

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

Dated September 9, 2025

Ratings:
Moody's: "Aa2"
S&P: "AAA"
(See "OTHER INFORMATION -
Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for purposes of federal income taxation under statutes, regulations, published rulings and court decisions existing on the date of such opinion, subject to the matters described under "Tax Matters" herein including the alternative minimum tax on certain corporations.



\$286,840,000*
NORTH TEXAS MUNICIPAL WATER DISTRICT
REGIONAL WASTEWATER SYSTEM REVENUE REFUNDING
AND IMPROVEMENT BONDS, SERIES 2025

Dated Date: September 15, 2025

Due: June 1, as shown below

Interest Accrues: Delivery Date (defined below)

PAYMENT TERMS . . . Interest on the \$286,840,000* North Texas Municipal Water District Regional Wastewater System Revenue Refunding and Improvement Bonds, Series 2025, (the "Bonds") will accrue from the date of initial delivery thereto (the "Delivery Date") to the initial purchaser thereof (the "Initial Purchaser") and will be payable on June 1 and December 1 of each year until maturity or prior redemption, commencing June 1, 2026, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, National Association, currently in Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

SECURITY AND SOURCE OF PAYMENT . . . The Bonds are special obligations of North Texas Municipal Water District (the "District"), secured by and payable from a lien on and pledge of the "Pledged Revenues" as defined in the Resolution authorizing the Bonds, including the Gross Revenues of the District's Regional Wastewater System (as defined herein), and including specifically certain payments to be received by the District from the Member Cities of the District's Regional Wastewater System (Plano, Richardson, Mesquite, McKinney, Forney, Allen, Frisco, Heath, Rockwall, Prosper, Seagoville, Princeton and Melissa, Texas) pursuant to the "Trinity East Fork Regional Wastewater System Contract", and supplements thereto with the Member Cities, and all similar contracts with any Additional Member Cities. The Bonds are on parity in all respects with outstanding Regional Wastewater System Revenue Bonds (the "Outstanding Bonds") which are also secured by and payable from the Pledged Revenues. The District has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation or from any other source of funds other than the "Pledged Revenues".

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of providing funds for (i) refunding a portion of the District's outstanding Regional Wastewater System Revenue Bonds – Extendable Commercial Paper Mode (the "Refunded Obligations"), (ii) for engineering and construction for expansion of South Mesquite Regional WWTP, (iv) construction and inspection of Rowlett Creek Regional WWTP and Sister Grove Regional RWRFF (v) other system improvements, (vi) funding a deposit to the Reserve Fund to the extent necessary, and (vii) paying the costs incident to the issuance and delivery of the Bonds.

MATURITY SCHEDULE*

CUSIP Prefix: 662835⁽¹⁾

Principal Amount	Maturity June 1	Rate	Initial Yield ⁽²⁾	CUSIP Suffix ⁽¹⁾	Principal Amount	Maturity June 1	Rate	Initial Yield ⁽²⁾	CUSIP Suffix ⁽¹⁾
\$ 4,500,000	2026				\$ 9,025,000	2041			
4,560,000	2027				9,475,000	2042			
4,785,000	2028				9,915,000	2043			
5,025,000	2029				10,385,000	2044			
5,275,000	2030				10,880,000	2045			
5,540,000	2031				11,395,000	2046			
5,815,000	2032				11,965,000	2047			
6,110,000	2033				12,565,000	2048			
6,415,000	2034				13,190,000	2049			
6,735,000	2035				13,850,000	2050			
7,070,000	2036				14,545,000	2051			
7,425,000	2037				15,270,000	2052			
7,795,000	2038				16,035,000	2053			
8,185,000	2039				16,835,000	2054			
8,595,000	2040				17,680,000	2055			

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are provided for convenience of reference only. None of the District, the Municipal Advisor (defined herein), or the Initial Purchaser (defined herein) is responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.

REDEMPTION OPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after June 1, 2036, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on June 1, 2035, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

LEGALITY . . . The Bonds are offered for delivery when, as and if issued by the District and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (see APPENDIX D - "Form of Bond Counsel's Opinion").

DELIVERY . . . It is expected that the Bonds will be available for delivery through The Depository Trust Company on October 29, 2025.

BIDS DUE THURSDAY, SEPTEMBER 25, 2025, AT 10:30 AM, CDT

* Preliminary, subject to change. See "Adjustment of Principal Amount and/or Types of Bids" in the Notice of Sale and Bidding Instructions.

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation, or sale.

No dealer, broker, salesperson, or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended (the "Rule"), this document constitutes an "official statement" of the District with respect to the Bonds that has been "deemed final" by the District as of its date except for the omission of no more than the information permitted by the Rule.

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the representation, promise, or guarantee of the Municipal Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See "Continuing Disclosure of Information" for a description of the District's and the Significant Obligated Persons (defined herein) undertakings to provide certain information on a continuing basis.

Neither the District nor its Municipal Advisor make any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

The cover page of this Official Statement contains certain information for general reference only and is not intended as a summary of the offering. Investors should read the entire Official Statement, including all schedules and appendices hereto, to obtain information essential to making an informed investment decision.

The agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchaser of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL SCHEDULES AND APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, and achievements to be different from future results, performance, and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements. See "OTHER INFORMATION – Forward-looking Statements Disclaimer" herein.

The Bonds are exempt from registration with the United States Securities and Exchange Commission and consequently have not been registered therewith. The registration, qualification, or exemption of the Bonds in accordance with applicable securities law provisions of the jurisdiction in which the Bonds have been registered, qualified or exempted should not be regarded as a recommendation thereof.

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The cover page hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

PRELIMINARY OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE DISTRICT	North Texas Municipal Water District (the "District") is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Article 16, Section 59, of the Texas Constitution, pursuant to Chapter 62, Acts of the 52nd Legislature of Texas, Regular Session, 1951, as amended (the "District Act").
THE BONDS.....	The Bonds are issued as \$286,840,000* Regional Wastewater System Revenue Refunding and Improvement Bonds, Series 2025 (the "Bonds"). The Bonds mature on June 1 in each of the years and in the amounts shown on the cover page hereof (see "THE BONDS – Description of the Bonds").
PAYMENT OF INTEREST	Interest on the Bonds accrues from the date of initial delivery thereof (the "Delivery Date"), at the rates shown on the cover hereof, and is payable on June 1, 2026, and each June 1 and December 1 thereafter until maturity or prior redemption (see "THE BONDS - Description of the Bonds" and "THE BONDS – Optional Redemption").
RESERVE FUND REQUIREMENT	The District is required to accumulate and maintain, in the Reserve Fund (as defined herein) an aggregate amount of money and/or investments equal in market value to the average annual principal and interest requirements (the "Required Amount") on all outstanding Parity Bonds (hereinafter defined).
AUTHORITY FOR ISSUANCE	The Bonds are issued pursuant to the District Act, Chapter 30, Texas Water Code, as amended, Chapters 1207 and 1371, Texas Government Code, as amended, and other applicable laws (see "THE BONDS - Authority for Issuance").
SECURITY FOR THE BONDS	The Bonds are special obligations of the District, secured by and payable from a first lien on and pledge of the "Pledged Revenues" as defined in the Resolution (as defined herein), including the Gross Revenues of the District's Regional Wastewater System (as defined herein), and including specifically certain payments to be received by the District from the Cities of Mesquite, Plano, Richardson, Allen, McKinney, Forney, Frisco, Heath, Rockwall, Prosper, Seagoville, Melissa and Princeton, Texas, (the "Member Cities") under the "Trinity East Fork Regional Wastewater System Contract" (the "Contract"), and all similar contracts with any Additional Member Cities (see "The Trinity East Fork Regional Wastewater System", "Summary of Certain Provisions of the Trinity East Fork Regional Wastewater System Contract" and "Summary of Certain Provisions of the Bond Resolution"). The Bonds are on a parity in all respects with \$821,215,000 in principal amount of outstanding Regional Wastewater System Revenue Bonds (the "Outstanding Bonds") which are also secured by and payable from the Pledged Revenues. (The Outstanding Bonds and the Bonds, collectively, the "Parity Bonds"). The Member Cities are obligated under The Contract to make payments in amounts sufficient to pay the principal and interest on The Bonds.
OPTIONAL REDEMPTION	The District reserves the right, at its option, to redeem Bonds having stated maturities on and after June 1, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on June 1, 2035, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").
TAX EXEMPTION	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.
USE OF PROCEEDS.....	Proceeds from the sale of the Bonds will be used for the purpose of providing funds for (i) refunding a portion of the District's outstanding Regional Wastewater System Revenue Bonds – Extendable Commercial Paper Mode (the "Refunded Obligations"), (ii) for engineering and construction for expansion of South Mesquite Regional WWTP, (iv) construction and inspection of Rowlett Creek Regional WWTP and Sister Grove Regional RWRRF (v) other system improvements, (vi) funding a deposit to the Reserve Fund to the extent necessary, and (vii) paying the costs incident to the issuance and delivery of the Bonds.
RATINGS	The Bonds and certain Outstanding Bonds are rated "Aa2", by Moody's Investors Service, Inc. ("Moody's") and "AAA" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") (see "OTHER INFORMATION - Ratings").
BOOK-ENTRY-ONLY SYSTEM.....	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System").
PAYMENT RECORD.....	The District has never defaulted in payment of its bonds including the Outstanding Bonds.

* Preliminary, subject to change.

**NORTH TEXAS MUNICIPAL WATER DISTRICT
DISTRICT OFFICIALS, STAFF AND CONSULTANTS**

BOARD OF DIRECTORS

David Hollifield, Royse City, President
Donald Imrie, Rockwall, Vice President
Keith Stephens, Wylie, Secretary

ALLEN Joe Farmer Stephen Terrell	FARMERSVILLE George Crump	FORNEY Alan McCuistion Raymond Stephens	FRISCO Richard Peasley George Purefoy
GARLAND Lori Barnett Dodson Jack May	McKINNEY Geraldyn Kever Donald E. Paschal, Jr.	MESQUITE Terry Sam Anderson Rick Mann	PLANO Phil Dyer Ron Kelley
PRINCETON Jody Sutherland Larry Thompson	RICHARDSON Franklin Byrd Randy Roland	ROCKWALL Rick Crowley	ROYSE CITY Blair Johnson
WYLIE Marvin Fuller			

MANAGEMENT & STAFF

Executive Director/General Manager Jennafer P. Covington

Assistant General Manager - Chief Financial Officer. Jeanne Chipperfield

Assistant General Manager - Planning & Engineering. Cesar Baptista

Assistant General Manager - Water & Wastewater. Billy George

CONSULTANTS AND ADVISORS

General Counsel..... Saunders, Walsh & Beard
McKinney, Texas

Bond Counsel..... McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

Municipal Advisor..... Hilltop Securities Inc.
Fort Worth, Texas

For additional information regarding the District, please contact:

Ms. Jeanne Chipperfield Mr. Drew Farris North Texas Municipal Water District P.O. Box 2408 Wylie, Texas 75098 (972) 442-5405	or	Mr. Nick Bulaich Mr. David K. Medanich Hilltop Securities Inc. 777 Main Street, Suite 1525 Fort Worth, TX 76102 (817) 332-9710
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PRELIMINARY OFFICIAL STATEMENT
RELATING TO
\$286,840,000*
NORTH TEXAS MUNICIPAL WATER DISTRICT
REGIONAL WASTEWATER SYSTEM REVENUE REFUNDING
AND IMPROVEMENT BONDS, SERIES 2025

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$286,840,000* North Texas Municipal Water District Regional Wastewater System Revenue Refunding and Improvement Bonds, Series 2025 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Resolution authorizing the Bonds (the "Bond Resolution" or "Resolution") to be adopted on the date of sale of the Bonds which will authorize the issuance of the Bonds, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the North Texas Municipal Water District (the "District") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's Municipal Advisor, Hilltop Securities Inc. ("Hilltop Securities"), Fort Worth, Texas.

