restrictions imposed by parties outside the District at September 30, 2011. At September 30, 2011, the District had no restricted fund balance.

Committed fund balance - the portion of fund balance that reflects resources that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. At September 30, 2011, the District had no committed fund balance.

Assigned fund balance – the portion of fund balance that reflects resources intended for a specific purpose. Intent is expressed or authorized by the Board of Directors. At September 30, 2011 the District had no assigned fund balance.

Unassigned fund balance – the portion of fund balances in excess of non-spendable, restricted, committed, and assigned. This classification includes the residual fund balance for the General Fund.

Spending Prioritization in Using Available Resources – when both restricted and unrestricted (i.e. committed, assigned, and unassigned) resources are available to be used for the same purpose, the District considers the restricted resources to be expended first. When all categories of unrestricted fund balance are available, the flow assumption is as follows: the committed resources get expended first, the assigned resources get expended second, and the unassigned resources get expended last.

GASB Implementation- GASB issued Statement No. 59, Financial Instruments Omnibus, which became effective to the District in fiscal year 2011. This standard has no impact on the District.

2. REVENUES FROM THE SALE OF WATER

All revenues from the sale of water from Eagle Mountain Lake, Lake Bridgeport, Cedar Creek Lake, and Richland-Chambers Reservoir and related expenses are recorded in the Enterprise Fund.

Sales of water to four government entities (Cities of Fort Worth, Mansfield, and Arlington, and the Trinity River Authority of Texas) accounted for approximately 89% of the District's water sales for the year ended September 30, 2011. Charges to such entities are in amount primarily equivalent to each entity's share (based on quantities of raw water received) of operating and maintenance costs and the debt service requirements of the District's revenue bonds.

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The balance per bank of cash on deposit for the District and the TRVA at September 30, 2011 was \$6,837,337 and \$98,030 respectively, and was entirely covered by FDIC insurance or collateral. The carrying value for the District and for TRVA was \$5,646,206 and \$76,847 respectively. At September 30, 2011 the District also held petty cash of \$2,900.

Credit Risk-Legal provisions of the Texas Public Funds Investment Act generally permit the District to invest in direct and indirect obligations of the United States or its agencies, certain certificates of deposit, repurchase agreements, public funds investment pools, and money market mutual funds.

The District invests in the Texas Local Government Investment Pool ("Texpool"), the Local Government Investment Cooperative ("LOGIC") and Texas Short Term Asset Reserve ("TexSTAR"). Texpool, a public funds investment pool created by the Treasurer of the State of Texas acting by 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.

LOGIC and TexSTAR are also public funds investment pools with the same authority as Texpool. They have been organized and established pursuant to an Interlocal Agreement between participating government entities. The District has an undivided beneficial interest in the pool of assets held by these agencies. These investments and deposits are fully insured by the federal depository insurance or collateralized by securities held in the name of Texas Treasury Safekeeping Trust Company. Authorized investments include obligations of the United States or its agencies, direct obligations of the State of Texas or its agencies, certificates of deposits, and repurchase agreements.

Interest Rate Risk-As a means of limiting its exposure to fair value losses arising from interest rate fluctuations, the District's investment policy limits maturities based on the objectives of each fund. Investment maturities are limited as follows:

General Fund—one to three years

Enterprise Fund:

Revenue sub-fund—six months to one year

Construction sub-fund—determined on a project-by-project basis

Interest and Redemption sub-fund—six months

Reserve sub-fund—not to exceed the date of the District's last maturing revenue bond

Contingency sub-fund—one to three years

Concentration of Credit Risk-The District places no limit on the amount it may invest in one issuer. Approximately 32% of the District's investments are held in Federal Farm Credit Bank,

Federal Home Loan Bank, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation.

Custodial Credit Risk-The District's policy requires that all securities be held in the District's name.

The District is in compliance with the Public Funds Investment Act and the District's internally established investment policies as of September 30, 2011.

SUMMARY OF INVESTMENTS AND RELATED WEIGHTED AVG. MATURITY

	Fair Value **	Weighted Avg. Maturity (Years)	S & P Rating	
Federal Farm Credit Bank	\$ 23,101,670	3.13	AAA	***
Federal Home Loan Bank	51,742,478	2.55	AAA	***
Federal Home Loan Mortgage Corp	18,061,930	2.79	AAA	***
Federal National Mortgage Association	35,266,310	2.65	AAA	***
U.S. Treasury Notes	37,429,450	1.38	AAA	***
	<u>165,601,838</u>			
Investment pools:*				
LOGIC	132,153,714	N/A	AAA-m	
TexPool	104,200,594	N/A	AAA-m	
TexStar	159,386	N/A	AAA-m	
	<u>402,115,532</u>			
Total investments	<u>\$ 402,115,532</u>			

*Local government pools operate as a money market fund under the Public Funds Investment Act, which requires that it maintain an AAA, AAA-m or equivalent rating from a nationally recognized rating service. Pools are rated AAA-m and operate in full compliance with the PFIA and rating agency requirements. The pools are exempted from SEC registration and the requirements of Rule 2a-7 pertaining to registered money market funds: however, consistent with Rule 2a-7, they seek to maintain a stable net asset value of \$1 per unit.

**Fair value is the amount at which a security could be exchanged in a current transaction between willing parties, other than in forced liquidation. Under GASB 31, all investments are recorded at fair value, except for those that qualify for amortized cost under GASB 31.

***On August 5, 2011 Standard and Poors, one of three nationally recognized raters of US and government sponsored entities debt and securities, downgraded the rating of long-term US sovereign debt from AAA to AA+ for the first time since 1941 with a negative outlook. The two other national raters, Moody's and Fitch, continue to have the highest ratings, but also have the debt on their watch lists. TexPool is authorized and has held US debt and securities throughout the year.

