

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

**Annual Financial Report  
As of and for the year ended  
September 30, 2014**



Annual Financial Report  
As of and for the Year Ended  
September 30, 2014

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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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, discretely presented component unit, and the major fund of Tarrant Regional Water District (the “District”), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

### **Management’s Responsibility for the Financial Statements**

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

### **Auditor’s Responsibility**

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

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

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

## **Opinions**

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

## **Other Matters**

### ***Required Supplementary Information***

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

### ***Other Information***

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

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

*Deloitte & Touche LLP*

January 9, 2015

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## **TARRANT REGIONAL WATER DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2014 (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, 2014. Please read this analysis in conjunction with the District's audited financial statements, which follow this discussion.

#### **FINANCIAL HIGHLIGHTS**

##### **NET POSITION**

The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$831.0 million (*net position*). Of this amount, \$152.0 million (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.

At the end of the current fiscal year: Business-Type Activities total net position increased by \$33.6 million mainly due to the increase in net investment in capital assets, for design and construction related to the 2009, 2010, 2012, and 2014 bond issues. Governmental activities total net position increased by \$49.8 million mainly due to the continuation of several large capital projects such as Twin Points and the Trinity River Vision Project.

#### **OVERVIEW OF LARGE PROJECTS**

The District engaged in multiple large, water supply related, construction projects funded through bond issues, as well as the Trinity River Vision Project which is funded through oil and gas and Tax Increment Reinvestment Zone #9 revenues and other smaller construction related projects. These projects are discussed on the following pages.

## **ENTERPRISE FUND-WATER SUPPLY PROJECTS**

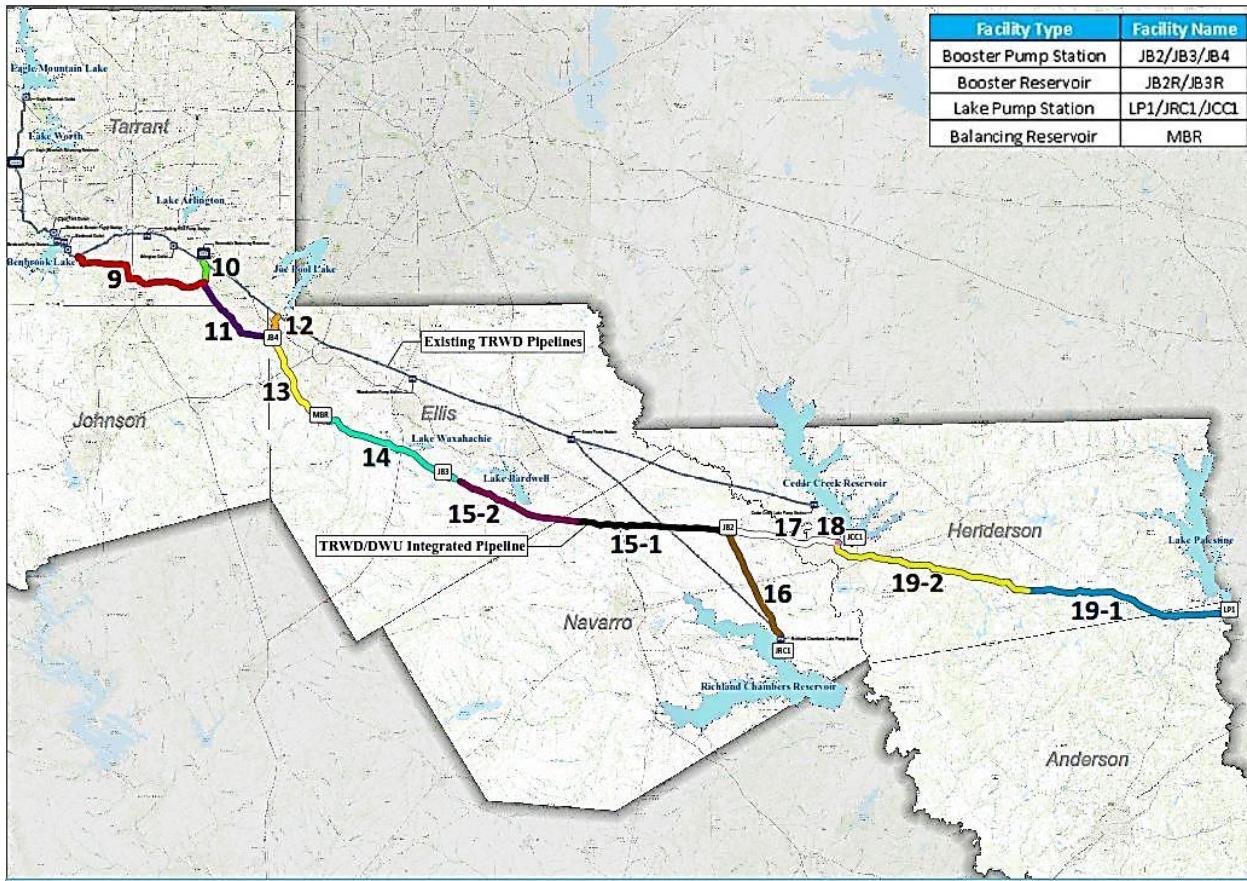
### **Third East Texas Pipeline/Integrated Pipeline**

The District 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 the District's existing pipeline system and creates 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 three new booster pump stations, delivering a required capacity of 350 million gallons (MGD) of raw water per day to North Central Texas. The District and DWU currently serve over 4.1 million residents and the IPL Project will allow these agencies to continue supporting regional community and economic growth. On-going studies, additional design, and construction are being paid for with the TRWD 2009, 2010, 2012 and 2014, DWU 2012 and 2014 bond issues, as well as future bond issues. The estimated total cost to the District for this project is approximately \$1.4 billion and Dallas Water Utilities is approximately \$938 million. As of September 30, 2014, \$350 million in cost has been incurred for the IPL Project.

Progress for this project is as follows:

- Final design for the core portion of the project is at 90% complete on the pipeline, 95% complete on the pump stations, and 100% complete on the reservoirs
- The project has acquired 243 of the 522 required parcels as of September 2014
- The Richland Chambers line lowering was completed in May 2014
- Construction on the first section of the pipeline, Section 15, was bid and construction began in Spring of 2014. Of this \$92.9 million contract, \$48.1 million of costs were incurred in FY14.
- Various valves (butterfly, gate, and multi-orifice valves) to control water and enable construction have been bid out during 2014, and are expected to begin installation in January 2015.
- The construction of the joint booster pump station JB3 was bid and a contract signed for \$11.4 million. Construction began in Summer of 2014 and \$662 thousand of costs were incurred in FY14.
- Pipeline section 12, 13, and the Midlothian Balancing Reservoir were bid and a contract signed for \$149.6 million in FY14.

On the following page is a general overview depicting the District's existing East Texas Pipeline and the new IPL pipeline to the south of the existing line:



**Picture 1- Overview of Integrated Pipeline**

## **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, and are used to polish the Trinity River water to a quality such that no adverse impacts will be seen as it is introduced in the reservoir. The last phase of construction brought the project to its ultimate size of just over 2,000 acres.

The final expansion started construction during the winter of 2011. It included additional acres of wetlands, various canals, and other structures such as sediment basins and flexible base pavement for driving equipment out onto the property. The Wetlands became operational in fall of 2014.

A total of \$72.5 million was spent on the full footprint of the Richland-Chambers Wetlands Project. These funds were paid for with multiple bond issues (1999, 2002, 2006, 2008A, and 2010).

A picture showing the completed George W. Shannon Wetlands is shown below:



**Picture 2 – Completed George W. Shannon Wetlands**

## Cedar Creek Wetlands

The proposed wetlands at Cedar Creek Reservoir have completed 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. Preliminary design efforts were funded with the 2008B bond issue and to date \$4.3 million has been spent on design. Land acquisition for the Cedar Creek Wetlands was funded with the 2010 bond issue. In January 2014 the District began securing 4,192 acres for the wetlands project site in Henderson and Kaufman Counties. To date, \$15.2 million has been spent on land acquisition. The acquisition of the facilities sites as well as the pipeline right of way should be completed in 2015. A drawing of the proposed Cedar Creek Wetlands is shown below:



### **Picture 3 - Cedar Creek Wetlands**

### **Line J Section 1C Kennedale Balancing Reservoir Expansion**

This project will install an additional pipeline from the Kennedale Balancing Reservoir (KBR) to the Arlington outlet and a third cell at the Kennedale Balancing Reservoir. These components will improve operations, increase reliability and add redundancy to the system. The proposed expansion will provide an additional 150 million gallons of storage by adding a third cell to KBR. The construction of this pipeline was completed in September 2014 at a cost of \$24.1 million. The construction of the third cell is expected to start in 2020. Below is a photograph of workers lowering an 84" tee into place on Line J:



**Picture 4 – Lowering tee into place on Kennedale Line J Section 1C**

## **GENERAL FUND 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 project is a multi-agency collaboration between the District, TRV, Texas Department of Transportation (TxDOT), USACE, the City of Fort Worth, and Tarrant County, 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.

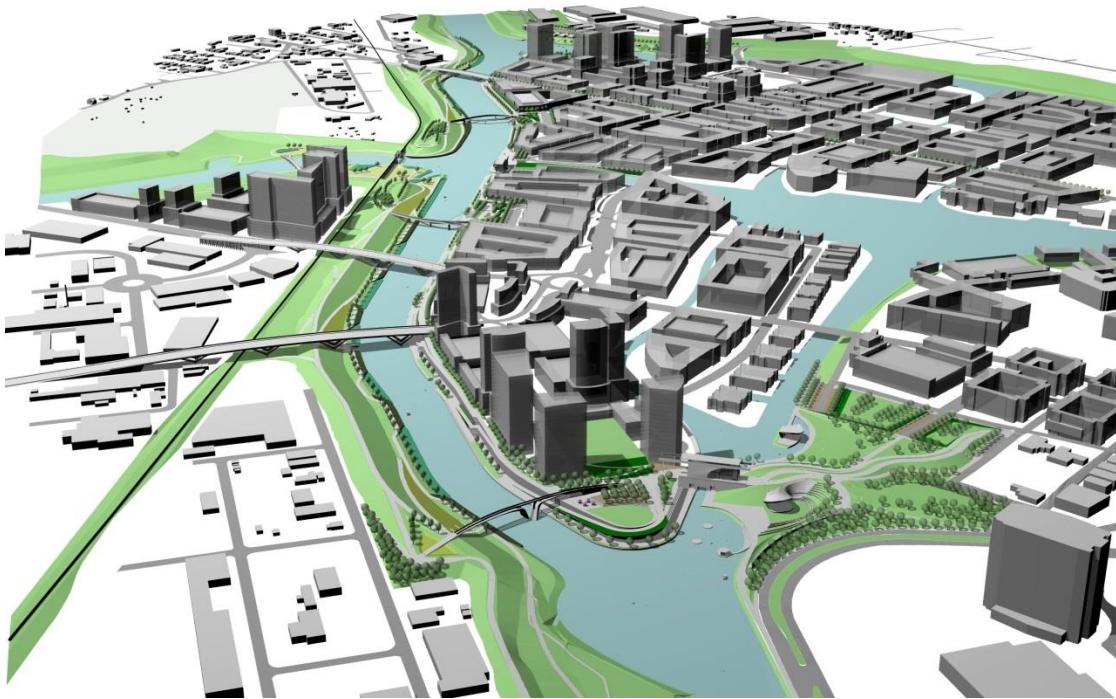
As of September 30, 2014 the TRV project has accomplished the following:

- 268 businesses and tenants have been successfully relocated.
- Property continues to be acquired based on project schedule needs.
- Demolition work was completed in the Henderson Street, White Settlement, and Main Street corridors in preparation for bridge construction.
- Henderson Street, White Settlement, and Main Street Bridge design is 100% complete.
- TxDOT let a contract for all three bridges in May and mobilized in September.
- The Henderson Street detour was completed and will be used during bridge construction.
- Final design on bypass channel continues.
- Water and sanitary sewer lines were relocated by the City of Fort Worth and franchise utility relocation was completed in the areas required for bridge construction.
- Design work for valley storage at Gateway Park Sites A & C was completed, and Rockwood Park and Riverside Park design continues.
- Ham Branch Valley Storage design was completed in preparation for construction in the future.
- Design work on pedestrian bridges is at 60%.