THE NORTH TEXAS MUNICIPAL WATER DISTRICT

The North Texas Municipal Water District (the "District") is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Article 16, Section 59, of the Texas Constitution pursuant to Chapter 62, Acts of 1951, 52nd Legislature of Texas, Regular Session, 1951, as amended (the "District Act"). The District was created for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment, processing and transportation of such water to its thirteen District Member Cities (as defined below) and other customers located in North Central Texas. Under the Texas Constitution and laws of the State of Texas, including the District Act, the District has broad powers to effectuate flood control and the conservation and use, for all beneficial purposes, of storm and floodwaters and unappropriated flow waters and, as a necessary aid to these purposes, the specific authority to construct, own and operate water supply, treatment and distribution facilities and sewage gathering, transmission and disposal facilities, and to collect, transport, treat, dispose of, and control all municipal, domestic, industrial, or communal waste, whether in fluid, solid or composite state.

The District currently serves a 2,200 square-mile area located in ten counties in the State of Texas and comprises all of the territory of its current Member Cities, viz., Garland, Princeton, Plano, Mesquite, Wylie, Rockwall, Farmersville, McKinney, Richardson, Allen, Forney, Frisco, and Royse City (together with any cities which subsequently become member cities of the District, the "District Member Cities"). The District's Administrative Office is located at 501 East Brown Street, Wylie, Texas. The District is governed by a 25-member Board of Directors. Each District Member City having a population of 5,000 or more is represented by two members on the Board of Directors and each District Member City of less than 5,000 is represented by one member on the Board of Directors. Members of the Board of Directors are appointed by the governing bodies of the respective District Member Cities for two-year terms.

In addition to its Regional Wastewater System (herein defined), the District, in cooperation with certain area cities, has established and implemented the Water System, the Upper East Fork Wastewater Interceptor System, the Stewart Creek West Regional Wastewater System, Muddy Creek Regional Wastewater System, Sabine Creek Regional Wastewater System, Panther Creek Regional Wastewater System, Lower East Fork Wastewater Interceptor System and the Trinity East Fork Solid Waste Disposal System wherein the District, pursuant to contracts and other agreements, has accepted the responsibility to design, acquire, construct, complete, operate, maintain, and from time to time enlarge, improve and expand the systems to provide facilities to adequately receive, transport, treat and dispose of wastewater and solid waste of such cities and future additional cities. These Regional Systems were created, exist and operate as completely separate and independent Regional Systems, and except for moderate cost-sharing enterprises, the financial transactions and other activities associated with the operation and maintenance of each system are kept separate and apart, and are not in any manner commingled or connected with any of the other systems. While all District Member Cities are contracting partners for the Water System, not all District Member Cities participate in the District's other Regional Systems. **Revenues from the Water System, the Upper East Fork Wastewater Interceptor System, the Stewart Creek West Regional Wastewater System, Muddy Creek Regional Wastewater System, Sabine Creek Regional Wastewater System, Panther Creek Regional Wastewater System, the Lower East Fork Wastewater Interceptor System, and the Trinity East Fork Solid Waste Disposal System are not pledged to the payment of the Bonds.**

* Preliminary, subject to change.

THE TRINITY EAST FORK REGIONAL WASTEWATER SYSTEM

The District has been designated by the Texas Water Commission (now known as the Texas Commission on Environmental Quality) as the regional agency to provide and develop a regional system for wastewater treatment in the general area of the East Fork of the Trinity River lying in Collin, Dallas, Kaufman and Rockwall Counties, Texas. Pursuant thereto, the District entered into a contract (dated October 1, 1975) with the Cities of Mesquite and Plano, Texas, for the purpose of implementing a Regional Sewerage Plan prepared by its consulting engineers, and for the establishment, operation and maintenance of the Trinity East Fork Regional Wastewater System (the "Regional Wastewater System" or "System") to adequately receive, transport, treat and dispose of wastewater in order to control water pollution, and to protect, improve and enhance water quality of the East Fork of the Trinity River, and the water supplies impounded therein. Subsequently, membership in the Regional Wastewater System was enlarged through execution of contracts with the City of Richardson on January 9, 1978, the City of Allen on August 24, 1978, the City of McKinney on August 23, 1979, the City of Forney on February 22, 1990, the City of Frisco on November 19, 1996, the City of Princeton on November 26, 1996 and the Cities of Rockwall and Heath on March 29, 2001, the Town of Prosper on February 24, 2006, the City of Seagoville on February 24, 2006, and the City of Melissa on April 1, 2019. All of such Cities are hereinafter referred to as "Member Cities."

Under the terms of the contracts with Member Cities, the District is committed to design, acquire, construct and complete the System, to operate and maintain the Regional Wastewater System, and from time to time enlarge, improve, replace and/or extend it to provide service to said Member Cities and Additional Member Cities. The Regional Wastewater System, as initially established, consisted of all existing wastewater treatment and disposal facilities of the Cities of Mesquite and Plano. The contract between the District and the Member Cities constitutes an operating agreement with regard to these facilities, whereby the District agrees to manage, administer, operate, maintain and use the facilities as part of the Regional Wastewater System, subject to the provisions and during the terms of the contracts.

The District's Regional Wastewater System includes the Mesquite Wastewater Treatment Plant, the Floyd Branch Wastewater Treatment Plant (Richardson), the Rowlett Creek Wastewater Treatment Plant (Plano), the Wilson Creek Wastewater Treatment Plant and the Sister Grove Regional Water Resource Recovery Facility (which is currently under construction).

Existing elements of the District's Regional Wastewater System are designed to provide facilities necessary to accommodate and serve the needs of the Member Cities. Total treatment capacity of existing plants is 125.750 MGD. 2023-2024 average flow amounted to 117.292 MGD.

The District will, from time to time, determine when and to what extent it is necessary to provide additions, enlargements, improvements, repairs and extensions to receive, transport, treat and dispose of wastewater of Member Cities, including Additional Member Cities, and to issue its bonds to accomplish such purposes. Member Cities and Additional Member Cities shall be obligated to pay to District an "Annual Requirement" equal to an "Operation and Maintenance Component" and a "Bond Service Component". (See "Summary of Certain Provisions of the Trinity East Fork Regional Wastewater System Contract.")

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of providing funds for (i) refunding a portion of the District's outstanding Regional Wastewater System Revenue Bonds – Extendable Commercial Paper Mode (the "Refunded Obligations"), (ii) for engineering and construction for expansion of South Mesquite Regional WWTP, (iv) construction and inspection of Rowlett Creek Regional WWTP and Sister Grove Regional RWRRF (v) other system improvements, (vi) funding a deposit to the Reserve Fund to the extent necessary, and (vii) paying the costs incident to the issuance and delivery of the Bonds.

REFUNDED OBLIGATIONS . . . The principal and interest due on the Refunded Obligations are to be paid on the respective maturity dates of such Refunded Obligations, from funds to be deposited into a Purchase Fund for the Refunded Obligations (the "Payment Fund") held by the paying agent for the Refunded Obligations, U.S. Bank National Association (the "Refunded Obligation Paying Agent"), pursuant to the resolution authorizing the Refunded Obligations (the "ECP Resolution"). The Resolution provides that from the proceeds of the sale of the Bonds and other funds of the District, if any, the District will deposit with the Refunded Obligation Paying Agent an amount which will be sufficient to accomplish the discharge and final payment of the Refunded Obligations on their respective maturity dates. Such funds will be held by the Refunded Obligation Paying Agent in the Payment Fund and used to pay principal and accrued interest on the Refunded Obligations on their respective maturity dates. The funds on deposit in the Payment Fund will not be available to pay debt service on the Bonds.

The Refunded Obligation Paying Agent, in its capacity as paying agent for the Refunded Obligations, will certify as to the sufficiency of the amounts initially deposited therewith to pay the principal of and interest on the Refunded Obligations when due on the respective maturity dates. By the deposit of the proceeds of the Bonds and other funds of the District, if any are required, with the Refunded Obligation Paying Agent, the District will have effected the defeasance of the Refunded Obligations in accordance with the law. As a result of such defeasance, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Payment Fund held for such purpose by the Refunded Obligation Paying Agent, and the Refunded Obligations will not be deemed as being outstanding obligations of the District payable from the Gross Revenues.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Bonds will be applied approximately as follows:

<u>Sources of Funds</u>	
Principal Amount of Bonds	\$ -
Net Premium	-
Total Sources of Funds	<u>\$ -</u>
<u>Uses of Funds</u>	
Deposit to Debt Service Reserve Fund	\$ -
Deposit to US Bank for payoff of ECP	-
Deposit to Construction Fund	-
Estimated Costs of Issuance	-
Total Uses of Funds	<u>\$ -</u>

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated September 15, 2025, and mature on June 1 in each of the years and in the amounts shown on the cover page hereof. Interest will accrue from the date of initial delivery thereof (the "Delivery Date"), at the rates shown on the cover hereof, to the Initial Purchaser (herein defined), and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on June 1 and December 1 of each year, commencing June 1, 2026 until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York, pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (herein after defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the provisions and authority provided by the District Act, Chapter 30, Texas Water Code, as amended, Chapters 1207 and 1371, Texas Government Code, as amended, and other applicable laws. Under the Texas Constitution and laws of the State of Texas, including the District Act, the District has broad powers to (1) impound, control, store, preserve, treat, transmit and use storm and floodwater, the water of rivers and streams, and underground water, for irrigation, power, and all other useful purposes, and to supply water for municipal, domestic, power, industrial and commercial uses and purposes, and all other beneficial uses and purposes; (2) collect, transport, process, treat, dispose of, and control, all municipal, domestic, industrial, or commercial waste whether in fluid, solid, or composite state, including specifically the control, abatement, or reduction of all types of pollution, and (3) to refund obligations issued for the foregoing purposes.

SECURITY AND SOURCE OF PAYMENT . . . The Bonds are special obligations of the District, secured by and payable from a first lien on and pledge of the "Pledged Revenues" as defined in the Bond Resolution, including the Gross Revenues of the District's Regional Wastewater System, and including specifically certain payments to be received by the District from the Member Cities of the District's Regional Wastewater System, Mesquite, Plano, Richardson, Allen, McKinney, Forney, Frisco, Rockwall, Heath, Prosper, Seagoville, Melissa and Princeton, Texas, and any future Additional Member Cities, under the "Trinity East Fork Regional Wastewater System Contract", and all similar contracts with any Additional Member Cities (collectively, the "Contract") (see "The Trinity East Fork Regional Wastewater System", "Summary of Certain Provisions of the Trinity East Fork Regional Wastewater System Contract" and "Summary of Certain Provisions of the Bond Resolution"). The Bonds are on a parity in all respects with the outstanding Regional Wastewater System Revenue Bonds which are also secured by and payable from the Pledged Revenues. The District has outstanding Regional Wastewater System Revenue Bonds (the "Outstanding Bonds"), as follows:

Dated Date	Original Issue Amount	Outstanding Debt ⁽¹⁾	Issue Description
3/15/2012	\$ 14,105,000	\$ 5,275,000	Regional Wastewater System Revenue Bonds, Series 2012
3/15/2013	24,330,000	12,050,000	Regional Wastewater System Revenue Bonds, Series 2013
8/15/2015	65,250,000	39,955,000	Regional Wastewater System Revenue Refunding and Improvement Bonds, Series 2015
8/15/2016	95,075,000	52,725,000	Regional Wastewater System Revenue Refunding and Improvement Bonds, Series 2016
3/15/2017	74,940,000	61,250,000	Regional Wastewater System Revenue Bonds, Series 2017
12/1/2017	19,515,000	9,045,000	Regional Wastewater System Revenue Refunding Bonds, Series 2017
2/15/2018	57,295,000	48,700,000	Regional Wastewater System Revenue Bonds, Series 2018
4/15/2019	41,450,000	36,725,000	Regional Wastewater System Revenue Bonds, Series 2019
6/1/2020	458,920,000	431,790,000	Regional Wastewater System Revenue Bonds, Series 2020
6/1/2020	35,130,000	31,320,000	Regional Wastewater System Revenue Bonds, Series 2020A
1/15/2021	37,615,000	32,205,000	Regional Wastewater System Revenue Bonds, Series 2021
2/15/2021	24,270,000	22,320,000	Regional Wastewater System Revenue Bonds, Series 2021A
4/15/2025	37,855,000	37,855,000	Regional Wastewater System Revenue Bonds, Series 2025
		<u>\$ 821,215,000</u>	

(1) As of June 1, 2025. Does not include the Bonds.

The Outstanding Bonds, and the Bonds are referred to herein, collectively, as the "Parity Bonds".