4. CAPITAL ASSETS

A summary of changes in capital assets follows:

	October 1, 2010	Additions	Disposals	Transfers	September 30, 2011
GOVERNMENTAL ACTIVITIES					
NONDEPRECIABLE ASSETS					
Land	\$ 72,329,466	\$ 12,091,270	\$	\$	\$ 84,420,736
Construction in progress	35,365,555	7,808,588		(1,052,996)	42,121,147
TOTAL NONDEPRECIABLE ASSETS	107,695,021	19,899,858		(1,052,996)	126,541,883
DEPRECIABLE ASSETS					
Dams, spillways, and related costs	3,378,736				3,378,736
Flood control projects	8,095,940				8,095,940
Buildings	16,990,507	2,088,286		1,052,996	20,131,789
Machinery and equipment	8,785,682	644,743	(269,285)		9,161,140
	<u>37,250,865</u>	<u>2,733,029</u>	<u>(269,285)</u>	<u>1,052,996</u>	<u>40,767,605</u>
Less accumulated depreciation for:					
Dams, spillways, and related costs	(406,212)	(67,575)			(473,787)
Flood control projects	(8,095,940)				(8,095,940)
Buildings	(3,137,981)	(835,261)			(3,973,242)
Machinery and equipment	(6,784,420)	(744,669)	269,285		(7,259,804)
	<u>(18,424,553)</u>	<u>(1,647,505)</u>	<u>269,285</u>		<u>(19,802,773)</u>
TOTAL DEPRECIABLE ASSETS, NET	18,826,312	1,085,524	-	1,052,996	20,964,832
CAPITAL LEASE DEPRECIABLE ASSETS					
Machinery and equipment	380,714	88,857			469,571
Less accumulated depreciation for:					
Machinery and equipment	(51,539)	(88,698)			(140,237)
	<u>329,175</u>	<u>159</u>			<u>329,334</u>
TOTAL GOVERNMENTAL ACTIVITIES, NET	\$ 126,850,508	\$ 20,985,541	\$	\$ -	\$ 147,836,049

Depreciation expense was charged to functions of the District as follows:

Governmental activities:	
General government	\$ 1,073,770
Flood control	573,735
	<u>1,647,505</u>
Total depreciation expense—governmental activities	<u>\$ 1,647,505</u>

	October 1, 2010	Additions	Disposals	Transfers	September 30, 2011
BUSINESS-TYPE ACTIVITIES					
NONDEPRECIABLE ASSETS					
Land	\$ 89,063,282	\$ 64,912	\$ -	\$ (828,832)	\$ 89,128,194
Construction in progress	30,971,897	62,853,900		(828,832)	92,996,965
TOTAL NONDEPRECIABLE ASSETS	120,035,179	62,918,812		(828,832)	182,125,159
DEPRECIABLE ASSETS					
Dams, spillways, and related costs	200,780,092		(25,000)		200,755,092
Pipeline and pipeline right of way	492,304,640	8,846,279	(3,695)	179,591	501,326,815
Wetlands	8,823,497				8,823,497
Communications	1,079,657			7,791	1,087,448
Buildings	6,568,382	9,273		(1,657)	6,575,998
Machinery and equipment	10,753,661	841,816	(203,930)	633,578	12,025,125
Other project costs	36,064,760	1,579,799		9,529	37,654,088
	<u>756,374,689</u>	<u>11,277,167</u>	<u>(232,625)</u>	<u>828,832</u>	<u>768,248,063</u>
Less accumulated depreciation for:					
Dams, spillways, and related costs	(92,729,336)	(3,814,416)	1,771		(96,541,981)
Pipeline and pipeline right of way	(124,008,578)	(9,736,838)	234		(133,745,182)
Wetlands	(1,284,843)	(176,470)			(1,461,313)
Communications	(156,566)	(21,749)			(178,315)
Buildings	(2,889,556)	(276,590)			(3,166,146)
Machinery and equipment	(8,692,025)	(954,720)	201,763		(9,444,982)
Other project costs	(4,399,367)	(734,308)			(5,133,675)
Total accumulated depreciation	<u>(234,160,271)</u>	<u>(15,715,091)</u>	<u>203,768</u>	<u>0</u>	<u>(249,671,594)</u>
TOTAL DEPRECIABLE ASSETS, NET	522,214,418	(4,437,924)	(28,857)	828,832	518,576,469
INTANGIBLE ASSETS					
Water Rights	2,086,598				2,086,598
Less accumulated depreciation for:					
Water Rights	(1,315,715)	(69,553)			(1,385,268)
	<u>770,883</u>	<u>(69,553)</u>	<u>-</u>	<u>-</u>	<u>701,330</u>
TOTAL BUSINESS-TYPE ACTIVITIES, NET	\$ 643,020,480	\$ 58,411,335	\$ (28,857)	\$ -	\$ 701,402,958

5. PENSION PLAN

Plan Description and Provisions-in 1997, the District adopted a defined contribution benefit plan, the benefits of which depend solely on amounts contributed to the plan plus investment earnings. All full-time employees over the age of 18 are eligible to participate in the plan from the date of employment, and benefits are fully vested at five years of service. Benefit provisions and all other requirements are established by state statute and the District's Board of Directors. The District contributes 13% of each eligible employee's base salary on a monthly basis to the plan's administrator, ICMA Retirement Trust. Employees may make additional voluntary after tax contributions; however, no employees have contributed to date. District contributions for, and interest forfeited by, employees who leave employment before five years of service are allocated to the other employee accounts. The plan's normal retirement age is 60 years with early retirement eligibility at 55 years of age with five years of service. During 2011 the District made contributions of \$1,584,266 under this plan.

6. BONDS PAYABLE

A summary of long-term debt transactions (excluding original issue premiums) of the District for the year ended September 30, 2011 is as follows:

	Balance at October 1, 2010	Additions	Deletions	Balance at September 30, 2011	Due Within One Year
Business-type Activities---					
Enterprise Funds-Revenue	\$ 647,195,000	\$ -	\$ 25,520,000	\$ 621,675,000	\$ 26,990,000

Bonds Payable-At September 30, 2011 the District's bonds payable consisted of individual issues as follows:

Bond Type	Maturity	Interest Rates	Outstanding Balance
\$331,430,000 Series 2002 Water Revenue Refunding and Improvement Bonds	Serially through 2022	1.1-5.3%	\$ 176,380,000
\$182,905,000 Series 2006 Water Revenue Bonds	Serially through 2029	4.2-5.0%	182,905,000
\$3,135,000 Series 2008A-RC Water Revenue Bonds	Serially through 2027	1.3-2.8%	3,135,000
\$6,755,000 Series 2008B-CC Water Revenue Bonds	Serially through 2027	2.0-2.8%	6,755,000
\$69,535,000 Series 2009 Water Revenue Bonds Refunding and Improvement Bonds	Serially through 2029	5%	64,735,000
\$89,250,000 Series 2010 Water Revenue Bonds	Serially through 2040	4.0-5%	89,250,000
\$17,835,000 Series 2010A Water Revenue Bonds	Serially through 2030	1.2-2.6%	17,835,000
\$83,785,000 Series 2010B Water Revenue Bonds	Serially through 2030	1.0-2.5%	<u>80,680,000</u>
			621,675,000
Less current portion			(26,990,000)
Add premium (net of accumulated amortization)			15,226,248
Less deferred loss on refundings (net of accumulated amortization)			<u>(1,382,579)</u>
			<u>\$ 608,528,669</u>

In prior years, the District defeased certain revenue and refunding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At September 30, 2011 there are no bonds outstanding that are considered defeased, as all future maturities have been called.