As of year-end, the District and the Trinity River Vision Authority (TRVA) have spent a total of \$64.4 million on this project. The City of Fort Worth Tax Increment Reinvestment Zone Number Nine in accordance with the project cost funding agreement as described in Note 1, which accompanies the financial statements, has spent \$108.5 million on the project including \$2.6 million of expenses paid directly by the Tax Increment Reinvestment Zone. The remaining outstanding loan to TRWD is \$92.0 million. Pictures depicting detours being built and conceptual design sketches are below and on the following page:



**Picture 5 – New blacktop laid to detour Henderson St. traffic during construction**



**Picture 6 – Conceptual overview of the bypass channel**

#### **Annex West Administration Building**

The Annex West Administration Building consists of a single story office building containing offices, work room, training room, conference rooms and associated ancillary spaces to accommodate expanding staff needed for the many large projects the District is working on. The building also includes a vault designed to withstand a category F5 tornado. In addition, this project includes the expansion of the existing parking lot and a separate two level parking structure. The building is 16,046 square feet and the parking structure is 52,800 square feet. The Annex West Administration Building and the parking garage were completed in spring of 2014. Photos of the new building and garage are shown on the following page:



**Picture 7 - Annex West Administration Building**



**Picture 8 - Administration Parking Garage**

### **Twin Points Park**

The Twin Points Park project has been ongoing since 2010. To date, the District has spent \$5.7 million for cleanup, a boat ramp, docks, paved parking areas, fence and gated park access, and additional restrooms. Now in Phase 2B of the project, a swim area and beach area are in progress. Construction on these portions of the project began within the park during Fiscal Year 2014. Future plans include concessions and RV parking areas. See the progress that has been made on the Phase 2B swim beach retaining walls in the picture below.



**Picture 9 – Twin Points Park Swim Beach Retaining Walls**

### **Airfield Falls Conservation Park**

A new conservation garden and trailhead will honor the history of the Naval Air Station Joint Reserve Base (NASJRB) with an educational art piece featuring military aircraft components. These components consist of wings and a tail section of a C-9 military aircraft that have been donated by the NASJRB. The new amenities will be a unique way to represent the rich history of the region from its transformation from a Bomber Plant to Lockheed Martin to Carswell to now the NASJRB. Other amenities such as parking, restroom, water fountain and picnic tables will be on site as well.

In addition to new recreation opportunities, the project also focuses on another of the District's missions with the addition of a conservation garden deemed the "Walk of a Thousand Plants". This garden will feature native plants so visitors of Airfield Falls will be able to see how and what to plant during different seasons to help conserve water. To date, the District has spent \$1.6 million on this project. Below is a photograph of the garden under construction:



**Picture 10 – Airfield Falls Terrace Area**

### **Marine Creek Trailhead and Park**

The District and Tarrant County Precinct 4 partnered to construct two miles of 12 foot wide asphalt trail that will provide access for Tarrant County College and the new neighborhoods to enjoy further improvements around Marine Creek Lake. This will also help the District's effort to link this trail to the rest of the Trinity Trail system. So far, the District has spent \$2.2 million on trailhead improvements. In Fiscal Year 2015 the District plans to build a parking area, boat ramp, pavilions, and restrooms along the trail. Below is a portion of the trails around Marine Creek Lake.



**Picture 11 – A portion of the trails around Marine Creek Lake**

## **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 other required 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 Position**

The Statement of Net Position presents information on all of the District's assets and liabilities. The difference between those assets and liabilities are reported as net position. Over time, increases and decreases in net position 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 position has changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Both the Statement of Net Position 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 beginning on Page 26 and 27 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 beginning on page 39 of this report.

## **FINANCIAL ANALYSIS: GOVERNMENT-WIDE STATEMENTS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$831.0 million at the close of the 2014 fiscal year.

**CONDENSED SCHEDULE OF NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Current and other assets						
Capital assets	\$ 204,514,896 221,301,902	\$ 217,260,350 279,586,633	\$ 317,363,230 908,230,255	\$ 752,025,675 1,063,297,783	\$ 521,878,126 1,129,532,157	\$ 969,286,025 1,342,884,416
Total Assets	\$ 425,816,798	\$ 496,846,983	\$ 1,225,593,485	\$ 1,815,323,458	\$ 1,651,410,283	\$ 2,312,170,441
Deferred Outflows of Resources	\$ -	\$ -	\$ 50,088	\$ -	\$ 50,088	\$ -
Current liabilities	\$ 5,107,216	\$ 9,849,698	\$ 59,034,952	\$ 89,445,012	\$ 64,142,168	\$ 99,294,710
Long-term liabilities	\$ 11,380,940	\$ 27,899,372	\$ 825,495,524	\$ 1,351,542,092	\$ 836,876,464	\$ 1,379,441,464
Total Liabilities	\$ 16,488,156	\$ 37,749,070	\$ 884,530,476	\$ 1,440,987,104	\$ 901,018,632	\$ 1,478,736,174
Deferred Inflows of Resources	\$ -	\$ -	\$ 2,800,573	\$ 2,469,138	\$ 2,800,573	\$ 2,469,138
Net position:						
Net investment in capital assets	\$ 221,301,902	\$ 279,586,633	\$ 275,649,460 63,522,458	\$ 308,579,683 90,811,279	\$ 496,951,362 63,522,458	\$ 588,166,316 90,811,279
Restricted for debt service						
Unrestricted	\$ 188,026,740	\$ 179,511,280	\$ (859,394)	\$ (27,523,746)	\$ 187,167,346	\$ 151,987,534
Total Net Position	\$ 409,328,642	\$ 459,097,913	\$ 338,312,524	\$ 371,867,216	\$ 747,641,166	\$ 830,965,129

### **Government-wide**

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

Current and Other assets increased from \$521.9 million to \$969.3 million mainly due to bond proceeds from the 2014 bond issue of \$520.9 million.

- Capital Assets**

Capital assets increased from \$1.1 billion to \$1.3 billion due to the ongoing acquisition of property for the Trinity River Vision project and design and construction related to the 2009, 2010, 2012 and 2014 bond issues which included projects such as the Wetlands at Richland-Chambers and Cedar Creek Reservoirs, the IPL project, and other various large projects.

- Net Investment in Capital Assets**

The District has \$588.2 million (71%) of its net position 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.

- **Restricted for Debt Service**

An additional \$90.8 million (11%) of the District's net position represents resources that are subject to restrictions for debt service.

- **Unrestricted Net Position**

The remaining balance of \$152.0 million (18%) is considered unrestricted net position and may be used to meet the District's ongoing liabilities.

### **Governmental Activities**

- **Current and other assets**

Increase of \$12.7 million was due mainly to the \$41.0 million increase in the long-term receivable related to the Tax Increment Reinvestment Zone Project Cost Funding Agreement, netted with a decrease of \$29.3 million in cash and investments carried in the General Fund because of ongoing spending on General Fund capital asset projects.

- **Capital Assets**

Increase of \$58.3 million was due to the TRV Project and ongoing park and trail construction.

### **Business-Type Activities**

- **Current and Other Assets**

Current and Other assets increased from \$317 million to \$752 million largely due to bond proceeds from the issuance of \$520.9 million of new debt netted with expenditures for the on-going IPL project.

- **Capital Assets**

Capital assets increased from \$908 million to \$1.1 billion due to on-going bond projects with the largest being the Integrated Pipeline.

- **Long-Term Liabilities**

Long-Term Liabilities increased from \$825 million to \$1.4 billion due mostly to the issuance of \$521 million of new debt.

**CONDENSED SCHEDULE OF ACTIVITIES**

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 33,255,675	\$ 26,048,278	\$ 120,270,336	\$ 136,041,137	\$ 153,526,011	\$ 162,089,415
Capital Contributions	31,910,810	49,101,393	-	-	31,910,810	49,101,393
Total Program Revenues	65,166,485	75,149,671	120,270,336	136,041,137	185,436,821	211,190,808
General Revenues:						
Property tax revenues	9,013,033	9,231,193	-	-	9,013,033	9,231,193
Unrestricted investment income	300,771	367,655	262,520	1,598,019	563,291	1,965,674
Other revenues	328,577	94,854	988,288	817,080	1,316,865	911,934
Total Revenues	74,808,866	84,843,373	121,521,144	138,456,236	196,330,010	223,299,609
<b>Expenses:</b>						
General government	11,521,503	13,462,903	-	-	11,521,503	13,462,903
Flood control	6,313,528	3,241,255	-	-	6,313,528	3,241,255
TRV Contribution	1,041,910	18,369,944	-	-	1,041,910	18,369,944
Water supply	-	-	87,165,497	104,901,544	87,165,497	104,901,544
Total Expenses	18,876,941	35,074,102	87,165,497	104,901,544	106,042,438	139,975,646
Changes in Net Position	55,931,925	49,769,271	34,355,647	33,554,692	90,287,572	83,323,963
Net Position - Beginning	353,396,717	409,328,642	312,220,780	338,312,524	665,617,497	747,641,166
Change in Accounting Principle due to implementation of GASB 65	-	-	(8,263,903)	-	(8,263,903)	-
Net Position - Beginning	353,396,717	409,328,642	303,956,877	338,312,524	657,353,594	747,641,166
Net Position - Ending	<u>\$ 409,328,642</u>	<u>\$ 459,097,913</u>	<u>\$ 338,312,524</u>	<u>\$ 371,867,216</u>	<u>\$ 747,641,166</u>	<u>\$ 830,965,129</u>

### Governmental Activities

- Charges for Services**

Decrease of \$7.2 million is due primarily to decreased oil and gas revenues.

- Capital Contribution**

Increase of \$17.2 million due to an increase in the TIF contribution, as well as a land swap where the land contributed to TRWD was worth \$4.6 million more than the land being traded away.

- TRV Contribution Expense**

Increase of \$17.3 million is due to the contribution of the White Settlement Bridge asset, as well as a cash contribution for use on the White Settlement Bridge project, to Texas Department of Transportation.

### Business Type Activities

- Program Revenues – Charges for Services**

Increased \$18.6 million due to increased pumping power and debt service charged to customers.

- Expenses – Water Supply**

Expenses for the water supply increased \$17.7 million mainly due to the District using more electricity for pumping power because of decreasing lake levels and drought conditions. Also, bond expenses increased \$3 million due to increased bond activity in fiscal year 2014.

## **FINANCIAL ANALYSIS: FUND STATEMENTS**

### **General Fund**

As of the end of the 2014 fiscal year, the District's General Fund reported an ending fund balance of \$115.7 million, a decrease of \$33.3 million in comparison to the prior year. This total includes Non-spendable fund balance in the amount of \$3.7 million, and \$111.9 million in an 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 Fund**

The District's enterprise fund provides the same type of information found in the government-wide financial statements, but without comparative data for the prior year.

End of year Net Position is \$371.9 million.

## **FINANCIAL ANALYSIS: CAPITAL ASSETS**

The District's capital assets for its governmental and business-type activities as of September 30, 2014 were \$1.3 billion. 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 project land, relocation, demolition, and environmental costs including pollution remediation increased the land balance by \$37.8 million.
- **Construction in Progress – Governmental Activities**
  - Trinity River Vision construction in progress increased by \$7.5 million.
  - Twin Points Project increased by \$1.3 million.
  - Airfield Falls Trailhead increased by \$1.3 million.
  - The Annex West Administration building was completed and \$6.6 million of prior year costs were transferred to depreciable buildings.
- **Buildings – Governmental Activities**
  - The District completed construction on the new \$7.6 million Annex West Administration Building and parking garage, with \$1.0 million of that cost in the current fiscal year.
- **Land – Business-type Activities**
  - Integrated Pipeline land purchases of \$18.0 million.
  - Purchased \$15.0 million related to the Cedar Creek Wetlands.
- **Construction in Progress – Business-type Activities**
  - Richland-Chambers Wetland's current phase was completed and \$43.3 million of prior year costs were transferred to depreciable wetlands.
  - Integrated Pipeline increased \$97.4 million.
  - Arlington Outlet Hydroelectric Generation increased \$1.2 million.
  - Kennedale Balancing Reservoir Line J Section 1C increased \$6.0 million.
  - Cedar Creek Dam Stability Analysis increased \$3.2 million.
  - Pump Room Cooling Project increased \$1.6 million.
  - Capitalized Interest on construction in progress increased \$3.7 million net of transfers to other project costs.
- **Pipeline**
  - Updating Variable Frequency Drive at Richland Chambers was completed for a total cost of \$3.1 million of which \$2.3 million was cost in the current fiscal year.
- **Wetlands**
  - The District completed construction on the current \$45.3 million phase of the Richland-Chambers Wetlands, with \$2.0 million of that cost in the current fiscal year.
- **Other Project Costs**
  - Capitalized Interest increased \$17.5 million.