RESERVE FUND REQUIREMENT . . . The District is required to accumulate and maintain in the Reserve Fund an aggregate amount of money and/or investments equal in market value to the average annual principal and interest requirements on all outstanding Parity Bonds (the "Required Amount"). After the delivery of the Bonds and the deposit of a portion of the proceeds thereof, the Reserve Fund will contain an amount at least equal to Required Amount. So long as the money and investments in the Reserve Fund are at least equal to the Required Amount, no deposits shall be made to the credit of the Reserve Fund; but when and if the Reserve Fund at any time contains less than said Required Amount in market value, then, subject and subordinate to making the required deposits to the credit of the Interest and Redemption Fund, the District shall transfer from Pledged Revenues and deposit to the credit of the Reserve Fund, on or before the 25th day of each month, a sum equal to 1/60th of the average annual principal and interest requirements of all then outstanding Parity Bonds, until the Reserve Fund is restored to said Required Amount. So long as the Reserve Fund contains said Required Amount, all amounts in excess of such Required Amount shall, on or before the 10th day prior to each interest payment date, be deposited to the credit of the Interest and Redemption Fund; and otherwise any earnings from the deposit and investment of the Reserve Fund shall be retained in the Reserve Fund.

OPTIONAL REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after June 1, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on June 1, 2035, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date of redemption. If fewer than all of the Bonds are to be redeemed, the District may select the maturities and amounts of Bonds to be redeemed. If fewer than all the Bonds within a maturity are to be redeemed, the Bonds, or portions thereof, to be redeemed shall be selected by lot or other customary method of random selection (or by DTC in accordance with the procedures while the Bonds are in the Book-Entry-Only System). If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION . . . In addition to being subject to optional redemption as provided above, should the Initial Purchaser select a combination of Serial Bonds and Term Bonds, the Term Bonds will be subject to mandatory sinking fund redemption prior to maturity at a price of par plus accrued interest to the redemption date from amounts required to be deposited in the Interest and Sinking Fund. Such Term Bonds will be described in the Official Statement.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DEFEASANCE . . . The Resolution provides for the defeasance of Bonds when the payment of the principal of such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent or other authorized entity, in trust (1) money sufficient to make such payment and/or (2) Government Obligations which mature as to principal and interest in such amounts and at such times to ensure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the Paying Agent/Registrar for the Bonds. The Resolution provides that "Government Obligations" means (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America and (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. Provided, however, the District has the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the District (i) in the proceedings providing the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

AMENDMENTS . . . The District may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding, amend the provisions of the Resolution; except that, without consent of the registered owners of all of the Bonds then outstanding, no such amendment, addition or rescission may (1) make any change in the maturity of the outstanding Parity Bonds or Additional Bonds; (2) reduce the rate of interest borne by any of the outstanding Parity Bonds or Additional Bonds; (3) reduce the amount of the principal payable on the outstanding Parity Bonds or Additional Bonds; (4) modify the terms of payment of principal of or interest on the outstanding Parity Bonds or Additional Bonds, or impose any conditions with respect to such payment; (5) affect the rights of the holders of less than all of the Parity Bonds and Additional Bonds then outstanding; (6) change the minimum percentage of the principal amount of Parity Bonds and Additional Bonds necessary for consent to such amendment.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by the Depository Trust Company ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Initial Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

The District and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for the Bonds in the aggregate principal amount thereof and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participant to whose account such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of the District, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the District and the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Resolution will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District, the Municipal Advisor or the Underwriters.

Effect of Termination of Book-Entry-Only System. In the event the Book-Entry-Only System with respect to the Bonds is discontinued by DTC, or the use of the Book-Entry-Only System with respect to the Bonds is discontinued by the District, printed bond certificates will be issued to the respective holders of the Bonds, as the case may be, and the respective Bonds will be subject to transfer, exchange, and registration provisions as set forth in the Resolution, summarized under "Transfer, Exchange, and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial paying agent/registrar is The Bank of New York Mellon Trust Company, National Association, Dallas, Texas (the "Paying Agent/Registrar"). In the Resolution, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or by (ii) with respect to any Bond or portion thereof called for redemption within 45 days prior to its redemption date.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the 15th day of the preceding month.

BONDHOLDERS' REMEDIES . . . The Resolution does not establish specific events of default with respect to the Bonds. Under State law and the Resolution, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Resolution. No assurance can be given that a mandamus or other legal action to enforce a remedy under the Resolution would be successful. The enforcement of any such remedy may be difficult and time consuming. The Resolution does not provide for the appointment of a trustee to represent the interests of the bondholders upon any failure of the District to perform in accordance with the terms of the Resolution, or upon any other condition. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, registered owners may not be able to bring such a suit against the District for breach of the Bonds or Resolution covenants in the absence of District action. Chapter 1371, Texas Government Code as amended, ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing its bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds (as further described under the caption "The Bonds – Authority for Issuance"), the District has not waived the defense of sovereign immunity with respect thereto. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code. Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of contract revenues of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce the remedies under the Resolution would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state courts); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The District may not be placed into bankruptcy involuntarily. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Resolution and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

HISTORICAL OPERATING INFORMATION

The following table presents condensed financial information for the Regional Wastewater System of the District for each fiscal year ended September 30, 2020 through September 30, 2024. These Statements have been compiled using accounting principles customarily employed in the determination of revenues available for payment of bonded debt service and, in all instances, exclude depreciation, transfers of debt service requirements and expenditures identified as capital. Excerpts of District's combined financial statements for the fiscal year ended September 30, 2024 appear in Appendix A, hereto attached.

TABLE 1 - SCHEDULE OF REGIONAL WASTEWATER SYSTEM OPERATING INFORMATION

	Fiscal Year Ended September 30,				
Revenues	2024	2023	2022	2021	2020
Wastewater Service Fees	\$ 107,316,826	\$ 94,498,034	\$ 84,713,980	\$ 79,376,471	\$ 73,230,845
Interest Income and Other	13,629,778	16,623,226	(21,735)	720,687	2,687,743
	<u>\$ 120,946,604</u>	<u>\$ 111,121,260</u>	<u>\$ 84,692,245</u>	<u>\$ 80,097,158</u>	<u>\$ 75,918,588</u>
Operating Expenses ⁽¹⁾	\$ 63,766,197	\$ 51,821,578	\$ 44,635,465	\$ 50,258,804	\$ 50,310,726
Net Available for Debt Service	<u>\$ 57,180,407</u>	<u>\$ 59,299,682</u>	<u>\$ 40,056,780</u>	<u>\$ 29,838,354</u>	<u>\$ 25,607,862</u>
Regional Wastewater System Revenue Bonds Outstanding (as of 6-30-25) ⁽²⁾					\$ 1,108,055,000
Average Annual Principal and Interest Requirements, 2025-2055 ⁽²⁾					\$ 50,765,656
Coverage of Average Annual Principal and Interest Requirements by 9-30-24 Net Available for Debt Service ⁽³⁾					1.12x
Maximum Annual Principal and Interest Requirements, 2027 ⁽²⁾					\$ 66,363,942
Coverage of Maximum Annual Principal and Interest Requirements by 9-30-24 Net Available for Debt Service ⁽³⁾					0.86x
Interest and Sinking Fund (as of 6-30-25)					\$ 14,207,687
Reserve Fund (as of 6-30-25)					\$ 38,718,887

(1) Excludes depreciation.

(2) Includes the Bonds. Preliminary, subject to change.

(3) The Member Cities share the cost for wastewater transportation on the basis of proportional flows. Charges are based on current budgeted expenditures and are allocated to each Member City at the beginning of the year based on estimated flows (subject to certain minimums). At the end of the year the actual cost of each Member City is determined based on actual flows (subject to certain minimums) and final billing adjustments are applied accordingly. See "Annual Requirement" in "Summary of Certain Provisions of the Regional Wastewater System" herein.

TABLE 2 – SCHEDULE OF REVENUES – EXISTING WASTEWATER SYSTEM CONTRACTS

	Fiscal Year Ended September 30,					
	2024		2023		2022	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
<u>Member City</u>						
Allen	\$ 6,470,326	6.27%	\$ 6,520,948	7.11%	\$ 6,553,551	7.99%
Forney	4,326,965	4.19%	3,848,836	4.19%	3,162,118	3.85%
Frisco	5,161,586	5.00%	4,787,286	5.22%	4,674,081	5.70%
Heath	2,874,588	2.78%	2,100,797	2.29%	993,931	1.21%
McKinney	18,856,602	18.27%	15,892,033	17.32%	14,787,089	18.03%
Melissa	2,234,830	2.17%	1,550,526	1.69%	1,097,053	1.34%
Mesquite	12,888,856	12.49%	12,653,646	13.79%	11,408,632	13.91%
Plano	28,981,803	28.08%	25,572,817	27.87%	22,583,258	27.53%
Princeton	2,122,941	2.06%	1,622,546	1.77%	1,091,635	1.33%
Prosper	1,866,795	1.81%	1,610,796	1.76%	1,465,971	1.79%
Richardson	12,238,887	11.86%	11,099,476	12.10%	9,413,130	11.48%
Rockwall	3,737,485	3.62%	3,035,745	3.31%	3,297,117	4.02%
Seagoville	1,458,769	1.41%	1,462,406	1.59%	1,502,761	1.83%
Total	<u>\$ 103,220,433</u>	<u>100.00%</u>	<u>\$ 91,757,858</u>	<u>100.00%</u>	<u>\$ 82,030,329</u>	<u>100.00%</u>

PENSION PLAN

The District provides a Retirement Plan for Employees of North Texas Municipal Water District (the Plan), a single employer defined benefit pension plan, for all of its eligible full-time employees. Prior to May 1, 1990, the Plan was funded by an Aetna Group Annuity Contract, a deferred annuity contract between Aetna Life Insurance Company and the District. All benefits accrued prior to May 1, 1990 remain guaranteed. Effective May 1, 1990, the Plan's method of funding changed from a deferred annuity basis to a defined benefit fund basis. The Plan is administered by the District's Executive Director/General Manager. The Plan does not currently issue separate financial statements, however the Plan issues separate financial statements prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (GAAP). The most recently issued financial statements were for the year ended December 31, 2024. An employee will become a participant in the Plan on the date of full-time employment. Prior to the 2023 plan year, the District's funding policy was based on an annually Actuarially Determined Contributions (ADC) sufficient to fund the Normal Cost under the Entry Age Normal (EAN) funding method and a level dollar amortization of the Unfunded Accrued Liability (UAL) over a closed 30-year period that began January 1, 2014. In 2023, the District adopted a new funding policy effective with the January 1, 2023 valuation. The new funding policy requires an annual ADC sufficient to fund the sum of the Normal Cost under the EAN funding method and a level percentage of pay amortization of the UAL utilizing a closed period, layered approach. The UAL as of January 1, 2024 is being amortized as a level percentage of pay over a closed period of 20 years. Future years' amortization payments will be composed of annual layers amortized over closed periods between 15-20 years, depending on the source of the UAL. For the Plan year ended December 31, 2024, the District made contributions of \$13,471,420, which represents 18.4% of annual covered payroll. These contributions were based on actuarially determined contribution requirements through an actuarial valuation performed on January 1, 2024. For the fiscal year ended September 30, 2024, the District made contributions of \$13,700,000 of which contributions subsequent to the measurement date through September 30, 2024, were \$10,274,987.

See "APPENDIX A – EXCERPTS FROM THE ANNUAL FINANCIAL REPORT – Note 10 – Retirement Plan" for a more detailed discussion of the Plan, and in "FINANCIAL SECTION – Required Supplementary Information- Pension & OPEB Trend Information (Unaudited)" in Appendix A.

OTHER POST-EMPLOYMENT BENEFITS

The District's defined benefit other postemployment benefits (OPEB) plan provides OPEB in the form of health and dental insurance benefits for certain retirees and their spouses up to age 65 through a single-employer defined medical plan. These benefits are funded 100 percent by the District for the currently eligible retirees and their spouses, if the retiree had 20 years of District service. For those with less than 20 years of service, the retiree receives a 5% discount off of the total cost of the premium for each year of District service they have. A third-party administrator is utilized to provide claims administration and the District pays claims directly to the insurance provider. Insurance is purchased to provide specific stop loss and aggregate stop loss protection.