The District amortizes deferred amounts on refunding, including gains and losses, using the straight-line method over the shorter of the remaining life of the old debt or the life of new debt. Premiums on bonds are amortized using the effective interest rate method over the life of the bonds.

The annual requirements to amortize all bonds outstanding as of September 30, 2011 including interest payments are approximately as follows:

Years ending September 30th	Principal	Interest	Total Requirements
2012	\$ 26,990,000	\$ 25,869,412	\$ 52,859,412
2013	28,295,000	24,676,667	52,971,667
2014	29,845,000	23,347,797	53,192,797
2015	31,395,000	21,893,117	53,288,117
2016	33,035,000	20,349,420	53,384,420
2017-2021	138,815,000	84,613,479	223,428,479
2022-2026	159,020,000	55,907,728	214,927,728
2027-2031	126,950,000	20,428,814	147,378,814
2032-2036	23,655,000	8,210,237	31,865,237
2037-2040	23,675,000	2,255,078	25,930,078
Total	\$ 621,675,000	\$ 287,551,749	\$ 909,226,749

Bonded debt of the District consists of water revenue refunding bonds and revenue bonds, which is secured by and payable from net revenues of the District. Certain revenue bond issues contain provisions that allow the District to prepay or call the bonds.

Specifically, net revenues of the District's water operations have been pledged for repayment of the District's revenue bonds. The amount of the pledge is equal to the remaining outstanding debt service requirements for those bonds, which were all originally issued to provide funding for construction of the water system. The pledge continues for the life of the bonds. For the year ended September 30, 2011, pledged revenues for the enterprise fund were \$52,333,931.

The various revenue bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, and minimum amounts to be maintained in various sinking funds. None of the revenue bond indentures contain bond coverage requirement provisions.

7. INTERFUND TRANSACTIONS

At September 30, 2011, interfund balances consisted of the following:

	Notes & Interest Due From Other Funds	Notes & Interest Due to Other Funds	Due From Other Funds	Due to Other Funds
General Fund	\$ 1,167,888		\$ 7,096,235	
Enterprise Fund		\$ 1,167,888		\$ 7,096,235
Total	\$ 1,167,888	\$ 1,167,888	\$ 7,096,235	\$ 7,096,235

The District has two notes between the Enterprise Fund and the General Fund for the reimbursement of a portion of the cost of constructing the administrative building, and the purchase of a helicopter. The administrative building note was set up in 2003; the helicopter note was set up in 2009. During fiscal year 2011, the Enterprise fund repaid \$93,062, plus interest of \$34,506. At September 30, 2011, the outstanding balance for both loans owed by the Enterprise Fund is \$1,167,888 which is related to its Long-term payable for the General Fund. In the fund financial statements, interfund balances (shown as due to/from other funds) are the results of normal transactions between funds and will be liquidated in the subsequent fiscal year.

All interfund receivables and payables are combined in the government-wide financial statement of net assets and shown as internal balances.

8. POST EMPLOYMENT HEALTH CARE BENEFITS

Plan Descriptions

The District provides post employment health care benefits, as established under its Retiree Health Benefits Policy (policy dated January 17, 2006). All retirees who retired prior to the January 1, 2006 policy implementation met the following requirements to continue the health care benefits. The District provides postretirement health care benefits to all employees who retire from the District at age 55 or after with at least 10 years of continuous full-time employment immediately preceding retirement (and meets the Rule of 80 or Rule of 90). Retirees must also pay a portion (approximately 6%) of the required premiums to carry coverage. Currently, sixteen retirees meet those eligibility requirements and participate in the program. Once an employee or dependent reaches 65 the retiree is eligible for Medicare and the post employment health care benefits are no longer in effect. The retirees' spouse can continue the post employment health care benefits for an additional five years after the retiree reaches 65 or until the spouse turns 65, whichever occurs first. The cost of these benefits is recognized as expenditures when the underlying claims or premiums are incurred. During the year ended September 30, 2011, payments of \$383,764 were recognized for postretirement health care and consisted of premiums paid on behalf of retirees.

Effective January 1, 2006, Group Health Insurance premiums for retirees will be based on the "Rule of 80" or the "Rule of 90". These rules also apply in the event of disability or death while in service.

Rule of 80—the rule of 80 is reached when age and years of service total eighty (80).

If at the time of retirement, the employee meets the “Rule of 80” and elects to continue group health insurance coverage, the District will pay 100% for the premiums for the employee/retiree, the spouse and eligible dependents at the date of retirement. After the initial election, coverage for individuals may be dropped at the time designated by the plan, but no one may be added.

Upon the death of the employee/retiree, the spouse will be covered for an additional five (5) years or until their death, whichever occurs first. Any dependent will be covered as long as they remain eligible under the plan, for five years, or death, whichever comes first.

Rule of 90—the rule of 90 is reached when age and years of service total ninety (90).

If at the time of retirement, the employee meets the “Rule of 90” and elects to continue group health insurance coverage; the District will pay 100% for the single and family premiums for the employee/retiree, the spouse and eligible dependents at the date of retirement. The employee/retiree will be covered until his/her death and the spouse until his/her death, and the eligible dependents will be covered as long as eligible under the plan or their death, whichever comes first.

All retirees who retired prior to January 1, 2006, and are currently continuing group health insurance coverage through the District will be grand-fathered from this change in policy and will continue paying a flat rate for premiums until their coverage terminates.

While the District does offer this plan to all eligible employees, some retirees elect not to continue the health coverage during their retirement. Currently, sixteen retirees and beneficiaries meet those eligibility requirements. Employees that retired prior to the effective date are not eligible to receive these benefits.

Funding Policies

For the health care benefits for the District, contractual requirements for the District are established and may be amended by the Board. During the fiscal year 2011, retirees’ health insurance was provided with separate plan designs depending upon whether the retiree is eligible for Medicare. The District paid for a major portion or all of the total health insurance cost for retirees depending on the retiree’s date of employment or length of service and on the retiree’s coverage election. The District paid for approximately 97 percent of the cost of coverage for dependents and surviving spouses eligible to participate in the group plan. The remainder of the premium was paid by the retirees for their dependents or the surviving spouse. Expenditures for post employment health care are recognized as claims or premiums when paid. During fiscal year 2011, the total cost including the retiree’s contribution for health care benefits for retirees, dependents, and surviving spouses was \$220,117.