### CAPITAL ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
<b>Nondepreciable:</b>						
Land	\$ 141,387,171	\$ 187,854,778	\$ 100,739,236	\$ 133,783,193	\$ 242,126,407	\$ 321,637,971
Construction in progress	<u>55,144,489</u>	<u>58,960,125</u>	<u>294,255,165</u>	<u>363,799,258</u>	<u>349,399,654</u>	<u>422,759,383</u>
Total nondepreciable assets	196,531,660	246,814,903	394,994,401	497,582,451	591,526,061	744,397,354
<b>Depreciable :</b>						
Dams and spillways	3,378,736	3,378,736	210,382,594	212,929,639	213,761,330	216,308,375
Pipeline	-	-	507,235,559	510,290,880	507,235,559	510,290,880
Wetlands	-	-	8,823,497	54,091,602	8,823,497	54,091,602
Communications	-	-	1,087,448	1,087,448	1,087,448	1,087,448
Buildings	25,361,800	34,533,160	6,769,080	6,816,587	32,130,880	41,349,747
Machinery and equipment	10,157,896	11,155,730	12,714,871	12,922,394	22,872,767	24,078,124
Flood control and other project costs	8,095,940	8,095,940	47,648,525	65,096,010	55,744,465	73,191,950
Capital Lease-Machinery & Equip	<u>1,447,140</u>	<u>1,447,140</u>	-	-	<u>1,447,140</u>	<u>1,447,140</u>
	48,441,512	58,610,706	794,661,574	863,234,560	843,103,086	921,845,266
<b>Less:</b>						
Accumulated depreciation	(23,147,691)	(25,025,969)	(281,987,943)	(298,011,898)	(305,135,634)	(323,037,867)
Capital Lease-Accum. Depr.	<u>(523,579)</u>	<u>(813,007)</u>	-	-	<u>(523,579)</u>	<u>(813,007)</u>
Total depreciable assets	24,770,242	32,771,730	512,673,631	565,222,662	537,443,873	597,994,392
Water rights, net of Accum Depr.	-	-	562,223	492,670	562,223	492,670
<b>Total</b>	<b><u>\$ 221,301,902</u></b>	<b><u>\$ 279,586,633</u></b>	<b><u>\$ 908,230,255</u></b>	<b><u>\$ 1,063,297,783</u></b>	<b><u>\$ 1,129,532,157</u></b>	<b><u>\$ 1,342,884,416</u></b>

### **BUDGETARY HIGHLIGHTS**

#### **GENERAL FUND**

The 2014 budgeted revenues for the General Fund were \$30.9 million and the year ended with actual revenues of \$39.2 million.

The 2014 budgeted expenditures for the General Fund were \$80.7 million and the year ended with actual expenditures of \$72.5 million.

The Fiscal Year 2015 General Fund budgeted expenditures total \$69.6 million, which is a decrease of \$11.1 million over the fiscal year 2014 approved budget of \$80.7 million. This decrease is due mainly to a \$10.7 million decrease in ongoing construction within the General Fund. The property tax rate will remain at \$.02/\$100 valuation.

## **ENTERPRISE FUND**

The fiscal year 2015 Enterprise Fund Budget, prepared in accordance with the Tarrant Regional Water Supply Facilities Amendatory Contract, totals \$136.1 million. This reflects an increase of \$9.7 million from the fiscal year 2014 approved budget of \$126.4 million. The increase is mainly due to debt repayment which represents \$7.4 million and facilities increase of \$2.7 million. The total budget includes administrative expenses, operating and maintenance expenses, 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 as follows:

Sandra Newby  
Director of Finance  
800 East Northside Drive  
Fort Worth, Texas 76102

**TARRANT REGIONAL WATER DISTRICT**

**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2014**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 53,637,150	\$ 26,265,019	\$ 79,902,169	\$ 2,936,220
Investments	55,076,546	6,997,879	62,074,425	
Receivables:				
Accounts, oil and gas royalties, and other	4,131,442	1,612,535	5,743,977	58,960
Taxes-net of allowance	36,692		36,692	
Accrued interest	104,099	27,775	131,874	
Long-term receivable	91,999,716		91,999,716	
Internal balances	9,412,389	(9,412,389)	-	
Prepaid items	2,808,611	2,176,256	4,984,867	20,410
Inventory of supplies-at cost	53,705		53,705	
Cash and cash equivalents for bond projects		239,322,955	239,322,955	
Investments held for bond projects		388,917,277	388,917,277	
Accrued interest receivable for bond projects		395,809	395,809	
Cash and cash equivalents restricted		1,100,000	1,100,000	
Cash and cash equivalents for debt service		566,915	566,915	
Investments restricted for debt service		93,736,654	93,736,654	
Accrued interest receivable restricted for debt service		318,990	318,990	
Land	187,854,778	133,783,193	321,637,971	
Construction in progress	58,960,125	363,799,258	422,759,383	
Depreciable capital assets, net of accumulated depreciation	32,771,730	565,222,662	597,994,392	
Water rights, net of amortization		492,670	492,670	
 Total Assets	 496,846,983	 1,815,323,458	 2,312,170,441	 3,015,590
<b>LIABILITIES:</b>				
Accounts payable	7,575,494	41,306,018	48,881,512	1,003,553
Accrued vacation - due within one year	201,354	580,424	781,778	
Accrued litigation judgements	195,000		195,000	
Other liabilities	1,877,850	5,492,290	7,370,140	1,987,698
Payable from restricted assets - Accrued bond interest payable		4,911,280	4,911,280	
Revenue bonds payable, net of discount		37,155,000	37,155,000	
Due within one year		37,155,000		
Due in more than one year		1,343,730,004	1,343,730,004	
Long-term Payables				
Pollution Remediation Obligations	24,109,409		24,109,409	
Post employment benefits payable	3,319,110	6,454,804	9,773,914	
Accrued Vacation - due in more than one year	470,853	1,357,284	1,828,137	
 Total Liabilities	 37,749,070	 1,440,987,104	 1,478,736,174	 2,991,251
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred bond refunding-gain		2,469,138	2,469,138	
<b>NET POSITION:</b>				
Net investment in capital assets	279,586,633	308,579,683	588,166,316	-
Restricted for debt service		90,811,279	90,811,279	-
Unrestricted	179,511,280	(27,523,746)	151,987,534	24,339
 Total Net Position	 \$ 459,097,913	 \$ 371,867,216	 \$ 830,965,129	 \$ 24,339

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

TARRANT REGIONAL WATER DISTRICT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Unit	
		Charges for services	Capital Grants and Contributions	Primary Government				
				Governmental Activities	Business Type Activities	Total		
<b>PRIMARY GOVERNMENT</b>								
Governmental activities:								
General government	\$ 13,462,903	\$ 26,048,278	\$ 49,101,393	\$ 61,686,768		\$ 61,686,768		
Flood control	3,241,255			(3,241,255)		(3,241,255)		
Trinity River Vision Project	<u>18,369,944</u>			<u>(18,369,944)</u>		<u>(18,369,944)</u>		
Total governmental activities	<u>35,074,102</u>	<u>26,048,278</u>	<u>49,101,393</u>	<u>40,075,569</u>		<u>40,075,569</u>		
Business type activities-water supply	104,901,544	136,041,137			\$ 31,139,593	31,139,593		
	<u>\$ 139,975,646</u>	<u>\$ 162,089,415</u>	<u>\$ 49,101,393</u>		<u>31,139,593</u>	<u>71,215,162</u>		
<b>COMPONENT UNIT</b>								
Trinity River Vision Authority								
Project development	37,801,538	36,140,562					\$ (1,660,976)	
Recreation programs	<u>744,620</u>	<u>487,281</u>	<u>257,339</u>				<u>-</u>	
Total component unit	<u>\$ 38,546,158</u>	<u>\$ 36,627,843</u>	<u>\$ 257,339</u>				<u>(1,660,976)</u>	
<b>GENERAL REVENUES (EXPENSES):</b>								
Property taxes			9,231,193		9,231,193			
Investment income			367,655	1,598,019	1,965,674		643	
Miscellaneous			48,081	773,572	821,653		1,800	
Gain/loss on disposal of assets			<u>46,773</u>	<u>43,508</u>	<u>90,281</u>			
Total general revenues and transfers			<u>9,693,702</u>	<u>2,415,099</u>	<u>12,108,801</u>		<u>2,443</u>	
<b>CHANGES IN NET POSITION</b>								
			49,769,271	33,554,692	83,323,963		(1,658,533)	
NET POSITION----Beginning of year			<u>409,328,642</u>	<u>338,312,524</u>	<u>747,641,166</u>		<u>1,682,872</u>	
NET POSITION----End of year			<u>\$ 459,097,913</u>	<u>\$ 371,867,216</u>	<u>\$ 830,965,129</u>		<u>\$ 24,339</u>	

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

## TARRANT REGIONAL WATER DISTRICT

### BALANCE SHEET—GENERAL FUND

SEPTEMBER 30, 2014

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#### ASSETS:

Cash and cash equivalents	\$ 53,637,150
Investments	55,076,546
Receivables:	
Oil and gas royalties and other	4,131,442
Taxes—net	36,692
Accrued interest	104,099
Due from Enterprise Fund	8,538,375
Notes and interest due from enterprise fund	874,014
Prepaid items	2,808,611
Inventory of supplies —at cost	53,705
Long-term receivable	<u>91,999,716</u>
Total assets	<u>\$ 217,260,350</u>

#### LIABILITIES:

Accounts payable	\$ 7,575,494
Accrued litigation and judgements	195,000
Other liabilities	<u>1,389,467</u>
Total liabilities	<u>9,159,961</u>

#### DEFERRED INFLOWS:

Unavailable revenue	<u>92,427,433</u>
Total deferred inflows	<u>92,427,433</u>

#### FUND BALANCES:

Nonspendable:	
Long-term interfund notes and interest	874,014
Prepaid items	2,808,611
Inventory of supplies - At cost	53,705
Unassigned	<u>111,936,626</u>
Total fund balances	<u>115,672,956</u>
TOTAL	<u>\$ 217,260,350</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 POSITION SEPTEMBER 30, 2014

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TOTAL FUND BALANCES—General Fund	\$ 115,672,956
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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 unavailable at the fund level

TIF Loan Long-Term Receivable	91,999,716
Property Taxes	11,996
Oil and Gas Revenues known but not paid wihtin 60 days of year end	415,721

Certain liabilities are not payable from current resources and are therefore not accrued at the fund level

(28,100,726)

Certain leases are not due and payable in the current period and therefore are not reported as liabilities to governmental funds

(488,383)

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds

279,586,633

TOTAL NET POSITION—Governmental activities	\$ 459,097,913
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The accompanying notes are an integral part of these financial statements.