See "APPENDIX A – EXCERPTS FROM THE ANNUAL FINANCIAL REPORT – Note 14 – Other Postemployment Benefits" for a more detailed discussion of the Plan, and in "FINANCIAL SECTION – Required Supplementary Information- Pension & OPEB Trend Information (Unaudited)" in Appendix A.

The District does not issue separate audited financial statements for its plan.

DEBT INFORMATION

TABLE 3 - DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt ⁽¹⁾			The Bonds ⁽²⁾			Total Outstanding Debt	Percent of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total		
2025	\$ 24,195,000	\$ 13,220,822	\$ 37,415,822	\$ -	\$ -	\$ -	\$ 37,415,822	
2026	29,710,000	13,594,984	43,304,984	4,500,000	8,379,296	12,879,296	56,184,280	
2027	34,975,000	12,824,949	47,799,949	4,560,000	14,003,993	18,563,993	66,363,942	
2028	35,705,000	12,094,418	47,799,418	4,785,000	13,775,993	18,560,993	66,360,410	
2029	33,105,000	11,330,359	44,435,359	5,025,000	13,536,743	18,561,743	62,997,101	15.59%
2030	31,190,000	10,699,462	41,889,462	5,275,000	13,285,493	18,560,493	60,449,955	
2031	31,720,000	10,153,742	41,873,742	5,540,000	13,021,743	18,561,743	60,435,485	
2032	31,265,000	9,626,757	40,891,757	5,815,000	12,744,743	18,559,743	59,451,499	
2033	31,800,000	9,122,155	40,922,155	6,110,000	12,453,993	18,563,993	59,486,148	
2034	30,595,000	8,593,962	39,188,962	6,415,000	12,148,493	18,563,493	57,752,454	32.00%
2035	31,135,000	8,096,456	39,231,456	6,735,000	11,827,743	18,562,743	57,794,198	
2036	31,700,000	7,577,362	39,277,362	7,070,000	11,490,993	18,560,993	57,838,355	
2037	32,305,000	7,071,551	39,376,551	7,425,000	11,137,493	18,562,493	57,939,044	
2038	32,935,000	6,577,319	39,512,319	7,795,000	10,766,243	18,561,243	58,073,561	
2039	33,605,000	6,059,251	39,664,251	8,185,000	10,376,493	18,561,493	58,225,743	49.56%
2040	34,290,000	5,536,810	39,826,810	8,595,000	9,967,243	18,562,243	58,389,052	
2041	35,020,000	4,972,066	39,992,066	9,025,000	9,537,493	18,562,493	58,554,558	
2042	35,780,000	4,394,240	40,174,240	9,475,000	9,086,243	18,561,243	58,735,482	
2043	36,590,000	3,785,357	40,375,357	9,915,000	8,647,550	18,562,550	58,937,907	
2044	37,425,000	3,168,951	40,593,951	10,385,000	8,176,588	18,561,588	59,155,538	69.57%
2045	38,300,000	2,506,522	40,806,522	10,880,000	7,683,300	18,563,300	59,369,822	
2046	36,060,000	1,828,970	37,888,970	11,395,000	7,166,500	18,561,500	56,450,470	
2047	29,015,000	1,246,870	30,261,870	11,965,000	6,596,750	18,561,750	48,823,620	
2048	26,130,000	920,761	27,050,761	12,565,000	5,998,500	18,563,500	45,614,261	
2049	26,480,000	706,577	27,186,577	13,190,000	5,370,250	18,560,250	45,746,827	88.64%
2050	24,380,000	483,563	24,863,563	13,850,000	4,710,750	18,560,750	43,424,313	
2051	2,810,000	328,939	3,138,939	14,545,000	4,018,250	18,563,250	21,702,189	
2052	1,710,000	245,569	1,955,569	15,270,000	3,291,000	18,561,000	20,516,569	
2053	1,765,000	187,429	1,952,429	16,035,000	2,527,500	18,562,500	20,514,929	
2054	1,825,000	127,242	1,952,242	16,835,000	1,725,750	18,560,750	20,512,992	98.27%
2055	1,890,000	64,827	1,954,827	17,680,000	884,000	18,564,000	20,518,827	100.00%
	<u>\$ 845,410,000</u>	<u>\$ 177,148,238</u>	<u>\$ 1,022,558,238</u>	<u>\$ 286,840,000</u>	<u>\$ 264,337,113</u>	<u>\$ 551,177,113</u>	<u>\$ 1,573,735,351</u>	

(1) Does not include the \$400 million Extendable Commercial Paper Program ("ECP"). Payments due under the ECP are subordinate to the Parity Bonds.

(2) Average life of the issue – 18.573 Years. Interest on the Bonds has been calculated at the average rate of 4.92% for purposes of illustration. Preliminary, subject to change.

ANTICIPATED ISSUANCE OF DEBT . . . The District anticipates issuing approximately \$310 million of Regional Wastewater System Bonds over the next 12 months.

SUBORDINATE LIEN EXTENDABLE COMMERCIAL PAPER BONDS . . . The District has authorized the issuance of its \$400,000,000 Regional Wastewater System Revenue Bonds – Extendible Commercial Paper Mode (the "ECP Bonds") pursuant to a Master Resolution adopted by the Board on May 27, 2021 ("the "Master ECP Resolution"), as amended by the Amending Resolution on March 23, 2023 (the "Amending Resolution," and together with the Master Resolution, the "ECP Resolution"). The ECP Bonds are special obligations of the District, and the payment of the principal of and interest on the ECP Bonds are secured by and payable from a lien on and pledge of the Pledged Revenues, together with any additional revenues, income, grants, donations or other resources received or to be received from any public or private source, which in the future may, at the option of the District be pledged to the payment of the Parity Bonds and the ECP Bonds, created in the ECP Resolution; **provided that the lien on and pledge of Pledged Revenues securing the ECP Bonds is expressly made junior and subordinate to the lien on and pledge of Pledged Revenues securing Parity Bonds.** The ECP Bonds are and shall be secured by and payable only from a subordinate lien on the Pledged Revenues and from the proceeds from the sale of ECP Bonds to refinance maturing ECP Bonds (i.e., "roll"). The District has elected not to enter into any liquidity agreements at this time, and the ECP Bonds are not supported by any liquidity facility. Upon issuance of the Bonds and the refunding of the Refunded ECP, the District will have no currently outstanding ECP Bonds.

**SUMMARY OF CERTAIN PROVISIONS OF THE
TRINITY EAST FORK REGIONAL WASTEWATER SYSTEM CONTRACT**

The District entered into an Initial Contract, dated October 1, 1975 ("Initial Contract"), with the Cities of Mesquite and Plano, Texas and subsequent substantially similar contracts (the Initial Contract and subsequent contracts, collectively, "the Contract") with the Cities of McKinney, Allen, Forney, Frisco, Princeton, Heath, Richardson, Prosper, Seagoville, Rockwall and Melissa (collectively "the Member Cities"), which provide for the establishment, acquisition, construction, operation, maintenance, extension and enlargement of the Trinity East Fork Regional Wastewater System. Pursuant thereto the District agrees to issue Bonds from time to time as required, to provide facilities to adequately receive, transport, treat and dispose of the Member Cities' wastewaters.

The following statements summarize certain portions of the Contract and do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the Contract, a copy of which is available from the District's financial advisor.

Facilities. In order to provide services for receiving, transporting, treating, and disposing of Wastewater for Member Cities, the District will design, acquire, construct, and complete the System, and will operate and maintain the System, and from time to time enlarge, improve, repair, replace, and/or extend the System to provide service to the Cities and to Additional Member Cities. The District shall provide, manage, operate, and maintain the System in such manner as it determines is necessary for providing adequate, efficient, and economical service to Member Cities, and shall have the right to provide single plants, multiplants, or combine two or more plants, and to use or discontinue the use of any facilities of the System as District deems necessary.

Discharge. Each of the Cities of Plano, Mesquite, Allen, McKinney, Forney, Princeton, Heath, Seagoville, Rockwall and Melissa has the right to discharge all of their Wastewater from their sewer systems into District's System, provided that such Wastewater meets the requirements for quantity and quality as set forth in the Contract. Richardson has the right to discharge all of its Wastewater from the Spring Creek, Rowlett Creek, and Duck Creek drainage areas, within the boundaries of Richardson; but Richardson shall not have the right to discharge any other Wastewater into the District's System. The City of Frisco has the right to discharge only such wastewater as originates within those portions of the Rowlett Creek and White Rock Creek drainage basins located within the municipal boundaries of Frisco existing on the date of its Contract with the District, November 16, 1996. Prosper has the right to discharge up to 4,960,000 gallons per day from its sewer system into the District's System.

Financing. District will issue its Bonds, in amounts and at times as determined by the District, to provide the System.

Annual Requirement. Payments to be made under the Contract, and similar contracts with Additional Member Cities will be the only source available to District to provide the Annual Requirement. The District has a statutory duty to establish and from time to time revise the charges for services to be rendered and made available to Member Cities so that the Annual Requirement shall at all times be no less than an amount sufficient to pay or provide for the payment of:

- (a) An "Operation and Maintenance Component" equal to the amount paid or payable for all Operation and Maintenance Expense; and
- (b) A "Bond Service Component" equal to:
 - (1) the principal of, redemption premium, if any, and interest on, its Bonds, as such principal, redemption premium, if any, and interest become due, less interest to be paid out of Bond proceeds if permitted by any Bond Resolution; and
 - (2) during each Fiscal Year, the proportionate part of any special or reserve funds required to be established and/or maintained by the provisions of any Bond Resolution; and
 - (3) an amount in addition thereto sufficient to restore any deficiency in any of such funds required to be accumulated and maintained by the provisions of any Bond Resolution; and
 - (4) the charge of paying agents or paying agent/registrars for paying principal of, redemption premium, if any, and interest on, all Bonds.

Payments by Member Cities. (a) For services to be rendered to each Member City by District under the Contract each Member City has agreed to pay its proportionate share of the Annual Requirement, which shall be determined as hereafter described and shall constitute a Member City's Annual Payment or Adjusted Annual Payment. For each Fiscal Year each Member City's proportionate share of the Annual Requirement shall be a percentage obtained by dividing such Member City's estimated contributing flow to the System by the total estimated contributing flow to the System by all Member Cities during such Fiscal Year. The terms "contributing flow to the System" and "contributing flow" as used in the contract with respect to any Fiscal Year shall mean (i) the actual metered contributing flow of a Member City or, (ii) as to Richardson, Allen, McKinney, Forney, Frisco, Heath, Mesquite, Rockwall, Plano, Princeton, Prosper and Seagoville and any subsequent Additional Member City, any minimum annual contributing flow for which it has agreed to pay, whichever of the foregoing (i) or (ii) is the greater; provided that the minimum annual contributing flow for which Richardson, Allen, McKinney, Forney, Frisco, Heath, Mesquite, Rockwall, Plano, Princeton, Prosper, Seagoville have agreed to pay shall be calculated as provided in their respective contract. Each Member City's Annual Payment shall be calculated by the District by multiplying such Member City's estimated percentage of the estimated total contributing flow times the Annual Requirement. Each Member City's Annual Payment shall be made to

District in monthly installments, on or before the twentieth (20th) day of each month, for its required part of the Annual Requirement for each Fiscal Year. Such payments shall be made in accordance with a Schedule of Payments for each Fiscal Year which will be supplied to each Member City. At the close of each Fiscal Year, District shall redetermine each Member City's percentage by dividing each Member City's contributing flow to the System by the total contributing flow of all Member Cities. Each Member City's Adjusted Annual Payment shall be calculated by multiplying each Member City's redetermined percentage times the Annual Requirement. The difference between the Adjusted Annual Payment and the Annual Payment, if any, when determined, shall be applied as a credit or a debit to each Member City's account with District and shall be credited or debited to such Member City's next subsequent monthly payment or payments. For each Fiscal Year the District may fix and collect each Member City's Annual Payment and Adjusted Annual Payment on the basis set forth above, or, at its sole option and within its discretion, may fix and collect each Member City's Annual Payment and Adjusted Annual Payment on the sole basis of contributing flow. In such case each Member City agrees to pay its Annual Payment and Adjusted Annual Payment solely on the basis of contributing flow, without regard to debits or credits for any Direct Cost, except for any Additional Member City entitled to pay on a Direct Cost basis for a temporary period. If the District, at its option changes the method of making Annual Payments and Adjusted Annual Payments to a contributing flow basis, such basis shall then become the permanent method, and it shall not thereafter be changed. It is further provided, however, that if in any contract with a subsequent Additional Member City the District agrees to provide new or additional facilities to serve such Additional Member City, then such contract may provide that during the temporary period until the end of the Fiscal Year during which such new or additional facilities are placed in operations (but in no event later than the end of the third Fiscal Year following the execution of the contract) such subsequent Additional Member City's Adjusted Annual Payment shall be further adjusted by credits or debits according to its Direct Cost, in the same manner as if, with respect to such Additional Member City, the District were operating on a Direct Cost Basis, even though the District actually has changed to a contributing flow basis for the other Member Cities. As used in the contract the term "Direct Cost" shall mean the following:

- (1) that part of the annual Operation and Maintenance Component of the Annual Requirement which is attributable to any local Wastewater Facilities of a Member City which are acquired, operated, or used by the District as a part of the System, and any new and additional facilities of the System provided and designated by the District to serve such Member City, less any amount thereof attributable to the use of any part of said facilities for the benefit of any other Member City or Cities, and
 - (2) that part, if any, of the Bond Service Component of each Annual Requirement which is attributable to any Bonds issued to acquire or improve any existing Local Wastewater Facilities of such Member City or to provide all or any part of any new and additional facilities for the System provided and designated by the District to serve such Member City, and
 - (3) a percentage of that part, if any, of the Bond Service Component of each Annual Requirement attributable to any other Bonds issued to provide any other facilities for the System equal to the percentage of actual use by such Member City of any such facilities during that Fiscal Year.
- (b) Monthly payments by Member Cities, as set forth in each Schedule of Payments, shall be in the following amounts:
- (i) the amount necessary to provide the Bond Service Component of the Annual Requirement so as to enable the District to make all payments with respect to the Bonds when due; and
 - (ii) such amounts as will cause the District to have on hand, on or before the twentieth (20th) day of each month, an amount not less than 1/6th of the then current Annual Budget required for Operation and Maintenance Expenses.
- It is specifically covenanted and agreed that each Member City shall pay its Annual Payment and Adjusted Annual Payment calculated as provided in this section, and that the Annual Payment shall be its appropriate percentage based on contributing flow or Direct Cost, whichever is the greater; provided that such Member City is entitled to receive if and when available any credit provided for herein during any Fiscal Year when the provisions relating to Direct Cost are applicable and in effect. If a Member City fails to pay its monthly charge on or before the twentieth (20th) day of any month, it shall incur and pay a penalty of ten percent of the amount due together with any legal or other costs incurred by the District in collecting the amount due. District is authorized to discontinue service to any Member City which fails to make any monthly payment, and which, after written notice, does not make such payment.
- (c) If, during any Fiscal Year, District begins providing services to an Additional Member City or Cities, each Member City's Annual Payment for such Fiscal Year shall be redetermined consistent with the provisions of the Contract.
- (d) Each Member City's Annual Payment also shall be adjusted and redetermined for the balance of any applicable Fiscal Year, consistent with the provisions of the Contract, and initially based on estimated contributing flow, at any time during any Fiscal Year if:
- (i) Additions, enlargements, repairs, extensions, or improvements to the System are placed in service by District which require an increase and redetermination of the Annual Requirement; or
 - (ii) Unusual or extraordinary expenditures for operation and maintenance of the System are required which are not provided for in the Annual Budget or in a Bond Resolution; or

- (iii) A Member City's contributing flow to the System, after the beginning of the Fiscal Year, is estimated to be substantially different from that on which Annual Payments are based as determined by District, to the extent that such difference in flow will substantially affect such Member City's Budget, and consequently such Member City's Annual Payment to District; or
- (iv) The District issues additional Bonds, the payments in connection with which require an increase and redetermination of the Annual Requirement; or
- (v) It appears to the District that for any other reason it will not receive the full amount of the Annual Requirement unless such adjustment and redetermination are made.
- (e) The District shall give all Member Cities at least 21 days written notice prior to consideration by the Board of Directors of the District of making any Adjusted Annual Payment for any Member City during any Fiscal Year.
- (f) The Annual Payment set forth in this section shall be considered the Basic Charge for service hereunder, and each Member City shall pay a surcharge for excess BOD and/or SS, and for excessive discharge, as set forth in the Contracts.
- (g) The Operation and Maintenance Component of the Annual Requirement allocable to such Member City shall be determined finally by the contributing flow and/or the Direct Cost of each Member City, as provided above. However, notwithstanding any other provisions of the contract to the contrary, the Bond Service Component of the Annual Requirement shall be allocated to each Member City, including each Additional Member City, and shall be computed and paid during each Fiscal Year as part of its Annual Payment and Adjusted Annual Payment, either (1) on the basis of the amount of such Member City's contributing flow into the System or (2) its Direct Cost during any such Fiscal Year when the provisions of the contract relating to Direct Cost are applicable and in effect, or (3) on the basis of the amount of such Member City's contributing flow in the System during the Fiscal Year in which such Member City's contributing flow in the System was the greatest, or (4) as to Richardson, Allen, McKinney, Forney, Frisco, Heath, Mesquite, Rockwall, Plano, Princeton, Prosper, Seagoville, Melissa, and any subsequent Additional Member City, on the basis of the amount of any minimum flows for which it has agreed to pay in the contract or any contract similar to the Contract, whichever of the foregoing amount (1), (2), (3), or (4) is the greatest; provided that each Member City is entitled to receive, if and when available, any credit provided for during any Fiscal Year when the provisions of the contract relating to Direct Cost are applicable and in effect. It is the intention hereof that the Bond Service Component allocable to each Member City and to be paid by each Member City shall be computed for each Fiscal Year in such manner that no reduction will be allowed to a Member City because the amount of its actual contributing flow to the System is reduced below a previous high, or because the amount of its actual contributing flow is less than the amount of any minimum flow for which it has agreed to pay, subject to the foregoing provisions relating to Direct Cost.
- (h) The facilities and services of the System to be provided to each Member City pursuant to the Contracts are and will be essential and necessary to the operation of each City's combined waterworks and sanitary sewer system, and all payments to be made thereunder will constitute reasonable and necessary "operating expenses" of its combined waterworks and sanitary sewer system, within the meaning of Section 150.056(c) Texas Government Code (formerly Vernon's Article 1113), and the provision of all ordinances authorizing the issuance of all waterworks and sanitary sewer system revenue bond issues of each Member City, with the effect that the obligation to make payments from its waterworks and sanitary sewer system revenues under the Contracts shall have priority over its obligations to make payments of the principal of and interest on any and all of its waterworks and sanitary sewer system revenue bonds. Each Member City agrees to fix and collect such rates and charges for waterworks and sanitary sewer system services to be supplied by its waterworks and sanitary sewer system as will make possible the prompt payment of all expenses of operating and maintaining its entire waterworks and sanitary sewer system, including all payments, obligations, and indemnities contracted hereunder, and the prompt payment of the principal of and interest on its bonds payable from the net revenues of its waterworks and sanitary sewer system. The District shall never have the right to demand payment of the amounts due under the Contracts from funds raised or to be raised from taxation. Each Member City's payments thereunder shall be made pursuant to the authority granted by Section 30.030 of the Texas Water Code and the District Act, as well as Section 1502.056(c) Texas Government Code (formerly Vernon's Article 1113). Recognizing the fact that each Member City urgently requires the facilities and services covered by the Contracts, and that such facilities and services are necessary for actual use and for stand-by purposes; and further recognizing that the District will use the payments received hereunder to pay, secure, and finance the issuance of its Bonds, each Member City shall be obligated unconditionally, and without offset or counterclaim, to make the payments designated as the "Bond Service Component" of the Annual Requirement, in the manner provided in the Contracts, regardless of whether or not the District actually provides such facilities and services, or whether or not any Member City actually receives or uses such facilities and services, and regardless of the validity or performance of the other parts of the Contract, and such "Bond Service Component" shall in all events be applied and used for providing debt service and other requirements of the Bonds, and the holders of the Bonds shall be entitled to rely on the foregoing agreement and representation, regardless of any other agreement between the District and any Member City. Each Member City further agrees that it shall be obligated to make the payments designated as the "Operation and Maintenance Component" of the Annual Requirement as described in the Contract, so long as the District is willing and able to provide the facilities and services contemplated thereunder.
- (i) On or before August 1 of each year District will furnish each Member City with a tentative budget and an estimated schedule of monthly payments to be made by such Member City for the ensuing Fiscal Year. On July 1 of each year, the District shall be in a position to furnish any Member City an estimate of the City's annual requirement. On or before October 1 of each year, District shall furnish such Member City with a finalized schedule of the monthly payments to be made by such Member City to the District for the ensuing Fiscal Year. Each Member City agrees that it will make such payments to the District on or

before the twentieth (20th) day of each month of such Fiscal Year. If any Member City shall dispute the Annual Budget, and proceed as provided in the Contracts, such Member City nevertheless promptly shall make the payment or payments determined by District, and if it is subsequently determined by agreement that such disputed payments made by such Member City should have been less, District shall promptly revise, reallocate, and readjust the charges among all Member Cities then being served by District in such manner that such Member City will recover its overpayment. In the event any Member City is assessed a surcharge for excess BOD and/or SS, District will bill such Member City for such surcharge on or before the tenth (10th) day of the month following the determination of the surcharge and such Member City shall pay such surcharge on or before the twentieth (20th) day of the month of receipt of the month of receipt of any such bill. Any such surcharge collected by District shall be applied by District against the total cost of Operation and Maintenance Expense of the System.

(j) If any Member City's Annual Payment is redetermined as provided, District will promptly furnish such Member City with an updated schedule of monthly payments reflecting such redetermination.

(k) All interest income earned by the investment of any Funds created pursuant to any Bond Resolution shall be credited towards the payment of the Bond Service Component and taken into account in determining the Annual Requirement; except that as to any Acquisition or Construction Fund created from any Bond proceeds all interest income earned by the investment thereof may, at the option of the District, be credited to such Acquisition or Construction Fund and used for the System purposes for which the Bonds are issued, or be credited towards the payment of the Bond Service Component.

Use of Other Revenues of System. (a) If the District receives any net income from the sale of treated Wastewater from the System prior to its discharge into a public stream of the State of Texas, the District will apply and credit said net income towards payments of Operation and Maintenance Expenses.

(b) Notwithstanding any other provisions of the Contract, the District may provide any excess available capacity or service of the System to any person, as defined by the Texas Water Code, provided that such service does not interfere with or impair the rights of any Member City under the Contract, and any such service shall in all events be subordinate and subject to such rights; and provided further that the District must charge for such service in amount at least sufficient to pay all operation and Maintenance Expense attributable thereto plus an amount which will produce an estimated reasonable allocation as determined by the District, plus an additional amount of not less than 20% of the foregoing to cover prior incurred costs, to be credited to the Bond Service Component of the Annual Requirement. The District is not authorized to issue Bonds, as defined in the Contracts, to provide the services of the System to any persons other than Member Cities.

Initial Facilities of the System. (a) Immediately after execution of the Initial Contract, the District established the System initially to consist of facilities at Mesquite and Plano.

(b) As permitted and authorized by the Texas Water Code, and other provisions of law, the District, Mesquite and Plano agreed in the Initial Contract that the Initial Contract would constitute an operating agreement with respect to the treatment and disposal facilities which existed on the date of the Initial Contract (the "Initial Facilities") and which on the date of the Initial Contract constituted a part of the Local Wastewater Facilities of Mesquite and Plano, respectively:

The District under the Initial Contract agreed to manage, administer, operate, maintain, and use the Initial Facilities as part of the System, subject to the provisions and during the term of the Initial Contract, and in consideration thereof, the District agreed to pay to Mesquite, certain annual amounts through the fiscal year ending September 30, 1995, and to Plano, certain annual amounts through the fiscal year ending September 30, 1998.

(c) Such payments constituted a part of the fixed Operation and Maintenance Expenses of the System, and the District included such amount in each Annual Budget, to be paid, along with all other items of Operation and Maintenance Expense, according to the formulae and methods provided in the Initial Contract and the contract for the payment of the Annual Requirement.

Annual Audit of System. The District shall, at the close of each Fiscal Year, cause an Annual Audit of the System to be performed.