Annual OPEB Costs

The District’s annual other postemployment benefit (OPEB) cost (expense) for each plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District had its first OPEB actuarial valuation performed for the fiscal year beginning October 1, 2008 as required by GASB. The District’s annual OPEB costs for the current and previous year for the plan are as follows:

	<u>2010</u>	<u>2011</u>
Annual required contribution	\$ 1,742,681	\$ 2,158,915
Interest on OPEB obligation	70,261	135,150
Adjustment to ARC	<u>(65,097)</u>	<u>(125,215)</u>
Annual OPEB cost (expense)	1,747,845	2,168,850
Contributions made	<u>(305,911)</u>	<u>(383,764)</u>
Increase in net OPEB obligation	1,441,934	1,785,086
Net OPEB obligation--as of beginning of the year	<u>1,561,388</u>	<u>3,003,322</u>
Net OPEB obligation--as of end of year	<u>\$ 3,003,322</u>	<u>\$ 4,788,408</u>
Percentage of annual OPEB cost contributed	17.5%	17.7%

At September 30, 2011, the total liability of \$4,788,408 for Net OPEB obligation was \$2,012,598 for governmental activities and \$2,775,810 for business-type activities.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010-2011 follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2009	\$ 1,691,923	\$ 130,535	7.7%	\$ 1,561,388
9/30/2010	\$ 1,747,845	\$ 305,911	17.5%	\$ 3,003,322
9/30/2011	\$ 2,168,850	\$ 383,764	17.7%	\$ 4,788,408

Funding Status and Funding Progress

The funded status of the District's retiree health care plan, under GASB Statement 45 as of September 30, 2011 is as follows (as of the latest valuation date):

Actuarial Valuation Date	December 31, 2009
Actuarial accrued liability (a)	\$ 31,676,995
Actuarial value of plan assets (b)	<u>0</u>
Unfunded actuarial accrued liability (funding excess) (a) - (b)	<u>\$ 31,676,995</u>
Funded ratio (b) / (a)	0%

Under the reporting parameters, the District's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$31,676,995 at December 31, 2009.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the District and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short term volatility in actuarial accrued liabilities and the actuarial value of assets.

Inflation rate	3% per annum
Investment rate of return	4.5%, net of expenses
Actuarial Cost Method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of employee payroll
Amortization period	30-year open amortization
Payroll Growth	3% per annum
Health care trend inflation rate	Initial rate of 9% declining to an ultimate rate of 4.5% after nine years

9. COMMITMENTS AND CONTINGENCIES

Commitments-the Enterprise and General Fund have remaining commitments estimated at \$71.4 million (\$66.4 million and \$5 million respectively) due to ongoing construction contracts as of September 30, 2011.

Contingent Liabilities-the District is involved in lawsuits arising in the ordinary course of business, including claims involving water and mineral rights, contract disputes, and alleged property damages. Certain amounts have been accrued for potential losses. It is management's opinion that outstanding claims would not have a material effect on the District's operations.

Insurance-the District has employee blanket bond insurance. The District also participates in a public entity risk pool for its fleet policy, property insurance, workers' compensation, general liability, and director/officer liability coverage.

In the event of an occurrence, wrongful act, or personal injury, written notice containing particulars of the incident or injury shall be promptly provided to the Texas Water Conservation Association Risk Management Fund (the "Trust"). If a claim is made or a suit is brought against the District, the District shall immediately forward to the Trust every demand, notice, summons, or other process received. The District shall cooperate with the Trust and give any information as may be reasonably required, and upon the Trust's request, assist in making settlement, in the conduct of suits and in enforcing any right of contribution or indemnity against any person or organization who may be liable to the District because of injury or damage with respect to which insurance is afforded under the agreement. The District shall attend hearings and trials and assist in securing and giving evidence and obtaining the attendance of witnesses. The District shall not, except at its own cost, voluntarily make any payment, assume any obligation, or incur any expense that could increase the liability, exposure of, or jeopardize the Trust in any way.

The Trust will pay on behalf of the District all sums that the District shall become legally obligated to pay arising out of an occurrence that takes place during the Trust year and within the agreement. The Trust reserves the right to deny any and all claims that are not reported. The Trust shall have the right and the duty to defend any suit against the District, even if the allegations of the suit are groundless, false or fraudulent, and may make such investigation and settlement of any claim or suit it deems expedient, but the Trust shall not be obliged to pay any claim or judgment, or to defend a suit, after the applicable limit of the Trust's liability has been exhausted.

Any settlement amounts paid within the past three years have not exceeded the District's insurance coverage.

Arbitrage Rebate Liability-the excess profit earned from investigating the proceeds of tax-exempt bonds at a yield that is materially higher than the yield on the bonds. Excess earnings

are required to be rebated every five years or upon maturity of the bonds, whichever is earlier. As required by the 1993 Treasury Regulations Section 1.148-3(f) the District paid rebatable arbitrage through April 25, 2011 in the amount of \$410,210 for the 2006 Water Revenue Bonds. The District has no arbitrage rebate liability as of September 30, 2011.

10. RECENTLY ISSUED GASB STATEMENTS

The GASB has issued a number of standards that will become effective for the District in future years.

GASB 57: OPEB Measurements by Agent Employers and Agent Multiple Employer Plans--clarifies that when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers, those measures should be determined as of a common date and at a minimum frequency to satisfy the agent multiple-employer OPEB plan's financial reporting requirements. This Statement is effective for the District in fiscal year 2012.

GASB 60: Accounting and Financial Reporting for Service Concession Arrangements--was issued in December 2010 to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The standard addresses SCAs in which there is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The statement also includes required disclosures about the SCAs. This standard becomes effective for the District in fiscal year 2013.

GASB 61: The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34-- was issued in November 2010 to improve financial reporting for a governmental reporting entity. The standard modifies certain requirements for inclusion of component units, amends criteria for blending, and clarifies the reporting of equity interests in legally separate entities. This standard becomes effective for the District in fiscal year 2013.

GASB 62: Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements--was issued in December 2010 to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

This standard becomes effective for the District beginning in fiscal year 2013.

GASB 63: Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position--was issued in June 2011 to improve financial reporting for a governmental reporting entity. The standard provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. This standard becomes effective for the District in fiscal year 2013.

GASB 64: Derivative Instruments: Application of Hedge Accounting Termination Provisions— an amendment of GASB Statement No. 53-- was issued in June 2011 to improve financial reporting for a governmental reporting entity. The standard clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. This standard becomes effective for the District in fiscal year 2012.

Management is currently in the process of evaluating the impact of these statements on the District's financial statements.

COMPONENT UNIT

The following notes are for the District's component unit, Trinity River Vision Authority, that are not duplicated by the notes of the District.

11. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR TRVA

Reporting Entity--by resolution dated July 18, 2006, the Board of Directors of the Tarrant Regional Water District (the "District") authorized the incorporation of the Trinity River Vision Authority (TRVA). Subsequently, TRVA was incorporated by the Texas Secretary of State on July 21, 2006 and is governed, in part, by the Texas Development Corporation Act of 1979 (the "Act"). The TRVA is authorized to act on behalf of the District and the District's authority and instrumentality for the public purposes of educating the general public regarding the **Trinity River Vision Project** in Fort Worth, Texas, publishing educational materials about said Project, assisting in the coordination and implementation of the Project, and performing such other activities and purposes as permitted by applicable law or authorized by the Board of Directors of TRVA.

The accounting policies of the TRVA conform to accounting principles generally accepted in the United States of America as applicable to governmental units and promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies.

Financial Reporting Entity-TRVA is included as a discrete component unit in the financial statements of the District.

Cash and Cash Equivalents-cash and cash equivalents consist of deposits (principally interest-bearing accounts) with one financial institution and in a public funds investment pool.

Budgets and Budgetary Accounting-budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual budget is adopted for the General Fund.

12. CASH AND CASH EQUIVALENTS FOR TRVA

The balance per bank of cash on deposit at September 30, 2011, was \$98,030 and was entirely covered by FDIC insurance. The carrying value was \$76,847.

Legal provisions generally permit TRVA to invest in direct and indirect obligations of the United States or its agencies, certain certificates of deposit, repurchase agreements, public funds investment pools, and mutual funds. During the year ended September 30, 2011, TRVA did not own any types of securities other than those permitted by statute. The TRVA invests in the Texas Local Government Investment Pool ("TexPool"). TexPool is a public fund investment pool created by the Treasurer of the State of Texas acting by 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. It has been organized and established pursuant to an Interlocal Agreement between participating government entities. TRVA has an undivided beneficial interest in the pool of assets held by this agency. These investments and deposits are fully insured by federal depository insurance or collateralized by securities held in the name of Texas Treasury Safekeeping Company, the entity that created TexPool. Authorized investments include obligations of the United States or its agencies, direct obligations of the State of Texas or its agencies (TexPool only), certificates of deposit, and repurchase agreements. TRVA's pool balance as of September 30, 2011 was \$0.5 million.

Interest Rate Risk-as a means of limiting its exposure to fair value losses arising from interest rate fluctuations, TRVA's investment policy limits maturities to a maximum of three years.

Concentration of Credit Risk-TRVA places no limit on the amount the TRVA may invest in one issuer. All investments at September 30, 2011 were in TexPool.

Custodial Credit Risk-TRVA policy requires that all securities be held in TRVA's name.

	<u>Fair Value **</u>	<u>Weighted Avg. Maturity (Years)</u>	<u>S & P Rating</u>
Investment Pools*			
TexPool	<u>\$ 478,451</u>	0.0027	N/A
Total cash equivalents	<u>\$ 478,451</u>		

*Local government pools operate as a money market fund under the Public Funds Investment Act, which requires that it maintain an AAA, AAA-m or equivalent rating from a nationally recognized rating service. Pools are rated AAA-m and operate in full compliance with the PFIA and rating agency requirements. The pools are exempted from SEC registration and the requirements of Rule 2a-7 pertaining to registered money market funds; however, consistent with Rule 2a-7, they seek to maintain a stable net asset value of \$1 per unit.

**Fair value is the amount at which a security could be exchanged in a current transaction between willing parties, other than in forced liquidation. Under GASB 31, all investments are recorded at fair value.

13. COMMITMENTS AND CONTINGENCIES FOR TRVA

Insurance-the TRVA has employee blanket bond insurance. The TRVA also participates in a public entity risk pool for its general liability, automotive reliability, and errors and omissions liability coverage. The TRVA has such insurance coverage as an additional insured on a policy issued to the Tarrant Regional Water District through the Texas Water Conservation Association Risk Management Fund (the "Trust"). The general policy conditions provide as follows:

In the event of an occurrence, wrongful act, or personal injury, written notice containing particulars of the incident or injury shall be promptly provided to the Trust. If a claim is made or a suit is brought against the TRVA, the TRVA shall immediately forward to the Trust every demand, notice, summons, or other processes received. TRVA shall cooperate with the Trust and give any information as may be reasonably required, and upon the Trust's request, assist in making settlement, in the conduct of suits and in enforcing any right of contribution or indemnity against any person or organization who may be liable to the TRVA because of injury or damage with respect to which insurance is afforded under the agreement. The TRVA shall attend hearings and trials and assist in securing and giving evidence and obtaining the attendance of witnesses. The TRVA shall not, except at its own cost, voluntarily make any payment, assume any obligation, or incur any expense that could increase the liability exposure of, or jeopardize the Trust in any way.

The Trust will pay on behalf of the TRVA all sums that TRVA shall become legally obligated to pay arising out of an occurrence that takes place during the Trust year and within the agreement. The Trust reserves the right to deny any and all claims that are not reported. The Trust shall

have the right and the duty to defend any suit against the TRVA, even if the allegations of the suit are groundless, false or fraudulent, and may make such investigation and settlement of any claim or suit it deems expedient, but the Trust shall not be obligated to pay any claim or judgment, or to defend a suit, after the applicable limit of the Trust's liability has been exhausted.

As of September 30, 2011, there were no settlements paid from the insurance coverage on behalf of the TRVA.

REQUIRED SUPPLEMENTARY INFORMATION

TARRANT REGIONAL WATER DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—BUDGET TO ACTUAL—GAAP BASIS—GENERAL FUND (UNAUDITED) FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Original and Final Budget	Actual
REVENUES:		
Property taxes	\$ 8,200,000	\$ 8,600,104
Land lease rentals	217,130	662,857
Oil and gas royalties	30,000,000	27,777,427
Sale of rock and gravel	25,000	25,000
Investment income	4,005,365	1,045,664
Grants and contributions	-	889,000
Other	25,680	463,647
	<hr/>	<hr/>
Total revenues	42,473,175	39,463,699
	<hr/>	<hr/>
EXPENDITURES		
Current:		
General and administrative	7,997,581	7,579,916
Personnel services	4,331,900	4,177,093
Pension plan contribution	376,687	369,932
Trinity River Vision Contribution	2,000,000	-
Capital expenditures	11,690,950	21,707,824
	<hr/>	<hr/>
Total expenditures	26,397,118	33,834,765
	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	16,076,057	5,628,934
OTHER FINANCING SOURCES		
Proceeds from capital lease	-	88,858
	<hr/>	<hr/>
Total other financing sources	-	88,858
	<hr/>	<hr/>
CHANGE IN FUND BALANCE	16,076,057	5,717,792
FUND BALANCE—Beginning of year	158,188,418	158,188,418
	<hr/>	<hr/>
FUND BALANCE—End of year	\$ 174,264,475	\$ 163,906,210
	<hr/> <hr/>	<hr/> <hr/>