**TARRANT REGIONAL WATER DISTRICT****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE—GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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**REVENUES:**

Property taxes	\$ 9,263,039
Lease rentals	1,314,725
Oil and gas royalties	24,518,478
Sale of Rock and Gravel	12,500
Investment income	367,655
Contributions	3,386,255
Other	<u>311,573</u>
Total revenues	<u>39,174,225</u>

**EXPENDITURES:**

## Current:

General and administrative	9,043,006
Personnel services	4,821,935
Pension plan contribution	512,818
Contribution to Component Unit	18,434,944
Capital expenditures	39,365,013
Capital lease payment	<u>277,377</u>
Total expenditures	<u>72,455,093</u>

DEFICIENCY OF REVENUES UNDER EXPENDITURES (33,280,868)CHANGE IN FUND BALANCE (33,280,868)FUND BALANCE—Beginning of year 148,953,824FUND BALANCE—End of year \$ 115,672,956

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 BALANCE—GENERAL FUND—TO GOVERNMENT WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2014

---

CHANGE IN FUND BALANCE—General Fund	\$ (33,280,868)
Amounts reported for governmental activities in the statement of net position are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues at the fund level.	
Change in unavailable revenue-TIF 41,066,374	
Change in unavailable property taxes	(31,846)
Change in unavailable oil and gas revenue	(10,650)
Change in depreciation	(3,493)
Certain liabilites are not payable from current resources and are therefore not accrued in the fund.	130,487
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 position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	246,940
This is the amount by which the contributed revenue (\$4,648,764) for land exceeded the contributed expenses related to land (\$35,406).	4,613,358
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 (\$39,365,013) exceeded Depreciation (\$2,326,044).	37,038,969
CHANGE IN NET POSITION—Governmental activities	\$ <u>49,769,271</u>

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

## TARRANT REGIONAL WATER DISTRICT

### STATEMENT OF NET POSITION—ENTERPRISE FUND SEPTEMBER 30, 2014

---

#### ASSETS:

Current:

Cash and cash equivalents	\$ 26,265,019
Investments	6,997,879
Receivables:	
Accounts and other	1,612,535
Accrued interest	27,775
Prepaid items	<u>2,176,256</u>
Total current assets	<u>37,079,464</u>

Noncurrent:

Cash and cash equivalents-Bond projects	239,322,955
Investments-Bond projects	388,917,277
Accrued interest receivable-Bond projects	395,809
Cash and cash equivalents-Contingency	1,100,000
Cash and cash equivalents-Restricted for non-current debt service	566,915
Investments-Restricted for non-current debt service	93,736,654
Accrued interest receivable-Restricted for non-current debt service	318,990
Capital Assets:	
Land	133,783,193
Construction in progress	363,799,258
Depreciable capital assets—net	565,222,662
Water rights—net of amortization	<u>492,670</u>
Total noncurrent assets	<u>1,787,656,383</u>
Total assets	<u>\$ 1,824,735,847</u>

(Continued)

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

## TARRANT REGIONAL WATER DISTRICT

### STATEMENT OF NET POSITION—ENTERPRISE FUND SEPTEMBER 30, 2014

---

#### LIABILITIES:

##### Current Liabilities:

Accounts payable	\$ 41,306,018
Due to General Fund	8,538,375
Accrued vacation	580,424
Other liabilities	5,492,290
Payable from restricted assets—accrued bond interest payable	4,911,280
Revenue bonds payable	37,155,000
Notes and interest payable to General Fund	<u>127,568</u>
Total current liabilities	<u>98,110,955</u>

##### Noncurrent Liabilities:

Accrued vacation	1,357,284
Long-term post employment benefits	6,454,804
Revenue bonds payable-net of discount	1,343,730,004
Notes and interest payable to General Fund	<u>746,446</u>
Total noncurrent liabilities	<u>1,352,288,538</u>
Total liabilities	<u>1,450,399,493</u>

#### DEFERRED INFLOWS OF RESOURCES:

Deferred bond refunding-gain	<u>2,469,138</u>
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#### NET POSITION:

Net investment in capital assets	308,579,683
Restricted for debt service	90,811,279
Unrestricted	(27,523,746)

<b>TOTAL NET POSITION</b>	<b>\$ 371,867,216</b>
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(Concluded)

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

## TARRANT REGIONAL WATER DISTRICT

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION—ENTERPRISE FUND FOR THE YEAR ENDED SEPTEMBER 30, 2014

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#### OPERATING REVENUES:

Sale of water	\$ 121,710,988
Sale of system capacity	14,072,987
Land lease rentals	88,640
Other	<u>942,094</u>
Total operating revenues	<u>136,814,709</u>

#### OPERATING EXPENSES:

General and administrative	27,693,314
Personnel services	11,136,074
Utilities	29,499,922
Depreciation and amortization	16,428,450
Pension plan contribution	<u>1,223,685</u>
Total operating expenses	<u>85,981,445</u>

#### OPERATING INCOME

50,833,264

#### NONOPERATING INCOME (EXPENSE):

Investment income	1,598,019
Interest expense	(18,920,099)
Gain on disposal of capital assets	<u>43,508</u>
Total nonoperating income (expense)	<u>(17,278,572)</u>

#### NET INCOME

33,554,692

#### NET POSITION---Beginning of year

338,312,524

#### NET POSITION—End of year

\$ 371,867,216

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, 2014

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#### CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 135,932,901
Miscellaneous receipts	942,094
Payments to suppliers and contractors	(31,157,899)
Payments to employees for services	(11,571,558)
Payment to General Fund	<u>710,669</u>
Net cash provided by operating activities	<u>94,856,207</u>

#### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Proceeds from the sale of revenue bonds	575,531,337
Principal paid on revenue bonds payable	(30,310,000)
Interest paid on revenue bonds and contract payable	(42,483,045)
Acquisition and construction of capital assets	(150,296,186)
Payments for accrued litigation related to capital assets	(6,175,000)
Cost paid for bond related items	(3,694,052)
Proceeds from disposal of capital assets	<u>43,508</u>
Net cash used for capital and related financing activities	<u>342,616,562</u>

#### CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(477,700,000)
Proceeds from sale and maturity of investments	156,565,000
Interest received on investments	<u>1,371,522</u>
Net cash provided by investing activities	<u>(319,763,478)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS 117,709,291

CASH AND CASH EQUIVALENTS—Beginning of year 149,545,598

CASH AND CASH EQUIVALENTS—End of year \$ 267,254,889

(Continued)

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, 2014

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

Operating income	\$ 50,833,264
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation & Amortization expense	16,428,450
Write off bad debt expense	5,810,857
Change in assets and liabilities:	
Accounts and other receivables	60,286
Prepaid expenses	(2,173,469)
Accounts payable	19,958,114
Due to (from) other funds—net	811,140
Interfund note payable	(100,471)
Vacation accrual	62,655
OPEB liability	725,546
Other liabilities	<u>2,439,835</u>
Net cash provided by operating activities	<u>\$ 94,856,207</u>

#### NONCASH ACTIVITIES:

Disposal of \$344,611 of capital assets, net of \$334,941 accumulated depreciation.

Capitalization of \$21,199,791 of interest on construction projects.

Record change in fair value of investments and change in premium/discounts on investments to interest income of (\$422,442) and \$209,878 respectively.

(Concluded)

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

**TARRANT REGIONAL WATER DISTRICT**

**STATEMENT OF NET POSITION - FIDUCIARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

---

	<b>Other Post-Employment Benefits Trust Fund</b>
<hr/>	
<b>ASSETS</b>	
Current assets:	
Cash & cash equivalents	\$ 999,864
Total assets	<u>999,864</u>
<hr/>	
<b>NET POSITION</b>	
Net assets held in trust for other employee benefits:	
Postemployment healthcare plans	<u>999,864</u>
Total Net Position	<u>\$ 999,864</u>

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

**TARRANT REGIONAL WATER DISTRICT**

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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	<b>Other Post-Employment Benefits Trust Fund</b>
<b>ADDITIONS</b>	
Employer contributions	\$ 1,000,000
Total Additions	<u>1,000,000</u>
<b>DEDUCTIONS</b>	
Net gain (loss) in fair value of investments	(136)
Total Deductions	<u>(136)</u>
<b>CHANGE IN NET POSITION</b>	<b>999,864</b>
<b>NET POSITION—Beginning of year</b>	-
<b>NET POSITION—End of year</b>	<u>\$ 999,864</u>

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

## **TARRANT REGIONAL WATER DISTRICT**

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

#### **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, recreation, 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 has a financial benefit/burden to the District and their relationship with the District is such that exclusion would be misleading. 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 79<sup>th</sup> 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.

**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 position 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.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also record unearned revenue in connection with resources that have been received, but not yet earned.

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 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, Series 2010B Water Revenue Bonds, Series 2012 Water Revenue Refunding and Improvement Bonds, Series 2012 Contract Revenue Bond, 2012A Refunding Bond, Series 2014 Water Revenue Bonds, and Series 2014 Contract 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 Position.

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.

**Fiduciary Fund** - The Fiduciary Fund accounts for assets held by the District in a trustee capacity for others or other Funds. The District's only Fiduciary Fund is the Other Employee Benefit Trust Fund which holds assets to be used for the future payments of benefits offered through the District's post-employment healthcare benefit plan. The Fiduciary fund is not included in the government-wide financial statements.

**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 2014 the District made expenditures on behalf of the City of Fort Worth Tax Increment Reinvestment Zone #9 (TIRZ) a project partner in the Trinity River Vision (TRV) Project under a Project Cost Funding Agreement between TRWD and Tax Increment Reinvestment Zone #9. Under the agreement TRWD is advancing funds for the TRV Project that would normally be paid by the Tax Increment Reinvestment Zone for costs related to the Project Plan. The Tax Increment Reinvestment Zone currently does not have, and is not projected to have, timely funds to implement the Project Plan as contemplated by the current schedule approved by the USACE. The Tax Increment Reinvestment Zone Board has authorized an agreement with TRWD dedicating revenue from the Tax Increment Reinvestment Zone Fund to cover the advances made by TRWD. The advances must be annually approved by the Tax Increment Reinvestment Zone board and are repayable without interest from future tax revenues of the Tax Increment Reinvestment Zone. During fiscal year 2014, the District expended an additional \$44,214,170 under the agreement bringing the total amount expended to \$105,955,480; \$13,955,764 of that amount has been paid in cash by the Tax Increment Reinvestment Zone, with a remaining outstanding long-term receivable of \$91,999,716 as of September 30, 2014. Of the total cash payments from the Tax Increment Reinvestment Zone, \$3,147,798 was paid in 2014.

The other large long-term receivable held by the District has been a receivable from Luminant, formerly TXU, which grew to \$8.3 million in fiscal year 2014. During the fiscal year Luminant filed for bankruptcy, causing the District to question the collectability of this receivable. As such, the District has written off 100% of the receivable in fiscal year 2014.

**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 2014, 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, 2014 was \$91,924. Under GASB 33, Accounting and Financial Reporting for Non-exchange Transactions, property taxes are imposed non-exchange revenue. Assets from imposed non-exchange 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.

**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 Machinery and Equipment capital purchases greater than or equal to \$10,000 and all other assets purchased which cost \$20,000 or greater.

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, 2014 was \$21.2 million.

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 position. 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.

**Inter-fund 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 inter-fund transaction. At September 30, 2014, the outstanding balance for both loans owed by the Enterprise Fund is \$874,014. Refer to Note 8 for further detail about inter-fund transactions.

**Pollution Remediation Obligations** - The District has an environmental financial obligation for property purchased through September 30, 2014. Properties purchased during fiscal year 2014 were screened for potential environmental concerns based upon available records, assessments and other actions.

The assessments completed to date have found that most of these properties have a low to moderate risk. Currently, six properties, classified as low to moderate risk, have not been fully assessed to determine remediation requirements.

Based upon the Phase I, Phase II, or other site investigations completed to date, nine properties require remediation – eight of those are classified as high or moderate risk, while one is classified as low risk. The anticipated payment of \$24.1 million for Pollution Remediation was capitalized on the eight properties that are near enough to the property acquisition date and meet the criteria for capitalization. Pollution remediation was begun on 7 properties, two of which were completed during Fiscal Year 2014. Total Pollution Remediation expenses during the year were \$657,036.

Based upon the limited data available, any potential for a liability of the remediation of the remaining other properties cannot be reasonably estimated at this time.