District Contracts with Additional Member Cities. (a) The District reserves the right to contract with Additional Member Cities to provide the services of the System to such Additional Member Cities; provided that the terms and provisions of such contracts with Additional Member Cities shall be, to the extent practicable and applicable, the same as the terms and provisions of the contracts, except that with respect to any Local Wastewater Facilities of such Additional Member City which are to be acquired, operated, or used by the District as a part of the System as a result of such contract, the District and the Additional Member City may agree in such contract for mutually acceptable payments in connection therewith from Bond proceeds or as an Operation and Maintenance Expense of the System (provided that in any formula used for determining such payments, the value attributed to such Local Wastewater Facilities shall not exceed a sum equal to the principal amount of all then outstanding bonds or other obligations issued by the Additional Member City to acquire and construct such Local Wastewater Facilities), and except that such contract shall provide for payments calculated on the basis of adequate minimum flows as hereinafter provided. All Member Cities shall be bound by the contracts and the similar contracts with Additional Member Cities. The District shall not enter into contracts for any services by the System except with cities which become Member Cities, or as otherwise provided in the contracts.

- (b) A city may become an Additional Member City in the following manner and under the following conditions:
- (i) A formal request must be submitted to the District furnishing information on the area to be served, a description of existing facilities, and the latest annual audit of such proposed Additional Member City's waterworks and/or sewer systems, if any.
 - (ii) Such proposed Additional Member City must provide funds for any necessary engineering studies if funds are not available from the appropriate Federal or State agencies. The preliminary studies must determine or estimate, for the ensuing five year period, the size and type of any proposed facilities, their estimated cost, and estimated flows of Wastewater, so as to enable the District to ascertain or estimate the requirements of the proposed Additional Member City for the ensuing five year period.
 - (iii) After all preliminary data is developed; the Board of Directors of the District shall call a hearing and notify all Member Cities to review the request of the proposed Additional Member City. The Board of Directors of the District then shall determine if the proposed Additional Member City shall become a Member City.
- (c) Each Additional Member City must agree to make minimum payments under its Contract, on the basis of estimated annual minimum flows, that would provide amounts annually at least sufficient, as determined by the District, to pay:
- (i) all of the annual Operation and Maintenance Component of the Annual Requirement which is attributable to any Local Wastewater Facilities of such Additional Member City which are to be acquired, operated, used, or improved by the District as part of the System and any other new and additional facilities of the System provided and designated by the District to serve such Member City, less any amount thereof attributable to the use of any part of said facilities for the benefit of any other Member City or Cities, and
 - (ii) an amount (to be credited and applied to the Bond Service Component of each Annual Requirement), at least equal to:
 - (I) all of that part of the Bond Service Component of each Annual Requirement attributable to Bonds issued to acquire or improve any existing Local Wastewater Facilities of such Additional Member City to be a part of the System, and all Bonds issued within five years from the date of such contract to provide any other new and additional facilities for the System to serve such Additional Member City, plus
 - (II) a percentage of the Bond Service Component of each future Annual Requirement for all then outstanding Bonds equal to the then estimated percentage of use by such proposed Additional Member City of any portion of the then existing System, plus
 - (iii) an annual amount (to be credited to the Bond Service Component of the Annual Requirement and/or to the Operation and Maintenance Component of the Annual Requirement, at the option of the District) as estimated and determined by the District to equalize the previous capital cost (including the cost of previously constructed excess capacity) of facilities to be used to provide service to the Additional Member City.

Additional Capacity and Facilities. As the responsible agency for the establishment, administration, management, operation, and maintenance of the System, the District will, from time to time, determine when and to what extent it is necessary to provide additions, enlargements, improvements, repairs, and extensions to the System to receive, transport, treat, and dispose of Wastewater of any Member Cities, including all Additional Member Cities, and to issue its Bonds to accomplish such purposes, and all Member Cities, including Additional Member Cities, shall be obligated to pay both the Operation and Maintenance Component and the Bond Service Component included in the Annual Requirement with respect to the entire System, as expanded.

Term of Contract. The Contract shall continue in force from the effective date thereof at least until all Bonds, including any Bonds issued to refund same shall have been paid in full; and shall also remain in force thereafter throughout the useful life of the System.

SELECTED PROVISIONS OF THE BOND RESOLUTION

The following statements summarize certain portions of the Bond Resolution to be adopted by the Board of Directors authorizing the issuance, sale and delivery of the Bonds and do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the Resolution. As used in this Summary, the term "Issuer" refers to the District as otherwise defined in this Official Statement.

ADDITIONAL DEFINITIONS. As used in this Resolution the following terms shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

The term "Additional Bonds" shall mean the additional parity revenue bonds permitted to be authorized in the future in this Resolution.

The term "Board" shall mean the Board of Directors of the Issuer, being the governing body of the Issuer, and it is further resolved that the declarations and covenants of the Issuer contained in this Resolution are made by, and for and on behalf of the Board and the Issuer, and are binding upon the Board and the Issuer for all purposes.

The terms "Bond Resolution" and "Resolution" mean this resolution authorizing the Bonds.

The term "Bonds" means collectively the Initial Bond as described and defined in Section 1 of this Resolution, and all substitute bonds exchanged therefor as well as all other substitute and replacement bonds issued pursuant to this Resolution.

The term "Contract" shall mean collectively the Trinity East Fork Regional Wastewater Contract dated as of October 1, 1975, among the Issuer and the City of Mesquite, in Dallas County, Texas, and the City of Plano, in Collin County, Texas, the City of Richardson-Trinity East Fork Regional Wastewater System Contract, dated as of January 9, 1978, and amended as of December 1, 1985, between the Issuer and the City of Richardson, in Dallas and Collin Counties, Texas, the City of Allen-Trinity East Fork Regional Wastewater System Contract, dated as of August 24, 1978, between the Issuer and the City of Allen, in Collin County, Texas, the City of McKinney - Trinity East Fork Regional Wastewater System Contract, dated as of August 29, 1979, between the Issuer and the City of McKinney, in Collin County, Texas, the City of Forney - Trinity East Fork Regional Wastewater System Contract, dated as of February 22, 1990, between the Issuer and the City of Forney, in Kaufman County, Texas, the City of Frisco - Trinity East Fork Regional Wastewater System Contract, dated as of November 19, 1996, between the Issuer and the City of Frisco, in Collin and Denton Counties, Texas, the City of Princeton - Trinity East Fork Regional Wastewater System Contract, dated as of November 26, 1996, between the Issuer and the City of Princeton, in Collin County, Texas, the City of Rockwall - Trinity East Fork Regional Wastewater System Contract, dated as of March 29, 2001, between the Issuer and the City of Rockwall, in Rockwall County, Texas, the City of Heath - Trinity East Fork Regional Wastewater System Contract, dated as of March 29, 2001, between the Issuer and the City of Heath, in Rockwall County, Texas, the Town of Prosper - Trinity East Fork Regional Wastewater System Contract, dated as of February 24, 2004, between the Issuer and the Town of Prosper, in Collin and Denton Counties, Texas, the City of Seagoville - Trinity East Fork Regional Wastewater System Contract, dated as of February 24, 2005, between the Issuer and the City of Seagoville, in Dallas and Kaufman Counties, Texas, and the City of Melissa - Trinity East Fork Regional Wastewater System Contract dated as of April 1, 2019, between the City of Melissa and the Issuer together with all similar contracts which may be executed in the future between the Issuer and Additional Member Cities, as defined and permitted in the aforesaid contracts.

The terms "District" and "Issuer" shall mean North Texas Municipal Water District.

The terms "District's System", "Issuer's System", and "System" shall mean all of the Issuer's facilities acquired, constructed, used, or operated by the Issuer for receiving, transporting, treating, and disposing of Wastewater of and for Member Cities, pursuant to the Contract, including the contracts with Additional Member Cities (but excluding any facilities acquired or constructed with "Special Facilities Bonds" as hereinafter described, and excluding any facilities required to transport Wastewater to any Point of Entry of the System), together with any improvements, enlargements, or additions to said System facilities and any extensions, repairs, or replacements of said System facilities acquired, constructed, used, operated, or otherwise incorporated into or made a part of said System facilities in the future by the Issuer. Said terms shall include only those facilities which are acquired, constructed, used, or operated by the Issuer to provide service to Member Cities pursuant to the Contract, including the contracts with Additional Member Cities, and which, as determined by the Issuer, can economically and efficiently provide service to Member Cities. Said terms do not include any Issuer facilities which provide Wastewater services of any kind to cities, political subdivisions, or persons which are not Member Cities, nor do they in any way include or affect the Issuer's water supply system. Said terms do not include any facilities acquired or constructed by the Issuer with the proceeds from the issuance of "Special Facilities Bonds", which are hereby defined as being revenue obligations of the Issuer which are not secured by or payable from Annual Payments under the Contract, including the contracts with Additional Member Cities, but which are payable solely from other sources; but Special Facilities Bonds may be made payable from payments from any person, including any Member City, under a separate contract whereunder the facilities to be acquired or constructed are declared not to be part of the System and are not made payable from the Annual Payments as defined in the Contract, including the contracts with Additional Member Cities.

The term "Gross Revenues of the System" shall mean all of the revenues, income, rentals, rates, fees, and charges of every nature derived by the Board or the Issuer from the operation and/or ownership of the System, including specifically all payments constituting the "Annual Requirement" (consisting of the "Operation and Maintenance Component" and the "Bond Service

Component"), and all other payments and amounts received by the Board or the Issuer from the Member Cities pursuant to the Contract, including any contracts with Additional Member Cities.

The term "Member Cities" shall mean collectively the City of Mesquite, in Dallas County, Texas, the City of Plano, in Collin County, Texas, the City of Richardson, in Dallas and Collin Counties, Texas, the City of Allen, in Collin County, Texas, the City of McKinney, in Collin County, Texas, the City of Forney, in Kaufman County, Texas, the City of Frisco, in Collin and Denton Counties, Texas, the City of Princeton, in Collin County, Texas, the City of Rockwall, in Rockwall County, Texas, the City of Heath, in Rockwall County, Texas, the Town of Prosper, in Collin and Denton Counties, Texas, the City of Seagoville, in Dallas and Kaufman Counties, Texas, and the City of Melissa, in Collin County, Texas together with all Additional Member Cities, as defined in the Contract.

The term "Net Revenues of the System" shall mean the Gross Revenues of the System less the Operation and Maintenance Expense of the System.

The term 1976 Bond Resolution shall mean the resolution adopted by the Board on May 27, 1976, authorizing the issuance of the North Texas Municipal Water District Regional Wastewater System Revenue Bonds, Series 1976, the initial issuance of bonds by the Issuer to provide the System.

The term "Operation and Maintenance Expense of the System" shall mean all costs of operation and maintenance of the Issuer's System including, but not limited to, repairs and replacements, the cost of utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, and any other supplies, services, administrative costs, and equipment necessary for proper operation and maintenance of the Issuer's System, payments made for the use or operation of any property, payments of fines, and payments made by Issuer in satisfaction of judgments or other liabilities resulting from claims not covered by Issuer's insurance or not paid by one particular Member City arising in connection with the operation and maintenance of the Issuer's System. Depreciation shall not be considered an item of Operation and Maintenance Expense.

The term "Parity Bonds" shall mean collectively the Bonds and the unpaid and unrefunded bonds out of the following described Series which will be outstanding after the issuance and delivery of the Initial Bond: North Texas Municipal Water District Regional Wastewater System Revenue Bonds, Series 2012, authorized by resolution of the Board on March 22, 2012, North Texas Municipal Water District Regional Wastewater System Revenue Bonds, Series 2013, authorized by resolution of the Board on March 28, 2013, North Texas Municipal Water District Regional Wastewater System Revenue Refunding and Improvement Bonds, Series 2015, authorized by resolution of the Board on August 27, 2015, North Texas Municipal Water District Regional Wastewater System Revenue Refunding and Improvement Bonds, Series 2016, authorized by resolution of the Board on August 25, 2016, North Texas Municipal Water District Regional Wastewater System Revenue Bonds, Series 2017, authorized by resolution of the Board on March 23, 2017, North Texas Municipal Water District Regional Wastewater System Revenue Refunding Bonds, Series 2017, authorized by resolution of the Board on November 29, 2017, North Texas Municipal Water District Regional Wastewater System Revenue Bonds, Series 2018, authorized by resolution of the Board on February 22, 2018, North Texas Municipal Water District Regional Wastewater System Revenue Bonds, Series 2019, authorized by resolution of the Board on April 25, 2019, North Texas Municipal Water District Regional Wastewater System Revenue Bonds, Series 2020, authorized by a resolution of the Board on May 28, 2020, North Texas Municipal Water District Regional Wastewater System Revenue Bonds, Series 2020A, authorized by a resolution of the Board on June 25, 2020, NTMWD Regional Wastewater System Revenue Bonds, Series 2021, authorized by a resolution of the Board on January 28, 2021 and NTMWD Regional Wastewater System Revenue Bonds, Series 2025, authorized by a resolution of the Board on April 24, 2025.