TARRANT REGIONAL WATER DISTRICT
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFITS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as % of Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
12/31/2007	\$ -	\$ 25,092,209	\$ 25,092,209	0%	\$ 9,372,400	268.00%
12/31/2009	\$ -	\$ 31,676,995	\$ 31,676,995	0%	\$ 11,489,400	276.00%

OTHER SUPPLEMENTARY INFORMATION
(UNAUDITED)

TARRANT REGIONAL WATER DISTRICT

SCHEDULE OF BONDS AUTHORIZED, ISSUED, AND OUTSTANDING BY PURPOSE OF ISSUE AS OF SEPTEMBER 30, 2011 (UNAUDITED)

	Year Authorized	Issued Amount	Outstanding
Construction and improvement bonds:			
Construction and improvement bonds-series 2002	2002	\$ 331,430,000	\$ 176,380,000
Construction and improvement bonds-series 2006	2006	182,905,000	182,905,000
Construction and improvement bonds-series 2008A	2008A	3,135,000	3,135,000
Construction and improvement bonds-series 2008B	2008B	6,755,000	6,755,000
Construction and improvement bonds-series 2009	2009	69,535,000	64,735,000
Construction and improvement bonds-series 2010	2010	89,250,000	89,250,000
Construction and improvement bonds-series 2010A	2010	17,835,000	17,835,000
Construction and improvement bonds-series 2010B	2010	<u>83,785,000</u>	<u>80,680,000</u>
		<u>\$ 784,630,000</u>	<u>\$ 621,675,000</u>

Note: Above amounts exclude unamortized original issue premiums.

TARRANT REGIONAL WATER DISTRICT

SCHEDULE OF CHANGES IN BONDED DEBT FOR THE YEAR ENDED SEPTEMBER 30, 2011 (UNAUDITED)

	Balance October 1, 2010	Total Issued	Total Retired	Balance September 30, 2011
Water Revenue Refunding and Impr. bonds—series 2002	\$ 193,995,000		\$ 17,615,000	\$ 176,380,000
Water Revenue Bonds —series 2006	182,905,000			182,905,000
Water Revenue Bonds —series 2008A-RC	3,135,000			3,135,000
Water Revenue Bonds —series 2008B-CC	6,755,000			6,755,000
Water Revenue Refunding and Impr. —series 2009	69,535,000		4,800,000	64,735,000
Water Revenue Bonds —series 2010	89,250,000			89,250,000
Water Revenue Bonds —series 2010A	17,835,000			17,835,000
Water Revenue Bonds —series 2010B	<u>83,785,000</u>		<u>3,105,000</u>	<u>80,680,000</u>
	<u>\$ 647,195,000</u>	<u>\$ -</u>	<u>\$ 25,520,000</u>	<u>\$ 621,675,000</u>

Note: Above amounts exclude unamortized original issue premiums.

TARRANT REGIONAL WATER DISTRICT

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1) LAST 10 FISCAL YEARS (UNAUDITED)

Fiscal Year	Administrative	Maintenance and Warehouse	Reservoir Operations	Tax Assessing and Collecting
2002	\$ 4,731,159	\$ 3,699,790	\$ 919,665	\$ 160,881
2003	4,365,354	3,215,963	1,105,814	177,090
2004	4,759,394	3,850,327	(2)	157,412
2005	4,379,995	3,831,855	(2)	157,413
2006	4,921,537	4,214,926	(2)	168,843
2007	11,468,757 (3)	4,638,174	(2)	177,719
2008	10,761,691 (3)	5,152,642	(2)	188,141
2009	9,916,759 (3)	5,041,273	(2)	223,329
2010	7,464,592 (3)	5,802,893	(2)	268,144
2011	5,870,935 (4)	5,993,362	(2)	262,644

(1) Includes General Fund expenditures, but excludes capital expenditures, and depreciation expense.

(2) Expenses for Eagle Mountain Lake and Lake Bridgeport are recorded in the Enterprise Fund beginning in fiscal year 2002.

(3) Increase is related to contributions to the Trinity River Vision Project.

(4) Decrease due to more expenses being allocated to the Enterprise Fund due to the large bond projects.

TARRANT REGIONAL WATER DISTRICT

ENTERPRISE FUND EXPENSES LAST 10 FISCAL YEARS (UNAUDITED)

Fiscal Year	Operating Maintenance and Administrative (1) (2)	Interest Expense	Depreciation and Amortization
2002	\$ 19,613,426	\$ 16,412,379	\$ 10,176,199
2003	18,971,753	17,312,876	10,239,463
2004	19,901,351	16,188,490	10,432,507
2005	21,663,253	11,403,366	10,272,674
2006	41,458,563 (3)	14,830,399	10,179,471
2007	31,468,193	16,072,941	10,206,921
2008	33,107,306	10,823,849	11,798,556
2009	37,456,752	19,423,791	15,284,771
2010	33,748,148	19,714,313	15,663,973
2011	41,441,508 (3)	19,140,654	16,174,207

(1) These figures do not contain interfund transfers or special items.

(2) Expenses for Eagle Mountain Lake and Lake Bridgeport are recorded in the Enterprise Fund beginning in fiscal year 2002.

(3) Increase due to an increase in pumping power costs due to the drought conditions.

TARRANT REGIONAL WATER DISTRICT

GENERAL GOVERNMENTAL REVENUES BY SOURCE LAST 10 FISCAL YEARS (UNAUDITED)

Fiscal Year	Oil and Gas Royalties	Land Lease Rentals	Interest Income	Transfer/Other	Property Taxes
2002	\$ 1,250,142	\$ 300,357	\$ 334,388	\$ 485,681 (1)	\$ 4,936,392
2003	1,723,322	300,539	353,368	639,597 (1)	5,236,591
2004	17,126,938 (3)	318,534	357,379	494,303 (1)	5,761,187
2005	23,472,113 (3)	250,076	968,967	538,454 (1)	5,959,884
2006	28,800,533 (3)	257,644	2,684,659	1,419,866 (2)	6,561,859
2007	34,007,763 (3)	370,305	4,455,483	6,278,019 (2)	7,322,427
2008	68,057,516 (3)	348,619	4,100,005	5,328,653 (2)	8,056,037
2009	34,397,855	327,741	3,137,581	2,469,605 (2)	8,735,179
2010	34,354,862	656,328	1,468,495	603,740 (2)	9,002,136
2011	27,777,427 (4)	662,857	1,045,664	1,466,505 (2)	8,600,104

(1) Does not include interfund transfers.