**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 shown below:

	<b>Balance at October 1, 2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at September 30, 2014</b>	<b>Due Within One Year</b>
Governmental Activities	\$ 694,671	\$ 199,946	\$ 222,410	\$ 672,207	\$ 201,354
Business-type Activities	1,875,053	703,776	641,121	1,937,708	580,424
<b>Total</b>	<b>\$ 2,569,724</b>	<b>\$ 903,722</b>	<b>\$ 863,531</b>	<b>\$ 2,609,915</b>	<b>\$ 781,778</b>

**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 2014 resulted in an estimated \$536,994 due from the customers, which is reflected in the accounts payable balance in the Enterprise Fund. 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 2014 the District received no buy-in premiums for new customer water contracts.

**Restricted Net Position** - Restricted net position is the restricted assets less the related liabilities.

**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 –**

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. At September 30, 2014, the District had non-spendable fund balances in the amount of \$3.7 million.

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, 2014. At September 30, 2014, 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, 2014 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 Board of Directors.

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 of \$111.9 million.

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.

**Governmental Accounting Standards Board Statements Implemented in Current Fiscal Year –**  
GASB 66, Technical Corrections; GASB 67, Financial Reporting for Pension Plans; and GASB 70, Accounting and Financial Reporting for Non-exchange Financial Guarantees were implemented with negligible effect on the District's financial statements.

## **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, 2014. Charges to such entities are in amounts 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, 2014 was \$833,557 and \$240,159 respectively, and was entirely covered by FDIC insurance or collateral. The carrying value of cash for the District and for TRVA was \$791,049 and \$228,898 respectively. At September 30, 2014 the District also held petty cash of \$1,500.

**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 56% 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.

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

**Public Funds Collateral Act** – Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District has a policy of maintaining contact with the trust department of its depository agency to eliminate all custodial credit risk. As of September 30, 2014, the District's bank balance of \$833,557 was not exposed to custodial credit risk and was over-insured and over-collateralized.

**SUMMARY OF INVESTMENTS AND CASH EQUIVALENTS AND RELATED WEIGHTED AVG. MATURITY**

	Fair Value **	Weighted Avg. Maturity (Years)	S & P Rating
Federal Farm Credit Bank	\$ 125,814,581	1.81	AA+ ***
Federal Home Loan Bank	243,515,441	1.75	AA+ ***
Federal Home Loan Mortgage Corp	74,847,662	2.27	AA+ ***
Federal National Mortgage Association	39,328,554	2.39	AA+ ***
U.S. Treasury Notes	61,222,121	1.40	AA+ ***
	<hr/> <u>544,728,359</u>		
Investment pools:*			
LOGIC****	98,171,461	N/A	AAA-m
TexPool	221,768,245	N/A	AAA-m
TexStar	<u>159,785</u>	N/A	AAA-m
Total investments and cash equivalents	<hr/> <u>\$ 864,827,850</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 position value of \$1 per unit. Investment pools are reported as a part of cash and cash equivalents in the financial statements.

\*\*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.

\*\*\*\*On August 5, 2011 Standard and Poors, one of three nationally recognized raters of U.S. and government sponsored entities debt and securities, downgraded the rating of long-term U.S. 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.

\*\*\*\*\* Sandra Newby, Director of Finance, is a member of the LOGIC Board of Directors

#### 4. CAPITAL ASSETS

A summary of changes in capital assets follows:

	October 1, 2013	Additions	Disposals	Transfers	September 30, 2014
<b>GOVERNMENTAL ACTIVITIES</b>					
<b>NONDEPRECIABLE ASSETS</b>					
Land	\$ 141,387,171	\$ 46,467,607	\$ -	\$ -	\$ 187,854,778
Construction in progress	<u>55,144,489</u>	<u>12,986,996</u>	<u>-</u>	<u>(9,171,360)</u>	<u>58,960,125</u>
<b>TOTAL NONDEPRECIABLE ASSETS</b>	<b><u>196,531,660</u></b>	<b><u>59,454,603</u></b>	<b><u>-</u></b>	<b><u>(9,171,360)</u></b>	<b><u>246,814,903</u></b>
<b>DEPRECIABLE ASSETS</b>					
Dams, spillways, and related costs	3,378,736	-	-	-	3,378,736
Flood control projects	8,095,940	-	-	-	8,095,940
Buildings	25,361,800	-	-	9,171,360	34,533,160
Machinery and equipment	<u>10,157,896</u>	<u>1,159,663</u>	<u>(161,829)</u>	<u>-</u>	<u>11,155,730</u>
	<u>46,994,372</u>	<u>1,159,663</u>	<u>(161,829)</u>	<u>9,171,360</u>	<u>57,163,566</u>
Less accumulated depreciation for:					
Dams, spillways, and related costs	(608,937)	(84,198)	-	-	(693,135)
Flood control projects	(8,095,940)	-	-	-	(8,095,940)
Buildings	(6,229,084)	(1,232,119)	-	-	(7,461,203)
Machinery and equipment	<u>(8,213,730)</u>	<u>(720,299)</u>	<u>158,338</u>	<u>-</u>	<u>(8,775,691)</u>
	<u>(23,147,691)</u>	<u>(2,036,616)</u>	<u>158,338</u>	<u>-</u>	<u>(25,025,969)</u>
<b>TOTAL DEPRECIABLE ASSETS, NET</b>	<b><u>23,846,681</u></b>	<b><u>(876,953)</u></b>	<b><u>(3,491)</u></b>	<b><u>9,171,360</u></b>	<b><u>32,137,597</u></b>
<b>CAPITAL LEASE DEPRECIABLE ASSETS</b>					
Machinery and equipment	1,447,140	-	-	-	1,447,140
Less accumulated depreciation for:					
Machinery and equipment	(523,579)	(289,428)	-	-	(813,007)
	<u>923,561</u>	<u>(289,428)</u>	<u>-</u>	<u>-</u>	<u>634,133</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES, NET</b>	<b><u>\$ 221,301,902</u></b>	<b><u>\$ 58,288,222</u></b>	<b><u>\$ (3,491)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 279,586,633</u></b>

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

Governmental activities:

General government	\$ 1,349,578
Flood Control	<u>976,466</u>
<b>Total depreciation expense - governmental activities</b>	<b><u>\$ 2,326,044</u></b>

	<u>October 1, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>September 30, 2014</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
<b>NONDEPRECIABLE ASSETS</b>					
Land	\$ 100,739,236	\$ 33,044,957	\$ (1,000)	\$ -	\$ 133,783,193
Construction in progress	294,255,165	133,587,472	-	(64,043,379)	363,799,258
<b>TOTAL NONDEPRECIABLE ASSETS</b>	<b>394,994,401</b>	<b>166,632,429</b>	<b>(1,000)</b>	<b>(64,043,379)</b>	<b>497,582,451</b>
<b>DEPRECIABLE ASSETS</b>					
Dams, spillways, and related costs	210,382,594	-	-	2,547,045	212,929,639
Pipeline and pipeline right of way	507,235,559	-	-	3,055,321	510,290,880
Wetlands	8,823,497	-	-	45,268,105	54,091,602
Communications	1,087,448	-	-	-	1,087,448
Buildings	6,769,080	-	-	47,507	6,816,587
Machinery and equipment	12,714,871	552,134	(344,611)	-	12,922,394
Other project costs	47,648,525	4,322,084	-	13,125,401	65,096,010
	794,661,574	4,874,218	(344,611)	64,043,379	863,234,560
Less accumulated depreciation for:					
Dams, spillways, and related costs	(104,362,228)	(4,146,337)	-	-	(108,508,565)
Pipeline and pipeline right of way	(154,103,799)	(9,890,711)	-	-	(163,994,510)
Wetlands	(1,814,143)	(169,117)	-	-	(1,983,260)
Communications	(221,813)	(20,664)	-	-	(242,477)
Buildings	(3,702,635)	(251,973)	-	-	(3,954,608)
Machinery and equipment	(10,860,446)	(829,666)	334,941	-	(11,355,171)
Other project costs	(6,922,879)	(1,050,428)	-	-	(7,973,307)
Total accumulated depreciation	(281,987,943)	(16,358,896)	334,941	-	(298,011,898)
<b>TOTAL DEPRECIABLE ASSETS, NET</b>	<b>512,673,631</b>	<b>(11,484,678)</b>	<b>(9,670)</b>	<b>64,043,379</b>	<b>565,222,662</b>
<b>INTANGIBLE ASSETS</b>					
Water Rights	2,086,598	-	-	-	2,086,598
Less accumulated depreciation for:					
Water Rights	(1,524,375)	(69,553)	-	-	(1,593,928)
	<b>562,223</b>	<b>(69,553)</b>	<b>-</b>	<b>-</b>	<b>492,670</b>
<b>TOTAL BUSINESS-TYPE ACTIVITIES, NET</b>	<b>\$ 908,230,255</b>	<b>\$ 155,078,198</b>	<b>\$ (10,670)</b>	<b>\$ 0</b>	<b>\$ 1,063,297,783</b>

## 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 2014 the District made contributions of \$2,054,437 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, 2014 is show below. Bond issuance costs of \$3.7 million were expensed this year.

	<u>Balance at October 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at September 30, 2014</u>	<u>Due Within One Year</u>
Business-type Activities---					
Enterprise Funds-Revenue	\$ 802,235,000	\$ 520,880,000	\$ 30,310,000	\$ 1,292,805,000	\$ 37,155,000

**Bonds Payable-In** Fiscal Year 2014, the District issued \$318.75 million of Water Revenue Bonds and \$202.13 million of Contract Revenue Bonds with Dallas Water Utilities.

<u>Bond Type</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Outstanding Balance</u>
<u>Tarrant Regional Water District Projects</u>			
\$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%	2,770,000
\$6,755,000 Series 2008B-CC Water Revenue Bonds	Serially through 2027	2.0 - 2.8%	4,375,000
\$69,535,000 Series 2009 Water Revenue Refunding and Improvement Bonds	Serially through 2029	5%	53,845,000
\$89,250,000 Series 2010 Water Revenue Bonds	Serially through 2040	4.0 - 5.0%	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%	70,790,000
\$150,375,000 Series 2012 Water Revenue Bonds	Serially through 2052	2.0 - 5.0%	144,990,000
\$98,960,000 Series 2012A Water Revenue Refunding Bonds	Serially through 2022	2.0 - 5.0%	78,690,000
\$318,750,000 Series 2014 Water Revenue Bonds	Serially through 2049	4.0 - 5.0%	<u>318,750,000</u>
			<u>964,200,000</u>
<u>TRWD Contract Revenue Bonds (City of Dallas Project)</u>			
\$131,935,000 Series 2012 Dallas Contract Revenue Bonds	Serially through 2042	2.0 - 5.0%	126,475,000
\$202,130,000 Series 2014 Dallas Contract Revenue Bonds	Serially through 2044	4.0 - 6.0%	<u>202,130,000</u>
			<u>328,605,000</u>
Total-Constuction and Improvement Bonds			1,292,805,000
Less current portion			(37,155,000)
Add premium (net of accumulated amortization)			<u>88,080,004</u>
			<u>\$1,343,730,004</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, 2014 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, 2014 including interest payments are approximately as follows:

<u>Years ending September 30th (in thousands)</u>	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
<u>Tarrant Regional Water District Projects</u>			
2015	\$ 31,280	\$ 42,908	\$ 74,188
2016	30,185	41,557	71,742
2017	30,975	40,195	71,170
2018	24,105	39,421	63,526
2019	25,820	38,625	64,445
2020-2024	146,495	176,765	323,260
2025-2029	177,530	142,692	320,222
2030-2034	161,245	103,842	265,087
2035-2039	104,310	69,909	174,219
2040-2044	93,160	46,649	139,809
2045-2049	117,010	20,739	137,749
2050-2054	22,085	1,693	23,778
	<u>964,200</u>	<u>764,995</u>	<u>1,729,195</u>
<u>TRWD Contract Revenue Bonds (City of Dallas Project)</u>			
2015	5,875	15,347	21,222
2016	6,090	15,051	21,141
2017	6,310	14,715	21,025
2018	6,535	14,365	20,900
2019	6,775	14,003	20,778
2020-2024	37,925	64,089	102,014
2025-2029	47,005	54,067	101,072
2030-2034	58,935	43,485	102,420
2035-2039	74,875	28,686	103,561
2040-2044	78,280	10,076	88,356
	<u>328,605</u>	<u>273,884</u>	<u>602,489</u>
Total	<u>\$ 1,292,805</u>	<u>\$ 1,038,879</u>	<u>\$ 2,331,684</u>

Bonded debt of the District consists of water revenue refunding bonds and revenue bonds, which are 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, 2014, pledged revenues for the enterprise fund were \$49,181,265.