The term "Pledged Revenues" shall mean: (a) the Gross Revenues of the System and (b) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which in the future may, at the option of the Issuer, be pledged to the payment of the Parity Bonds or the Additional Bonds.

The term "year" shall mean the 12 month period beginning each October 1, or such other 12 month period hereafter established by the Issuer as a fiscal year for the purposes of this Resolution.

PLEDGE. (a) The Bonds authorized by this Resolution are hereby designated as, and shall be, "Additional Bonds" as permitted by Sections 21 and 22, respectively, of the 1976 Bond Resolution and by Sections 22 and 23, respectively, of the resolutions authorizing the Parity Bonds, and it is hereby determined, declared, and resolved that all of the Parity Bonds, including the Bonds authorized by this Resolution, are and shall be secured and payable equally and ratably on a parity, and that Sections 8 through 25 of this Resolution substantially restate and are supplemental to and cumulative of the applicable and pertinent provisions of the resolutions authorizing the issuance of the previously issued Parity Bonds, respectively, with Sections 8 through 25 of this Resolution being equally applicable to all of the Parity Bonds, including the Bonds.

(b) The Parity Bonds and any Additional Bonds, and the interest thereon, are and shall be secured by and payable from a first lien on and pledge of the Pledged Revenues, and the Pledged Revenues are further pledged to the establishment and maintenance of the Interest and Redemption Fund and the Reserve Fund as provided in this Resolution.

REVENUE FUND. There has been created and established pursuant to the 1976 Bond Resolution, and there shall be maintained at an official depository of the Issuer (which must be a member of the Federal Deposit Insurance Corporation) a separate fund to be entitled the "North Texas Municipal Water District Regional Wastewater System Revenue Bonds Revenue Fund" (hereafter called the "Revenue Fund"). All Gross Revenues of the System shall be credited to the Revenue Fund immediately upon receipt.

INTEREST AND REDEMPTION FUND. For the sole purpose of paying the principal of and interest on all outstanding Parity Bonds and any Additional Bonds, as the same come due, there has been created and established pursuant to the 1976 Bond Resolution and shall be maintained at The Bank of New York Mellon Trust Company, National Association, a separate fund to be entitled the "North Texas Municipal Water District Regional Wastewater System Revenue Bonds Interest and Redemption Fund" (hereinafter called the "Interest and Redemption Fund").

RESERVE FUND. There has been created and established pursuant to the Series 1976 Bond Resolution, and there shall be maintained at The Bank of New York Mellon Trust Company, National Association, a separate fund to be entitled the "North Texas Municipal Water District Regional Wastewater System Revenue Bonds Reserve Fund" (hereinafter called the "Reserve Fund"). The Reserve Fund shall be used solely for the purpose of finally retiring the last of the outstanding Parity Bonds and Additional Bonds, or for paying principal of and interest on any outstanding Parity Bonds and Additional Bonds, when and to the extent the amount in the Interest and Redemption Fund is insufficient for such purpose.

DEPOSITS OF PLEDGED REVENUES. The Pledged Revenues shall be deposited into the Interest and Redemption Fund and the Reserve Fund when and as required by this Resolution.

INVESTMENTS. Money in the Revenue Fund, the Interest and Redemption Fund, and the Reserve Fund established pursuant to the 1976 Bond Resolution may, at the option of the Issuer, be placed in secured time deposits or secured certificates of deposit, or be invested in direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed by such governmental agencies as the Federal Land Bank, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, United States Postal Service, Farmers Home Administration, Federal Home Loan Mortgage Association, Small Business Administration, Federal Housing Association, or Participation Certificates in the Federal Assets Financing Trust; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund will be available at the proper time or times. Such investments shall be valued in terms of current market value as of the 15th day of January of each year. Interest and income derived from such deposits and investments shall be credited to the Fund from which the deposit or investment was made. Such investments shall be sold promptly when necessary to prevent any default in connection with the Parity Bonds or Additional Bonds. No investment of any Fund shall be made in any way which would violate any provision of this Resolution, particularly with respect to any surplus in the Reserve Fund or "arbitrage bonds".

FUNDS SECURED. Money in all Funds described in this Resolution, to the extent not invested, shall be secured in the manner prescribed by law for securing funds of the Issuer, in principal amounts at all times not less than the amounts of money credited to such Funds, respectively.

DEBT SERVICE REQUIREMENTS. (a) Immediately after the delivery of the Initial Bond the Issuer shall deposit to the credit of the Interest and Redemption Fund, from the proceeds received from the sale and delivery of the Initial Bond, all accrued interest, if any, to be used to pay part of the interest coming due on the Bonds.

(b) The Issuer shall transfer from the Pledged Revenues and deposit to the credit of the Interest and Redemption Fund the amounts, at the times, as follows:

- (1) such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month hereafter as will be sufficient, together with other amounts, if any, then on hand in the Interest and Redemption Fund and available for such purpose, to pay the interest scheduled to accrue and come due on the Parity Bonds and any Additional Bonds on the next succeeding interest payment date; and
- (2) such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month hereafter as will be sufficient, together with other amounts, if any, then on hand in the Interest and Redemption Fund and available for such purpose, to pay the principal scheduled to mature and come due, and/or mandatorily required to be redeemed prior to maturity, on the Parity Bonds and any Additional Bonds on the next succeeding principal payment date or mandatory redemption date.

RESERVE REQUIREMENTS. Out of proceeds of the Bonds, there shall be deposited to the credit of the Reserve Fund an amount of money, if any, sufficient to cause the Reserve Fund to contain money and/or investments in market value equal to the average annual principal and interest requirements on all Parity Bonds which will be outstanding immediately after issuance of the Bonds (the "Required Amount"). So long as the money and investments in the Reserve Fund are at least equal to the Required Amount, no deposits shall be made to the credit of the Reserve Fund; but when and if the Reserve Fund at any time contains less than said Required Amount in market value, then, subject and subordinate to making the required deposits to the credit of the Interest and Redemption Fund, the Issuer shall transfer from Pledged Revenues and deposit to the credit of the Reserve Fund, on or before the 25th day of each month, a sum equal to 1/60th of the average annual principal and interest requirements of all then outstanding Parity Bonds, until the Reserve Fund is restored to said Required Amount. So long as the Reserve Fund contains said Required Amount, all amounts in excess of such Required Amount shall, on or before the 10th day prior to each interest payment date, be deposited to the credit of the Interest and Redemption Fund; and otherwise any earnings from the deposit and investment of the Reserve Fund shall be retained in the Reserve Fund.

DEFICIENCIES. If on any occasion there shall not be sufficient Pledged Revenues to make the required deposits into the Interest and Redemption Fund and the Reserve Fund, then such deficiency shall be made up as soon as possible from the next available Pledged Revenues, or from any other sources available for such purpose.

EXCESS PLEDGED REVENUES. Subject to making the required deposits to the credit of the Interest and Redemption Fund and the Reserve Fund, when and as required by this Resolution, or any Resolution authorizing the issuance of Additional Bonds, the excess Pledged Revenues first shall be used to pay the Operation and Maintenance Expenses of the System, and then, subject to paying such Operation and Maintenance Expenses of the System, may be used for any other lawful purpose.

PAYMENT OF BONDS. On or before the last day of each May and of each November hereafter while any of the Parity Bonds or Additional Bonds are outstanding and unpaid, the Issuer shall make available to the paying agents therefor, out of the Interest and Redemption Fund or the Reserve Fund, if necessary, money sufficient to pay such interest on and such principal of the Parity Bonds and Additional Bonds as will accrue or mature on the June 1 or December 1 immediately following.

FINAL DEPOSITS. At such times as the aggregate amount of money and investments in the Interest and Redemption Fund and the Reserve Fund are at least equal in market value to (1) the aggregate principal amount of all unpaid (unmatured and matured) outstanding Parity Bonds and Additional Bonds, plus (2) the aggregate amount of all unpaid interest, including all unpaid (unmatured and matured) outstanding interest coupons, appertaining to such Parity Bonds and Additional Bonds, no further deposits need be made into the Interest and Redemption Fund or the Reserve Fund. In determining the amount of such Parity Bonds and Additional Bonds, and unpaid interest appertaining thereto, outstanding at any time, there shall be subtracted and excluded the amount of any such Parity Bonds and Additional Bonds, and unpaid interest appertaining thereto, which shall have been duly called for redemption and for which funds shall have been deposited with the paying agents therefor sufficient for such redemption.

ADDITIONAL BONDS. (a) The Issuer shall have the right and power at any time and from time to time, and in one or more Series or issues, to authorize, issue, and deliver additional parity revenue bonds (herein called "Additional Bonds"), in any amounts, for any lawful purpose of relating to the System, including the refunding of any Parity Bonds or Additional Bonds. Such Additional Bonds, if and when authorized, issued, and delivered in accordance with this Resolution, shall be secured by and made payable equally and ratably on a parity with the Parity Bonds, and all other outstanding Additional Bonds, from a first lien on and pledge of the Pledged Revenues.

(b) The Interest and Redemption Fund and the Reserve Fund, established by this Resolution shall secure and be used to pay all Additional Bonds as well as the Parity Bonds. However, each Resolution under which Additional Bonds are issued shall provide and require that, in addition to the amounts required by the provisions of this Resolution and the provisions of any other Resolution or Resolutions authorizing Additional Bonds to be deposited to the credit of the Interest and Redemption Fund, the Issuer shall deposit to the credit of the Interest and Redemption Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Bonds then being issued, as the same come due; and that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased (if and to the extent necessary) to an amount not less than the average annual principal and interest requirements of all Parity Bonds and Additional Bonds which will be outstanding after the issuance and delivery of the then proposed Additional Bonds; and that the required additional amount shall be so accumulated by the deposit in the Reserve Fund of all or any part of said required additional amount in cash immediately after the delivery of the then proposed Additional Bonds, or, at the option of the Issuer, by the deposit of said required additional amount (or any balance of said required additional amount not deposited in cash as permitted above) in monthly installments, made on or before the 25th day of each month following the adoption of the Resolution authorizing the issuance of the then proposed Additional Bonds, of not less than 1/60th of said required additional amount (or 1/60th of the balance of said required additional amount not deposited in cash as permitted above).

(c) All calculations of average annual principal and interest requirements made pursuant to this Section shall be made as of and from the date of the Additional Bonds then proposed to be issued.

(d) The principal of all Additional Bonds must be scheduled to be paid or mature on June 1 of the years in which such principal is scheduled to be paid or mature; and all interest thereon must be payable on June 1 and December 1.

FURTHER REQUIREMENTS FOR ADDITIONAL BONDS. Additional Bonds shall be issued only in accordance with this Resolution, but notwithstanding any provisions of this Resolution to the contrary, no installment, Series, or issue of Additional Bonds shall be issued or delivered unless the President and the Secretary of the Board sign a written certificate to the effect that the Issuer is not in default as to any covenant, condition, or obligation in connection with all outstanding Parity Bonds and Additional Bonds, and the Resolutions authorizing same, and that the Interest and Redemption Fund and the Reserve Fund each contains the amount then required to be therein.

(a) PERFORMANCE. It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Resolution and each resolution authorizing the issuance of Additional Bonds, and in each and every Parity Bond and Additional Bond; that it will promptly pay or cause to be paid the principal of and interest on every Bond and Additional Bond, on the dates and in the places and manner prescribed in such resolutions and Parity Bonds or Additional Bonds; and that it will, at the times and in the manner prescribed, deposit or cause to be deposited the amounts required to be deposited into the Interest and Redemption Fund and the Reserve Fund; and any holder of the Parity Bonds or Additional Bonds may require the Issuer, its Board, and its officials and employees, to carry out, respect, or enforce the covenants and obligations of this Resolution

or any resolution authorizing the issuance of Additional Bonds, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the Issuer, its Board, and its officials and employees.