(2) Other revenues include gains on sale of property, plant, and equipment, the sale of rock and gravel, contributions, grants, transfers, and other financing resources. As of 2006 transfers were included in this total. As of 2010 interfund revenue was not included in the number, it was treated as a contra expense.

(3) The District entered into new oil and gas leases which included significant bonus payments and operating royalties in fiscal years 2004 through 2008.

(4) Oil and gas royalties are reflective of a down market as well as a reduced number of bonus payments.

TARRANT REGIONAL WATER DISTRICT

ENTERPRISE FUND REVENUES (1) LAST 10 FISCAL YEARS (UNAUDITED)

Fiscal Year	Sale of Water	Investment Income	Land Lease Rentals	Other (2)
2002	\$ 62,100,809	\$ 2,983,231	\$ 71,341	\$ 2,107,314
2003	59,502,404	2,756,536	67,834	1,483,785
2004	61,767,123	2,171,462	77,062	2,584,236
2005	60,126,522	1,868,698	109,233	1,321,587
2006	80,343,028	6,716,967	55,109	1,462,521
2007	73,740,294	10,613,665	99,728	976,123
2008	66,486,843	4,550,301 (3)	77,933	1,667,723
2009	80,469,426	3,486,297	67,692	318,089
2010	79,465,525	2,969,407	78,480	290,656
2011	90,310,650 (4)	1,873,044	79,586	1,512,159 (5)

(1) Does not include interfund transfers.

(2) Other revenues include contributions, gains on sale of investments and property, plant and equipment, and buy-in premiums.

(3) Available funds for investing decreased due to the 2006 Bond Project nearing completion resulting in a reduced amount of investment income.

(4) Increase in water sales due to drought conditions.

(5) Increase due to cost reimbursement from Dallas Water Utilities.

TARRANT REGIONAL WATER DISTRICT

PROPERTY TAX LEVIES AND COLLECTIONS LAST 10 FISCAL YEARS (UNAUDITED)

Fiscal Year	Total Tax Levy	Current Tax Collections	Ratio of Current Tax Collections to Total Tax Levy	Delinquent Tax Collections	Ratio of Delinquent Tax Collections to Total Tax Levy	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2002	\$ 4,954,691	\$ 4,847,944	97.8%	\$ 84,413	1.70%	\$ 4,932,357	99.5%
2003	5,235,420	5,132,343	98.0%	104,248	1.99%	5,236,591	100.0%
2004	5,670,641	5,521,495	97.4%	122,628	2.16%	5,644,123	99.5%
2005	5,955,710	5,857,339	98.3%	102,545	1.72%	5,959,884	100.1%
2006	6,523,826	6,482,144	99.4%	109,990	1.69%	6,592,134	101.0%
2007	7,301,143	7,226,033	99.0%	96,394	1.32%	7,322,427	100.3%
2008	8,006,321	7,972,642	99.6%	96,975	1.21%	8,069,617	100.8%
2009	8,692,629	8,576,152	98.7%	62,858	0.72%	8,639,010	99.4%
2010	8,961,076	8,836,802	98.6%	112,749	1.26%	8,949,551	99.9%
2011	8,585,136	8,461,681	98.6%	71,226	0.83%	8,532,907	99.4%

TARRANT REGIONAL WATER DISTRICT

ASSESSED AND ACTUAL ESTIMATED VALUE OF PROPERTY LAST 10 FISCAL YEARS (UNAUDITED)

Fiscal Year	Assessed Valuation	Estimated Actual Valuation	Ratio of Assessed Valuation to Estimated Actual Valuation
2002	\$ 24,592,783,830	\$ 24,773,401,979	99.3%
2003	25,804,989,297	26,177,098,277	98.6%
2004	27,227,208,240	28,117,811,398	96.8%
2005	29,337,958,539	29,778,521,629	98.5%
2006	31,686,327,914	31,760,084,866	99.8%
2007	36,055,574,973	36,506,443,351	98.8%
2008	40,031,703,354	39,887,627,798	100.4%
2009	43,463,173,474	41,425,734,107	104.9%
2010	44,802,386,393	42,709,872,649	104.9%
2011	42,636,798,867	42,925,679,331	99.3%

Note: All taxes are recorded in the General Fund.

TARRANT REGIONAL WATER DISTRICT

ENTERPRISE FUND DEBT SERVICE REQUIREMENTS TO MATURITY (IN THOUSANDS) 2011 (UNAUDITED)