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.

The TRWD Contract Revenue Bonds (City of Dallas Project) are Dallas Water Utilities share of the Integrated Pipeline (IPL) Project, which is currently estimated at \$936 million. Under the IPL Project Contract, Dallas has requested and authorized the District to issue contract revenue bonds (the "Dallas Contract Revenue Bonds") secured solely by payments from Dallas to the District under the IPL Project Contract. Such Dallas Contract Revenue Bonds shall be in such amounts and issued at such times as determined by the District, in consultation with Dallas to finance Dallas's share of the design and construction of the IPL project. All such payments by Dallas to the District will constitute operating expenses of the Dallas Water Utilities System. It is currently expected that the District will issue Dallas Contract Revenue Bonds over a 10 to 15 year period to pay Dallas's share of the total capital cost of the IPL project. The District issued the first series of Dallas Contract Revenue Bonds in the principal amount of \$131.9 million in February 2012, and the second series of Dallas Contract Revenue bonds in the principal amount of \$202.1 million in January 2014. Future Dallas Contract Revenue Bonds will be issued as determined by the District in consultation with Dallas; provided, however, the IPL Project Contract gives the District specific authority to issue Dallas Contract Revenue Bonds without any additional City approval in the event Dallas fails to take certain actions. Dallas's interest in the IPL is not part of the District's System and none of the payments from Dallas to the District under the IPL Project Contract are pledged to the payment of the District's System Revenue Bonds.

## **7. CAPITAL LEASES**

Obligations under a capital lease represent the remaining principal amounts under lease purchase agreements for the acquisition of various computer equipment. These leases are recorded as capital leases in the government-wide reporting. Amortization of the leased assets is included in depreciation expenditures in the government-wide reporting. The leased equipment had an original cost totaling \$1.5 million in the General Fund, and \$1.2 million in the Enterprise Fund.

The following is a summary of capital lease transactions of the District for the year ended September 30, 2014:

	General Fund	Enterprise Fund
Capital lease obligations, October 1, 2013	\$ 735,324	\$ 51,616
Less: Principal payments	(246,941)	(51,616)
Add: New Leases	-	-
Capital lease obligations, September 30, 2014	<u>\$ 488,383</u>	<u>\$ -</u>

The following schedule provides an analysis of the District's investment in capital assets under lease arrangements as of September 30, 2014:

	General Fund	Enterprise Fund
Capital Lease	\$ 1,447,140	\$ 1,179,654
Less: Accumulated depreciation	(813,007)	(1,047,712)
Total net book value of lease assets	<u>\$ 634,133</u>	<u>\$ 131,942</u>

Future minimum lease payments for these leases are as follows:

Year Ending September 30,	General Fund		Enterprise Funds	
	Principal Payments	Interest Payments	Principal Payments	Interest Payments
2015	\$ 239,242	\$ 20,208	\$ -	\$ -
2016	249,141	10,309	-	-
	<u>\$ 488,383</u>	<u>\$ 30,517</u>	<u>\$ -</u>	<u>\$ -</u>

## 8. INTER-FUND TRANSACTIONS

At September 30, 2014 inter-fund 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
	<u>Other Funds</u>	<u>Other Funds</u>	<u>Other Funds</u>	<u>Other Funds</u>
General Fund	\$ 874,014		\$ 8,538,375	
Enterprise Fund	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>\$ 874,014</u>	<u>\$ 874,014</u>	<u>\$ 8,538,375</u>	<u>\$ 8,538,375</u>

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 2014, the Enterprise fund repaid \$100,471, plus interest of \$27,097. At September 30, 2014, the outstanding balance for both loans owed by the Enterprise Fund is \$874,014 which is related to its Long-term payable to the General Fund. In the fund financial statements, inter-fund balances (shown as due to/from other funds) are the results of normal expenditure transactions between funds and will be liquidated in the subsequent fiscal year.

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

## **9. 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 post-retirement 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. During Fiscal Year 2014, twenty-one 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, 2014, payments of \$1,348,797 were recognized for post-retirement health care.

Effective January 1, 2006, Group Health Insurance premiums for retirees are 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 grandfathered 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. During Fiscal Year 2014, twenty-one 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 other postemployment benefits, contractual requirements for the District are established by the Board of Directors. In Fiscal Year 2014, the District established a trust to fund OPEB costs through Public Agency Retirement Fund (PARS). The District funded the trust with an initial \$1 million transfer. In Fiscal Year 2015, another \$1 million is budgeted to continue funding the trust. The District continues to pay for a major portion of all of the total health insurance premiums for retirees depending on the retiree's date of employment or length of service and on the retiree's coverage election.

### **Blended Rate Scenario**

The District has established an irrevocable trust and has adopted a funding policy so that the amounts contributed are less than the funding ARC. Under this scenario, GASB 45 requires the use of a discount rate based on a blend of the plan and employer assets. For this valuation, a blended discount rate of 6.20% is assumed. In fiscal year ending September 30, 2014, TRWD contributed \$1,000,000 to the OPEB trust. An OPEB trust contribution of \$1,663,070 would have satisfied the full funding ARC. Because the additional contribution was 60% of amount required to satisfy the full funding ARC, a blended discount rate based on 60% of the difference between 4.50% and 7.30% was chosen. This blended discount rate has caused a \$10.4 million decrease in the Actuarial Accrued Liability (AAL) estimate over what the AAL would have been using the old 4.50% discount rate.

### **Annual OPEB Costs**

The District's annual other post-employment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The annual OPEB cost for the fiscal year ended September 30, 2014, is as follows:

	<b>2013</b>	<b>2014</b>
Annual required contribution	\$ 2,778,216	\$ 2,234,270
Interest on OPEB obligation	292,592	545,458
Adjustment to ARC	<u>(271,084)</u>	<u>(454,767)</u>
Annual OPEB cost (expense)	2,799,724	2,324,961
Contributions made	<u>(504,072)</u>	<u>(1,348,750)</u>
Increase in net OPEB obligation	2,295,652	976,211
Net OPEB obligation--as of beginning of the year	<u>6,502,051</u>	<u>8,797,703</u>
Net OPEB obligation--as of end of year	<u>\$ 8,797,703</u>	<u>\$ 9,773,914</u>
Percentage of annual OPEB cost contributed	18.0%	58.0%

At September 30, 2014, the total liability of \$9,773,914 for Net OPEB obligation was \$3,319,110 for governmental activities and \$6,454,804 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 the past three years follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Employer Contribution</b>	<b>Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
9/30/2012	\$ 2,239,521	\$ 525,879	23.5%	\$ 6,502,051
9/30/2013	\$ 2,799,724	\$ 504,072	18.0%	\$ 8,797,703
9/30/2014	\$ 2,324,961	\$ 1,348,750	58.0%	\$ 9,773,914

### **Funding Status and Funding Progress**

The funded status of the District's retiree health care plan, under GASB Statement No. 45 as of December 31, 2011 is as follows:

Actuarial accrued liability (a)	\$ 28,791,154
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability (a-b)	<u><u>28,791,154</u></u>
Funded ratio (b) / (a)	0%
Covered payroll (c)	\$ 13,624,301
Unfunded actuarial accrued liability as a percentage of covered payroll ((a-b) / c)	211%

Under the reporting parameters, as of December 31, 2011 the District's retiree health care plan was 0.0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$28,791,154. The ratio of the unfunded actuarial accrued liability to annual covered payroll was 211%.

### **Actuarial Methods and Assumptions**

The Entry Age Normal actuarial cost method is used to calculate the GASB ARC for the District's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The entry age normal method then provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the District and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the District and its employees 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. Significant methods and assumptions were as follows:

#### **Actuarial Methods and Assumptions**

Inflation rate	3.0% per annum
Investment rate of return	6.2%, net of expenses
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization method	Level as a Percentage of Employee Payroll
Amortization period	30-year Open Amortization
Payroll Growth	3.0% per annum
Healthcare Cost Trend Rate	Initial Rate of 8.5% Declining to an Ultimate Rate of 4.5% after 8 years

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 and the annual required contributions of the District's retiree health care plan 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 shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

## **10. COMMITMENTS AND CONTINGENCIES**

**Commitments**-the Enterprise and General Fund have remaining commitments estimated at \$135.1 million (\$131.7 million and \$3.4 million respectively) due to on-going construction contracts as of September 30, 2014.

**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. For the IPL project the District, along with the City of Dallas, is utilizing a Rolling Owner Controlled Insurance Program (ROCIP).

For the public entity risk pool, 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.

The IPL Rolling Owner Controlled Insurance Program (ROCIP) program is a master insurance, safety, and claims management program that provides specific coverages for Workers' Compensation, Employers Liability, Commercial General Liability, and Excess Liability for the Owner and all Enrolled Participants on the IPL.

In the event of an occurrence, wrongful act, or personal injury, all participants in the ROCIP program must promptly provide written notice to Willis of Texas, the ROCIP Administrator, per contract agreement. The ROCIP Administrator will check the information for accuracy and promptly report the claim to the Insurance Provider. The Insurance Provider will coordinate the investigation of commercial general liability claims. Contractor's team members are required to cooperate with the Insurance Provider's investigations. A per occurrence deductible of \$5,000 will be paid by the enrolled participant.

Notifications of a lawsuit or litigation are made to the PCM and ROCIP Administrator and shall be by email or telephone immediately when served with notice of any lawsuits or citations filed against either Enrolled Participants or Excluded Participants. Failure to respond to a lawsuit within the prescribed time may result in a default judgment. The entity served with the lawsuit will pay judgments and expenses associated with a default judgment. Enrolled participants must initially report all workers' compensation claims to the ROCIP Administrator. Claims must be reported no later than the end of the shift during which the accident occurred except in cases of serious injuries which shall be reported immediately. The Insurance Provider will coordinate the investigations of all workers' compensation claims.

The ROCIP provides builders risk coverage for all enrolled participants. The coverage includes all materials and equipment that will be permanently incorporated into the project including property in-transit and stored at pre-approved locations. Enrolled participants are responsible for the first \$25,000 of any loss.

At this time there are no losses to report.

**Arbitrage Rebate Liability** - The excess profit earned from investing 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. The District has no arbitrage rebate liability as of September 30, 2014.

## **11. RECENTLY ISSUED GASB STATEMENTS**

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

**GASB Statement No. 68: Accounting and Financial Reporting for Pensions** - was also issued in June 2012 and establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans, as well as for nonemployer governments that have a legal obligation to contribute to those plans. This statement requires the recognition of the entire net pension liability and a more comprehensive measure of pension expense, along with additional required footnote disclosures. This standard becomes effective for the District in fiscal year 2015 but is not applicable to the District practices.

**GASB Statement No. 69: Government Combinations and Disposals of Government Operations** - was issued in January 2013 and establishes accounting and financial reporting standards for government combinations and disposals of government operations. This statement distinguishes between government mergers and acquisitions and provides guidance on the appropriate accounting treatment of each. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. GASB 69 becomes for the District in fiscal year 2015, and should be applied on a prospective basis.

**GASB Statement No. 71: Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68** - was issued in November 2013 and addresses the transition provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB 71 eliminates a potential source of understatement of restated beginning net position and expense in a government's first year of implementing GASB Statement No. 68. This statement becomes effective for the District in fiscal year 2015.

## **COMPONENT UNIT**

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

### **12. 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 are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less. Cash and cash equivalents for fiscal year 2014 cash and cash equivalents consist of deposits (principally interest-bearing accounts) with one financial institution and in a public funds investment pool.

**Capital Assets**-capital assets of TRVA are transferred to the District or the City of Fort Worth upon completion. Construction in Progress is recorded for any capital assets not completed as of year-end.

**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.

### **13. CASH AND CASH EQUIVALENTS FOR TRVA**

The balance per bank of cash on deposit at September 30, 2014 was \$240,159 and was entirely covered by FDIC insurance. The carrying value for TRVA was \$228,898 as of September 30, 2014.

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, 2014, 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 balance in TexPool as of September 30, 2014 was \$2.7 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, 2014 were in TexPool.

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

#### SUMMARY OF INVESTMENTS AND RELATED WEIGHTED AVERAGE MATURITY

	Fair Value **	Weighted Avg. Maturity (Years)	S & P Rating
Investment Pools*			
Texpool	\$ 2,707,322	N/A	AAA-m
Total investments	\$ 2,707,322		

\*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 pertaining to registered money market funds; however, they seek to maintain a stable net position 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. All investments are recorded at fair value.

#### **14. CAPITAL ASSETS FOR TRVA**

A summary of changes in capital assets follows:

	<u>October 1, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>September 30, 2014</u>
Construction in progress	\$ 1,660,976	\$ 4,161	\$ (1,665,137)	\$ -	\$ -
<b>TOTAL NONDEPRECIABLE ASSETS</b>	<b>\$ 1,660,976</b>	<b>\$ 4,161</b>	<b>\$ (1,665,137)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CAPITAL ASSETS</b>	<b>\$ 1,660,976</b>	<b>\$ 4,161</b>	<b>\$ (1,665,137)</b>	<b>\$ -</b>	<b>\$ -</b>

Upon completion of the design phase of the White Settlement Bridge and local street modifications, the asset was contributed to the Texas Department of Transportation.

#### **15. 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, 2014, there were no settlements paid from the insurance coverage on behalf of the TRVA.

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**TARRANT REGIONAL WATER DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE—BUDGET TO ACTUAL—GAAP BASIS—GENERAL FUND (UNAUDITED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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	<b>Original and Final Budget</b>	<b>Actual</b>
<b>REVENUES:</b>		
Property taxes	\$ 8,600,000	\$ 9,263,039
Lease rentals	1,266,200	1,314,725
Oil and gas royalties	20,000,000	24,518,478
Sale of rock and gravel	12,500	12,500
Investment income	575,000	367,655
Contributions	300,000	3,386,255
Other	<u>145,300</u>	<u>311,573</u>
 Total revenues	 <u>30,899,000</u>	 <u>39,174,225</u>
 <b>EXPENDITURES</b>		
Current:		
General and administrative	9,608,964	9,043,006
Personnel services	4,984,379	4,821,935
Pension plan contribution	571,765	512,818
Contributions to component unit	40,000	18,434,944
Capital expenditures	65,200,000	39,365,013
Capital lease payment	<u>278,000</u>	<u>277,377</u>
 Total expenditures	 <u>80,683,108</u>	 <u>72,455,093</u>
 <b>CHANGE IN FUND BALANCE</b>		
	(49,784,108)	(33,280,868)
 <b>FUND BALANCE—Beginning of year</b>	 <u>148,953,824</u>	 <u>148,953,824</u>
 <b>FUND BALANCE—End of year</b>	 <u>\$ 99,169,716</u>	 <u>\$ 115,672,956</u>

**Note to RSI**

**Excess of Contributions to Component Unit over Budget** - for year ended September 30, 2014, the \$18.4 million contribution made to TxDOT related to the construction of the three bridges was not budgeted for in the Contributions to Component Unit line item.

**TARRANT REGIONAL WATER DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**  
**OTHER POSTEMPLOYMENT BENEFITS (UNAUDITED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded		Annual Covered Payroll	UAAL as % of Payroll
			Actuarial Accrued Liability (UAAL)	Funded Ratio		
(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)	
12/31/2007	\$ -	\$ 25,092,209	\$ 25,092,209	0%	\$ 9,372,400	268%
12/31/2009	\$ -	\$ 31,676,995	\$ 31,676,995	0%	\$ 11,489,400	276%
12/31/2011	\$ -	\$ 39,215,923	\$ 39,215,923	0%	\$ 13,624,301	288%
12/31/2011*	\$ -	\$ 28,791,154	\$ 28,791,154	0%	\$ 13,624,301	211%

\* The recalculated 12/31/2011 AAL reflects a change in the discount rate from 4.50% to 6.20%.

**OTHER SUPPLEMENTARY INFORMATION (UNAUDITED)**

**TARRANT REGIONAL WATER DISTRICT**

**SCHEDULE OF BONDS AUTHORIZED, ISSUED, AND OUTSTANDING BY PURPOSE OF ISSUE  
AS OF SEPTEMBER 30, 2014 (UNAUDITED)**

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	<u>Year Authorized</u>	<u>Issued Amount</u>	<u>Outstanding</u>
Construction and improvement bonds:			
<u>Tarrant Regional Water District Projects</u>			
Water Revenue Bonds - Series 2006	2006	\$ 182,905,000	\$ 182,905,000
Water Revenue Bonds - Series 2008A-RC	2008A	3,135,000	2,770,000
Water Revenue Bonds - Series 2008B-CC	2008B	6,755,000	4,375,000
Water Revenue Refunding and Improvement Bond - Series 2009	2009	69,535,000	53,845,000
Water Revenue Bonds - Series 2010	2010	89,250,000	89,250,000
Water Revenue Bonds - Series 2010A	2010	17,835,000	17,835,000
Water Revenue Bonds - Series 2010B	2010	83,785,000	70,790,000
Water Revenue Bonds - Series 2012	2012	150,375,000	144,990,000
Water Revenue Refunding Bonds - Series 2012A	2013	98,960,000	78,690,000
Water Revenue Bonds - Series 2014	2014	318,750,000	318,750,000
		<u>1,021,285,000</u>	<u>964,200,000</u>
<u>TRWD Contract Revenue Bonds (City of Dallas Project)</u>			
Contract Revenue Bonds (City of Dallas Project) - Series 2012	2012	131,935,000	126,475,000
Contract Revenue Bonds (City of Dallas Project) - Series 2014	2014	202,130,000	202,130,000
		<u>334,065,000</u>	<u>328,605,000</u>
Total - Construction and improvement bonds		<u>\$ 1,355,350,000</u>	<u>\$ 1,292,805,000</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, 2014 (UNAUDITED)**

	<b>Balance October 1, 2013</b>	<b>Total Issued</b>	<b>Total Retired</b>	<b>Balance September 30, 2014</b>
<b><u>Tarrant Regional Water District Projects</u></b>				
Water Revenue Bonds —series 2006	\$ 182,905,000			\$ 182,905,000
Water Revenue Bonds —series 2008A-RC	2,955,000		\$ 185,000	2,770,000
Water Revenue Bonds —series 2008B-CC	4,375,000			4,375,000
Water Revenue Refunding and Improvement —series 2009	53,845,000			53,845,000
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	74,185,000		3,395,000	70,790,000
Water Revenue Bonds —series 2012	150,375,000		5,385,000	144,990,000
Water Revenue Refunding Bonds —series 2012A	97,275,000		18,585,000	78,690,000
Water Revenue Bonds —series 2014	-	\$ 318,750,000		\$ 318,750,000
	<u>673,000,000</u>	<u>318,750,000</u>	<u>27,550,000</u>	<u>964,200,000</u>
<b><u>TRWD Contract Revenue Bonds (City of Dallas Project)</u></b>				
Contract Revenue Bonds (City of Dallas Project) —series 2012	129,235,000		2,760,000	126,475,000
Contract Revenue Bonds (City of Dallas Project) —series 2014	-	202,130,000		202,130,000
	<u>129,235,000</u>	<u>202,130,000</u>	<u>2,760,000</u>	<u>328,605,000</u>
Total	<u>\$ 802,235,000</u>	<u>\$ 520,880,000</u>	<u>\$ 30,310,000</u>	<u>\$ 1,292,805,000</u>

Note: Above amounts exclude unamortized original issue premiums.

## TARRANT REGIONAL WATER DISTRICT

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

<b>Fiscal Year</b>	<b>Administrative</b>	<b>Maintenance and Warehouse</b>	<b>Tax Assessing and Collecting</b>
2005	\$ 4,379,995	\$ 3,831,855	\$ 157,413
2006	4,921,537	4,214,926	168,843
2007	11,468,757	(2) 4,638,174	177,719
2008	10,761,691	5,152,642	188,141
2009	9,916,759	5,041,273	223,329
2010	7,464,592	5,802,893	268,144
2011	5,870,935	(3) 5,993,362	262,644
2012	7,395,829	5,998,138	259,615
2013	8,227,077	6,551,189	377,099
2014	25,429,379	(4) 6,901,056	482,268

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

(2) Increase is related to an increase in contributions to the Trinity River Vision Project.

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

(4) Increase is related to an increase in contributions to the Trinity River Vision Project, largely due to the \$18.4 million contribution to Texas Department of Transportation for the bridges.

## TARRANT REGIONAL WATER DISTRICT

### ENTERPRISE FUND EXPENSES LAST 10 FISCAL YEARS (UNAUDITED)

---

Fiscal Year	Operating Maintenance and Administrative		Interest Expense	Depreciation and Amortization	
2005	\$ 21,663,253		\$ 11,403,366	\$ 10,272,674	
2006	41,458,563	(1)	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	(1)	19,140,654		16,174,207
2012	46,127,011	(1)	19,238,227		16,656,082
2013	55,653,489	(1)	14,938,583	(2)	16,573,425
2014	69,552,995	(1)	18,920,099	(3)	16,428,450

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

(2) Decrease in interest expense due to refunding of the 2002 Bond Issuance.

(3) Increase in interest expense due to issuance of 2014 Bonds.

## 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	
2005	\$ 23,472,113	\$ 250,076	\$ 968,967	\$ 538,454	\$ 5,959,884	
2006	28,800,533	257,644	2,684,659	1,419,866	(1)	6,561,859
2007	34,007,763	370,305	4,455,483	6,278,019		7,322,427
2008	68,057,516	(2) 348,619	4,100,005	5,328,653		8,056,037
2009	34,397,855	327,741	3,137,581	2,469,605		8,735,179
2010	34,354,862	656,328	1,468,495	603,740	(3)	9,002,136
2011	27,777,427	(4) 662,857	1,045,664	1,466,505		8,600,104
2012	20,738,333	(4) 875,426	708,010	9,042,451	(5)	8,857,981
2013	31,367,889	(6) 1,385,702	300,771	4,345,035	(5)	8,993,946
2014	24,518,478	(4) 1,314,725	367,655	3,710,328	(5)	9,263,039

(1) As of 2006 transfers were included in this total.

(2) The District entered into new oil and gas leases which included significant bonus payments and operating royalties.

(3) As of 2010 interfund revenue was not included in the number, it was treated as a contra expense.

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

(5) In 2012 \$8.0 million was received under the Project Cost Fund agreement between TRWD and TIF, in 2013 \$2.8 million was received from the TIF, and in 2014 \$3.1 million was received from the TIF.

(6) Oil and gas royalties increased due to an increase in production, increased market prices, and the collection of back royalties due to the Oil and Gas third party audit.

## TARRANT REGIONAL WATER DISTRICT

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

---

Fiscal Year	Sale of Water	Investment Income	Land Lease Rentals	Other (1)
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	(2) 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	(3) 1,873,044	79,586	1,512,159 (4)
2012	98,844,939	(3) 2,183,834	76,624	650,548
2013	120,043,265	(3) 262,520	85,681	1,129,678
2014	135,783,975	(3) 1,598,019	88,640	985,602

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

(2) Decrease due to large down turn in bonds market.

(3) Increase in water sales due to system costs related to debt service and pumping power.

(4) Increase in 2011 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
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%
2012	8,778,407	8,664,270	98.7%	112,467	1.28%	8,776,737	100.0%
2013	8,934,929	8,820,523	98.7%	111,025	1.24%	8,931,548	100.0%
2014	9,192,432	9,083,100	98.8%	94,414	1.03%	9,177,514	99.8%

## TARRANT REGIONAL WATER DISTRICT

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

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Fiscal Year	Assessed Valuation	Estimated Actual Valuation	Ratio of Assessed Valuation to Estimated Actual Valuation
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%
2012	43,715,648,106	43,892,079,947	99.6%
2013	44,476,657,492	44,674,429,572	99.6%
2014	45,346,218,693	45,962,219,088	98.7%

Note: All taxes are recorded in the General Fund.