YR	2002 - Water Revenue Refunding and Improvements Bonds			2006 - Water Revenue Refunding and Improvements Bonds			2008A WIF Program			2008B WIF Program			2009 - Water Revenue Refunding and Improvements Bonds			2010 - Water System Revenue Bonds			2010 A - Series 2010A WIF Deferred TWDB Bonds			2010 B - Series 2010B WIF Construction TWDB Bonds			Total Enterprise Funds		
	Princ.	Int.	Total	Princ.	Int.	Total	Princ.	Int.	Total	Princ.	Int.	Total	Princ.	Int.	Total	Princ.	Int.	Total	Princ.	Int.	Total	Princ.	Int.	Total	Princ.	Int.	Total
2012	\$18,440	\$ 8,781	\$27,221	\$ 8,530	\$ 8,530		\$ 47	\$ 47					\$ 5,350	\$ 3,103	\$ 8,453		\$ 4,153	\$ 4,153				\$ 3,200	\$ 1,254	\$ 4,454	\$ 26,990	\$ 25,868	\$ 52,858
2013	19,280	7,838	27,118	8,530	8,530		180	70	250				5,540	2,831	8,371		4,153	4,153				3,295	1,254	4,549	28,295	24,676	52,971
2014	26,265	6,650	32,915	8,530	8,530		185	67	252					2,692	2,692		4,153	4,153				3,395	1,254	4,649	29,845	23,346	53,191
2015	27,710	5,200	32,910	8,530	8,530		185	65	250					2,692	2,692		4,153	4,153				3,500	1,253	4,753	31,395	21,893	53,288
2016	29,240	3,669	32,909	8,530	8,530		190	61	251					2,692	2,692		4,153	4,153				3,605	1,243	4,848	33,035	20,348	53,383
2017	30,080	2,094	32,174	8,530	8,530		195	58	253					2,692	2,692		4,153	4,153				3,715	1,220	4,935	33,990	18,747	52,737
2018	4,560	1,185	5,745	\$ 8,700	8,347	17,047	195	54	249	\$ 605	\$ 166	\$ 771	3,360	2,608	5,968	\$ 2,120	4,106	6,226	\$ 1,305	\$ 243	\$ 1,548	3,830	1,186	5,016	24,675	17,895	42,570
2019	4,805	939	5,744	9,080	7,969	17,049	200	50	250	620	153	773	3,530	2,436	5,966	2,230	4,008	6,238	1,160	352	1,512	3,945	1,144	5,089	25,570	17,051	42,621
2020	5,065	680	5,745	9,480	7,568	17,048	205	46	251	630	139	769	3,710	2,255	5,965	2,345	3,899	6,244	1,200	335	1,535	4,065	1,091	5,156	26,700	16,013	42,713
2021	5,330	414	5,744	9,905	7,145	17,050	210	40	250	645	124	769	3,900	2,065	5,965	2,465	3,779	6,244	1,235	314	1,549	4,190	1,026	5,216	27,880	14,907	42,787
2022	5,605	140	5,745	10,350	6,701	17,051	215	35	250	665	107	772	4,100	1,865	5,965	2,590	3,653	6,243	1,270	291	1,561	4,315	951	5,266	29,110	13,743	42,853
2023				16,690	6,102	22,792	220	30	250	680	90	770	4,315	1,654	5,969	2,720	3,520	6,240	1,310	264	1,574	4,450	868	5,318	30,385	12,528	42,913
2024				17,450	5,342	22,792	225	23	248	700	71	771	4,535	1,433	5,968	2,860	3,395	6,255	1,350	236	1,586	4,585	776	5,361	31,705	11,276	42,981
2025				18,300	4,496	22,796	235	17	252	715	52	767	4,765	1,201	5,966	3,010	3,277	6,287	1,390	207	1,597	4,725	676	5,401	33,140	9,926	43,066
2026				19,235	3,558	22,793	240	11	251	735	32	767	5,010	956	5,966	3,160	3,138	6,298	1,435	174	1,609	4,865	569	5,434	34,680	8,438	43,118
2027				20,220	2,572	22,792	255	4	259	760	11	771	5,265	699	5,964	3,325	2,976	6,301	1,475	139	1,614	5,015	454	5,469	36,315	6,855	43,170
2028				21,230	1,562	22,792							5,535	429	5,964	3,495	2,805	6,300	1,520	102	1,622	5,170	331	5,501	36,950	5,229	42,179
2029				22,265	529	22,794							5,820	146	5,966	3,675	2,626	6,301	1,570	62	1,632	5,325	202	5,527	38,655	3,565	42,220
2030																3,865	2,438	6,303	1,615	21	1,636	5,490	68	5,558	10,970	2,527	13,497
2031																4,060	2,255	6,315							4,060	2,255	6,315
2032																4,270	2,062	6,332							4,270	2,062	6,332
2033																4,490	1,857	6,347							4,490	1,857	6,347
2034																4,720	1,652	6,372							4,720	1,652	6,372
2035																4,960	1,434	6,394							4,960	1,434	6,394
2036																5,215	1,205	6,420							5,215	1,205	6,420
2037																5,480	965	6,445							5,480	965	6,445
2038																5,765	708	6,473							5,765	708	6,473
2039																6,060	435	6,495							6,060	435	6,495
2040																6,370	147	6,517							6,370	147	6,517
	\$ 176,380	\$ 37,590	\$ 213,970	\$ 182,905	\$ 113,071	\$ 295,976	\$ 3,135	\$ 678	\$ 3,813	\$ 6,755	\$ 945	\$ 7,700	\$ 64,735	\$ 34,449	\$ 99,184	\$ 89,250	\$ 81,258	\$ 170,508	\$ 17,835	\$ 2,740	\$ 20,575	\$ 80,680	\$ 16,820	\$ 97,500	\$ 621,675	\$ 287,551	\$ 909,226

TARRANT REGIONAL WATER DISTRICT

MISCELLANEOUS STATISTICAL FACTS AS OF SEPTEMBER 30, 2011 (UNAUDITED)

Date of organization October 7, 1924

Area covered by District 345 square miles

Facilities:

Number of water supply reservoirs 4

	Conservation Pool	Actual in Storage
Acre feet of water storage:		
Bridgeport Lake	366,236	200,516
Eagle Mountain Lake	182,505	135,340
Cedar Creek Lake	644,785	488,901
Richland Chambers	1,137,204	801,209
 Total	2,330,730	1,625,966

Miles of levees 23

Miles of floodway river channel 27

Area to be maintained by District 1,997 acres

Employees:

 Administrative and office 113

 Maintenance 117

Annual rainfall in inches—last 10 calendar years:

Year	DFW Weather Service	Lake Worth	Eagle Mountain Lake	Bridgeport Lake	Cedar Creek Lake	Richland/ Chambers
2001	38.14	28.60	33.58	24.95	44.03	42.73
2002	37.15	40.03	32.91	32.66	33.77	33.96
2003	24.55	22.35	22.02	23.35	21.89	29.58
2004	47.57	42.55	50.61	33.78	40.96	41.51
2005	18.97	13.69	17.62	11.51	20.07	19.42
2006	29.75	26.60	23.56	27.95	26.90	29.18
2007	50.05	40.88	45.06	36.80	51.94	53.56
2008	27.10	27.09	27.39	25.58	26.30	30.09
2009	40.89	31.48	27.86	33.20	43.23	54.54
2010	37.55	32.46	34.93	36.01	24.83	38.68

TARRANT REGIONAL WATER DISTRICT

SCHEDULE OF INSURANCE

AS OF SEPTEMBER 30, 2011 (UNAUDITED)

Insurer	Policy Period	Type of Coverage	Limits
J. I. Specialty Risks	03/29/10–03/29/11 03/29/11–03/29/12	Crime	\$25,000—liability
	01/15/10–01/15/11 01/15/11–01/15/12	Director Bond	\$10,000—per director
TWCA Risk Management Fund*	07/01/10–07/01/11 07/01/11–07/01/12	Fleet Policy	\$3,000,000—liability
	07/01/10–07/01/11 07/01/11–07/01/12	Property Insurance	\$188,706,620—blanket limit
	07/01/10–07/01/11 07/01/11–07/01/12	Workers' Compensation	Statutory limits
	07/01/10–07/01/11 07/01/11–07/01/12	General Liability	\$3,000,000—limit
	07/01/10–07/01/11 07/01/11–07/01/12	Errors and Omissions Liability	\$3,000,000—limit
	07/01/10–07/01/11 07/01/11–07/01/12	Rental Coverage	\$250,000—limit
Aetna	01/01/11–12/31/12	Health Insurance	\$1,000,000—limit per employee
Eanes & Polk Inc.	12/15/10–12/15/11	Aviation Coverage	\$370,000—Physical Damage \$5,000,000—Liability

* This is a pool through the Texas Water Conservation Association Risk Management Fund administered by J. I. Specialty Services.

The District has paid all premiums due prior to September 30, 2011.

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