**TARRANT REGIONAL WATER DISTRICT**

ENTERPRISE FUND DEBT SERVICE REQUIREMENTS TO MATURITY (IN THOUSANDS) 2014 (UNAUDITED)

TARRANT REGIONAL WATER DISTRICT PROJECT

YR	2006 - Water Revenue			2008A WIF			2008B WIF			2009 - Water Revenue			2010 - Water System			2010 A - Series 2010A			2010 B - Series 2010B			2012 - Refunding and			2012A - Refunding			2014 - Revenue 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	Princ.	Int.	Total						
2015	\$ 8,530	8,530	\$ 8,530	\$ 185	65	250				\$ 2,692	2,692	\$ 2,692	\$ 4,153	4,153	\$ 4,153				\$ 3,500	1,253	4,753	\$ 5,660	6,998	12,658	\$ 19,445	3,365	22,810	\$ 2,490	15,852	18,342	\$ 31,280	42,908	74,188			
2016	8,530	8,530	8,530	190	61	251				2,692	2,692	2,692	4,153	4,153	4,153				3,605	1,243	4,848	5,950	6,708	12,658	20,440	2,368	22,808		15,802	15,802	30,185	41,557	71,742			
2017	8,530	8,530	8,530	195	58	253				2,692	2,692	2,692	4,153	4,153	4,153				3,715	1,220	4,935	6,100	6,407	12,507	20,965	1,333	22,298		15,802	15,802	30,975	40,195	71,170			
2018	8,700	8,347	17,047	195	54	249	\$ 605	100	705	3,360	2,608	5,968	2,120	4,106	6,226	\$ 1,305	243	1,548	3,830	1,186	5,016	735	6,247	6,982	3,255	728	3,983		15,802	15,802	24,105	39,421	63,526			
2019	9,080	7,969	17,049	200	50	250	620	87	707	3,530	2,436	5,966	2,230	4,008	6,238	1,160	352	1,512	3,945	1,144	5,089	750	6,228	6,978	3,410	572	3,982		895	15,779	16,674	25,820	38,625	64,445		
2020	9,480	7,568	17,048	205	46	251	630	73	703	3,710	2,255	5,965	2,345	3,899	6,244	1,200	335	1,535	4,065	1,091	5,156	770	6,209	6,979	3,555	427	3,982		1,405	15,722	17,127	27,365	37,625	64,990		
2021	9,905	7,145	17,050	210	40	250	645	58	703	3,900	2,065	5,965	2,465	3,779	6,244	1,235	314	1,549	4,190	1,026	5,216	790	6,190	6,980	3,720	263	3,983		805	15,667	16,472	27,865	36,547	64,412		
2022	10,350	6,701	17,051	215	35	250	665	41	706	4,100	1,865	5,965	2,590	3,653	6,243	1,270	291	1,561	4,315	951	5,266	815	6,166	6,981	3,900	85	3,985		1,125	15,624	16,749	29,345	35,412	64,757		
2023	16,690	6,102	22,792	220	30	250	680	23	703	4,315	1,654	5,969	2,720	3,520	6,240	1,310	264	1,574	4,450	868	5,318									15,602	15,602	30,385	34,217	64,602		
2024	17,450	5,342	22,792	225	23	248	530	7	537	4,535	1,433	5,968	2,860	3,395	6,255	1,350	236	1,586	4,585	776	5,361									15,602	15,602	31,535	32,967	64,502		
2025	18,300	4,496	22,796	235	17	252				4,765	1,201	5,966	3,010	3,277	6,287	1,390	207	1,597	4,725	676	5,401									15,602	15,602	32,425	31,630	64,055		
2026	19,235	3,558	22,793	240	11	251				5,010	956	5,966	3,160	3,138	6,298	1,435	174	1,609	4,865	569	5,434									15,602	15,602	33,945	30,161	64,106		
2027	20,220	2,572	22,792	255	4	259				5,265	699	5,964	3,325	2,976	6,301	1,475	139	1,614	5,015	454	5,469									15,602	15,602	35,555	28,600	64,155		
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									15,602	15,602	36,950	26,984	63,934		
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									15,602	15,602	38,655	25,321	63,976		
2030										3,865	2,438	6,303	1,615	21	1,636	5,490	68	5,558				6,153	6,153								18,735	15,133	33,868	29,705	23,813	53,518
2031										4,060	2,255	6,315							6,450	5,992	12,442									20,355	14,156	34,511	30,865	22,403	53,268	
2032										4,270	2,062	6,332						6,750	5,671	12,421									21,145	13,118	34,263	32,165	20,851	53,016		
2033										4,490	1,857	6,347						7,065	5,334	12,399									21,980	12,040	34,020	33,535	19,231	52,766		
2034										4,720	1,652	6,372						7,375	4,973	12,348									22,880	10,919	33,799	34,975	17,544	52,519		
2035										4,960	1,434	6,394						7,725	4,596	12,321									9,495	10,109	19,604	22,180	16,139	38,319		
2036										5,215	1,205	6,420						8,070	4,201	12,271									9,980	9,623	19,603	23,265	15,029	38,294		
2037										5,480	965	6,445						8,445	3,788	12,233									10,490	9,111</						

**TARRANT REGIONAL WATER DISTRICT**

ENTERPRISE FUND DEBT SERVICE REQUIREMENTS TO MATURITY (IN THOUSANDS) 2014 (UNAUDITED)  
TRWD CONTRACT REVENUE BONDS (CITY OF DALLAS PROJECT)

YR	Dallas 2012 - Series 2012			Dallas 2014 - Series 2014			Total Contract Revenue		
	Princ.	Int.	Total	Princ.	Int.	Total	Princ.	Int.	Total
2015	2,835	5,066	7,901	3,040	10,281	13,321	5,875	15,347	21,222
2016	2,895	4,953	7,848	3,195	10,098	13,293	6,090	15,051	21,141
2017	2,955	4,808	7,763	3,355	9,907	13,262	6,310	14,715	21,025
2018	3,015	4,660	7,675	3,520	9,705	13,225	6,535	14,365	20,900
2019	3,075	4,509	7,584	3,700	9,494	13,194	6,775	14,003	20,778
2020	3,140	4,356	7,496	3,885	9,272	13,157	7,025	13,628	20,653
2021	3,200	4,199	7,399	4,075	9,039	13,114	7,275	13,238	20,513
2022	3,270	4,039	7,309	4,280	8,795	13,075	7,550	12,834	20,384
2023	3,345	3,875	7,220	4,495	8,538	13,033	7,840	12,413	20,253
2024	3,515	3,708	7,223	4,720	8,268	12,988	8,235	11,976	20,211
2025	3,620	3,602	7,222	4,955	7,985	12,940	8,575	11,587	20,162
2026	3,765	3,458	7,223	5,205	7,688	12,893	8,970	11,146	20,116
2027	3,920	3,307	7,227	5,465	7,479	12,944	9,385	10,786	20,171
2028	4,075	3,189	7,264	5,735	7,261	12,996	9,810	10,450	20,260
2029	4,240	3,067	7,307	6,025	7,031	13,056	10,265	10,098	20,363
2030	4,415	2,940	7,355	6,325	6,730	13,055	10,740	9,670	20,410
2031	4,595	2,808	7,403	6,640	6,414	13,054	11,235	9,222	20,457
2032	4,780	2,664	7,444	6,975	6,082	13,057	11,755	8,746	20,501
2033	4,970	2,473	7,443	7,320	5,733	13,053	12,290	8,206	20,496
2034	5,225	2,274	7,499	7,690	5,367	13,057	12,915	7,641	20,556
2035	5,485	2,065	7,550	8,075	4,982	13,057	13,560	7,047	20,607
2036	5,765	1,846	7,611	8,475	4,579	13,054	14,240	6,425	20,665
2037	6,055	1,615	7,670	8,900	4,155	13,055	14,955	5,770	20,725
2038	6,360	1,373	7,733	9,345	3,710	13,055	15,705	5,083	20,788
2039	6,605	1,118	7,723	9,810	3,243	13,053	16,415	4,361	20,776
2040	6,855	854	7,709	10,300	2,752	13,052	17,155	3,606	20,761
2041	7,115	580	7,695	10,815	2,237	13,052	17,930	2,817	20,747
2042	7,385	295	7,680	11,360	1,697	13,057	18,745	1,992	20,737
2043				11,925	1,129	13,054	11,925	1,129	13,054
2044				12,525	532	13,057	12,525	532	13,057
	\$ 126,475	83,701	210,176	\$ 202,130	190,183	392,313	\$ 328,605	273,884	602,489

## TARRANT REGIONAL WATER DISTRICT

### MISCELLANEOUS STATISTICAL FACTS AS OF SEPTEMBER 30, 2014 (UNAUDITED)

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Date of organization October 7, 1924

Area covered by District 345 square miles

Facilities:

Number of water supply reservoirs	4
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	<b>Conservation Pool</b>	<b>Actual in Storage</b>
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	<u>1,137,204</u>	<u>801,209</u>
Total	<u>2,330,730</u>	<u>1,625,966</u>

Miles of levees	23
Miles of floodway river channel	27
Area to be maintained by District	1,997 acres

Employees:

Administrative and office	139
Maintenance	105

Annual rainfall in inches—last 10 calendar years:

Year	DFW Weather Service	Lake Worth	Eagle Mountain Lake	Bridgeport Lake	Cedar Creek Lake	Richland/ Chambers
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
2011	25.88	17.94	20.67	25.13	22.56	30.79
2012	31.26	25.18	24.32	23.32	30.06	30.83
2013	29.40	24.28	25.18	24.70	24.82	34.82

**TARRANT REGIONAL WATER DISTRICT**

**SCHEDULE OF INSURANCE  
AS OF SEPTEMBER 30, 2014 (UNAUDITED)**

<b>Insurer</b>	<b>Policy Period</b>	<b>Type of Coverage</b>	<b>Limits</b>
Hartford Insurance Co. <sup>1</sup>	03/29/14–03/29/15	Crime	\$500,000—liability
	03/29/13–03/29/14		
TWCA Risk Management Fund <sup>2</sup>	01/15/13–until canceled	Director Bond	\$10,000—per director
	07/01/13–07/01/14 07/01/14–07/01/15	Fleet Policy	\$10,000,000—liability
	07/01/13–07/01/14 07/01/14–07/01/15	Property Insurance	\$260,552,875—blanket limit \$287,580,288—blanket limit
	07/01/13–07/01/14 07/01/14–07/01/15	Workers' Compensation	Statutory limits
	07/01/13–07/01/14 07/01/14–07/01/15	General Liability	\$10,000,000—limit
	07/01/13–07/01/14 07/01/14–07/01/15	Errors and Omissions Liability	\$10,000,000—limit
	07/01/13–07/01/14	Rental Coverage <sup>3</sup>	\$250,000—limit
	01/01/14–12/31/15	Health Insurance	Unlimited per employee
Sutton James Insurance Broker	12/15/12–12/15/13	Aviation Coverage	\$370,000—Physical Damage
	12/16/13–12/16/14		\$5,000,000—Liability
Willis of Texas, Inc. <sup>4</sup>	07/01/13–07/01/14	Rolling Owner Controlled Insurance Program - IPL	\$1,000,000 —Commercial General Liability
	07/01/14–07/01/15		\$1,000,000 —Automobile Liability

<sup>1</sup> This is a pool administered by J. I. Specialty Services.

<sup>2</sup> This is a pool through the Texas Water Conservation Association Risk Management Fund administered by J. I. Specialty Services.

<sup>3</sup> As of 7/2/14, the District has elected to forego Rental Reimbursement Coverage.

<sup>4</sup> Willis of Texas is the broker/administrator who supports the self-insurance held on the IPL project

The District has paid all premiums due prior to September 30, 2014.

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