(b) **ISSUER'S LEGAL AUTHORITY.** The Issuer is a duly created and existing conservation and reclamation district of the State of Texas pursuant to Article 16, Section 59 of the Texas Constitution, and Chapter 62, Acts of the 52nd Legislature of Texas, Regular Session, 1951, as amended (originally compiled as Vernon's Ann. Tex. Civ. St. Article 8280-141), and is duly authorized under the laws of the State of Texas to create and issue the Parity Bonds; that all action on its part for the creation and issuance of the Parity Bonds has been duly and effectively taken, and that the Parity Bonds in the hands of the holders and owners thereof are and will be valid and enforceable special obligations of the Issuer in accordance with their terms.

(c) **TITLE.** It has or will obtain lawful title to, or the lawful right to use and operate, the lands, buildings, and facilities constituting the System, that it warrants that it will defend, the title to or lawful right to use and operate, all the aforesaid lands, buildings, and facilities, and every part thereof, for the benefit of the holders and owners of the Parity Bonds and Additional Bonds against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Bonds and Additional Bonds in the manner prescribed herein, and has lawfully exercised such rights.

(d) **LIENS.** It will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it, or the System, that it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein, and that it will not create or suffer to be created any mechanic's, laborer's, materialman's, or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such tax, assessment, or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's, or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the Board.

(e) **OPERATION OF SYSTEM.** While the Parity Bonds or any Additional Bonds are outstanding and unpaid it will cause the System to be continuously and efficiently operated and maintained in good condition, repair, and working order, and at a reasonable cost.

(f) **FURTHER ENCUMBRANCE.** While the Parity Bonds or any Additional Bonds are outstanding and unpaid, the Issuer shall not additionally encumber the Pledged Revenues in any manner, except as permitted in this Resolution in connection with Additional Bonds, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of this Resolution and any resolution authorizing the issuance of Additional Bonds; but the right of the Issuer and the Board to issue revenue bonds payable from a subordinate lien on the Pledged Revenues is specifically recognized and retained.

(g) **SALE OF PROPERTY.** While the Parity Bonds or any Additional Bonds are outstanding and unpaid, the Issuer will maintain its current legal corporate status as a conservation and reclamation district, and the Issuer shall not sell, convey, mortgage, or in any manner transfer title to, or lease, or otherwise dispose of the entire System, or any significant or substantial part thereof; provided that whenever the Issuer deems it necessary to dispose of any machinery, fixtures, and equipment, it may sell or otherwise dispose of such machinery, fixtures, and equipment when it has made arrangements to replace the same or provide substitutes therefor, unless it is determined by the Issuer that no such replacement or substitute is necessary.

(h) **INSURANCE.** (1) It will cause to be insured such parts of the System as would usually be insured by corporations operating like properties, with a responsible insurance company or companies, against risks, accidents, or casualties against which and to the extent insurance is usually carried by corporations operating like properties, including fire and extended coverage insurance. Public liability and property damage insurance shall also be carried unless the general counsel for Issuer, or the Attorney General of Texas, gives a written opinion to the effect that the Issuer, the Board, and its officers and employees, are not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the Issuer shall not be required to carry insurance on the works being constructed, but the contractor shall be required to carry appropriate insurance. All such policies shall be open to the inspection of the Bondholders and their representatives at all reasonable times.

(2) Upon the happening of any loss or damage covered by insurance from one or more of said causes, the Issuer shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the Issuer. The proceeds of insurance covering such property, together with any other funds necessary and available for such purpose, shall be used forthwith by the Issuer for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the System shall be used promptly as follows:

(a) for the redemption prior to maturity of the Parity Bonds and Additional Bonds, if any, ratably in the proportion that the outstanding principal of each Series or issue of Parity Bonds or Additional Bonds bears to the total outstanding principal of all Parity Bonds and Additional Bonds; provided that if on any such occasion the principal of any such Series or issue is not subject to redemption, it shall not be regarded as outstanding in making the foregoing computation; or

(b) if none of the outstanding Parity Bonds or Additional Bonds is subject to redemption, then for the purchase on the open market and retirement of said Parity Bonds and Additional Bonds, in the same proportion as prescribed in the foregoing clause (a), to the extent practicable; provided that the purchase price for any such Parity Bond or Additional Bonds shall not exceed the redemption price of such Parity Bond or Additional Bond on the first date upon which it becomes subject to redemption; or

(c) to the extent that the foregoing clauses (a) and (b) cannot be complied with at the time, the insurance proceeds, or the remainder thereof, shall be deposited in a special and separate trust fund, at an official depository of the Issuer, to be designated the Insurance Account. The Insurance Account shall be held until such time as the foregoing clauses (a) and/or (b) can be complied with, or until other funds become available which, together with the Insurance Account, will be sufficient to make the repairs or replacements originally required, whichever of said events occurs first.

(3) The annual audit hereinafter required shall contain a list of all such insurance policies carried, together with a statement as to whether or not all insurance premiums upon such policies have been paid.

(i) **RATE COVENANT.** It will fix, establish, maintain, and collect such rentals, rates, charges, and fees for the use and availability of the System as are necessary to produce Gross Revenues of the System sufficient, together with any other Pledged Revenues, (a) to make all payments and deposits required to be made into the Interest and Redemption Fund, and to maintain the Reserve Fund, as required by the resolutions authorizing all Parity Bonds and Additional Bonds, and (b) to pay all Operation and Maintenance Expenses of the System.

(j) **RECORDS.** Proper books of record and account will be kept in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to the System, the Pledged Revenues, and all Funds described in this Resolution; and all books, documents, and vouchers relating thereto shall at all reasonable times be made available for inspection upon request of any bondholder.

(k) **AUDITS.** Each year while any of the Parity Bonds or Additional Bonds are outstanding, an audit will be made of its books and accounts relating to the System and the Pledged Revenues by an independent certified public accountant or an independent firm of certified public accountants. As soon as practicable after the close of each year, and when said audit has been completed and made available to the Issuer, a copy of such audit for the preceding year shall be mailed to the Municipal Advisory Council of Texas and to any bondholders who shall so request in writing. Such annual audit reports shall be open to the inspection of the bondholders and their agents and representatives at all reasonable times.

(l) **GOVERNMENTAL AGENCIES.** It will comply with all of the terms and conditions of any and all agreements applicable to the System and the Parity Bonds or Additional Bonds entered into between the Issuer and any governmental agency, and the Issuer will take all action necessary to enforce said terms and conditions; and the Issuer will obtain and keep in full force and effect all franchises, permits, and other requirements necessary with respect to the acquisition, construction, operation, and maintenance of the System.

(m) **CONTRACTS WITH MEMBER CITIES.** It will comply with the terms and conditions of the Contract, including any contracts with Additional Member Cities, and will cause the Member Cities to comply with all of their obligations thereunder by all lawful means; and the Issuer agrees to prepare an annual budget as required by the Contract.

AMENDMENT OF RESOLUTION. (a) The holders or owners of Parity Bonds and Additional Bonds aggregating 51% in principal amount of the aggregate principal amount of then outstanding Parity Bonds and Additional Bonds shall have the right from time to time to approve any amendment to this Resolution or any resolution authorizing the issuance of Additional Bonds, which may be deemed necessary or desirable by the Issuer, provided, however, that nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions in said resolutions or in the Parity Bonds or Additional Bonds so as to:

- (1) Make any change in the maturity of the outstanding Parity Bonds or Additional Bonds;
- (2) Reduce the rate of interest borne by any of the outstanding Parity Bonds or Additional Bonds;
- (3) Reduce the amount of the principal payable on the outstanding Parity Bonds or Additional Bonds;
- (4) Modify the terms of payment of principal of or interest on the outstanding Parity Bonds or Additional Bonds, or impose any conditions with respect to such payment;
- (5) Affect the rights of the holders of less than all of the Parity Bonds and Additional Bonds then outstanding;
- (6) Change the minimum percentage of the principal amount of Parity Bonds and Additional Bonds necessary for consent to such amendment.

(b) If at any time the Issuer shall desire to amend a resolution under this Section, the Issuer shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in the City of New York, New York, or in the City of

Austin, Texas, once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of each Paying Agent for each Series of Parity Bonds and Additional Bonds for inspection by all holders of Parity Bonds and Additional Bonds. Such publication is not required, however, if notice in writing is given to each holder of Parity Bonds and Additional Bonds.

(c) Whenever at any time not less than thirty days, and within one year, from the date of the first publication of notice or other service of written notice the Issuer shall receive an instrument or instruments executed by the holders or owners of at least 51% in aggregate principal amount of all Parity Bonds and Additional Bonds then outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the Issuer may adopt the amendatory resolution in substantially the same form.

(d) Upon the adoption of any amendatory resolution pursuant to the provisions of this Section, the resolution being amended shall be deemed to be amended in accordance with the amendatory resolution, and the respective rights, duties, and obligations of the Issuer and all the holders or owners of then outstanding Parity Bonds and Additional Bonds and all future Additional Bonds shall thereafter be determined, exercised, and enforced hereunder, subject in all respects to such amendment.

(e) Any consent given by the holder or owner of a Parity Bond or Additional Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication of the notice provided for in this Section, and shall be conclusive and binding upon all future holders or owners of the same Parity Bond or Additional Bond during such period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the holder or owner who gave such consent, or by a successor in title, by filing notice thereof with each Paying Agent for each Series of Parity Bonds and Additional Bonds, Texas, and the Issuer, but such revocation shall not be effective if the holders of 51% in aggregate principal amount of the then outstanding Parity Bonds and Additional Bonds as in this Section defined have, prior to the attempted revocation, consented to and approved the amendment.

(f) For the purpose of this Section, the fact of the holding of Parity Bonds or Additional Bonds in bearer, coupon form by any holder thereof and the amount and numbers of such Parity Bonds and Additional Bonds, and the date of their holding same, may be provided by the affidavit of the person claiming to be such holder, or by a certificate executed by any trust company, bank, banker, or any other depository wherever situated showing that at the date therein mentioned such person had on deposit with such trust company, bank, banker, or other depository, the Parity Bonds or Additional Bonds described in such certificate. The ownership of all registered Parity Bonds and Additional Bonds shall be ascertained by the registration books pertaining thereto kept by the registrar. The Issuer may conclusively assume that such holding or ownership continues until written notice to the contrary is served upon the Issuer.

DEFEASANCE OF BONDS. (a) Each of the Bonds, including the Initial Bond and each of the other Bonds (as hereinbefore defined), and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Bond") within the meaning of this Resolution, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption), or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations which mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Pledged Revenues as provided in this Resolution, and such principal and interest shall be payable solely from such money or Government Obligations.

(b) Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Issuer also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by the Paying Agent/Registrar which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Issuer, or deposited as directed in writing by the Issuer.

(c) The term "Government Obligations" as used in this Section shall mean (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, and (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent.

(d) Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Issuer shall make proper arrangements to provide and pay for such services as required by this Resolution.

DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS. (a) Replacement Bonds. In the event any outstanding Bonds or Bond authorized by this Resolution is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new bond of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

(b) Application for Replacement Bonds. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Bonds shall be made by the registered owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond, the registered owner applying for a replacement bond shall furnish to the Issuer and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Bond, the registered owner shall furnish to the Issuer and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Bond, as the case may be. In every case of damage or mutilation of a Bond, the registered owner shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Bond, the Issuer may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section.

(d) Charge for Issuing Replacement Bonds. Prior to the issuance of any replacement bond, the Paying Agent/Registrar shall charge the registered owner of such Bond with all legal, printing, and other expenses in connection therewith. Every replacement bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost, stolen, or destroyed shall constitute a contractual obligation of the Issuer whether or not the lost, stolen, or destroyed Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Resolution equally and proportionately with any and all other Bonds duly issued under this Resolution.

(e) Authority for Issuing Replacement Bonds. In accordance with Chapter 1201, Texas Government Code, this Section of this Resolution shall constitute authority for the issuance of any such replacement bond without necessity of further action by the governing body of the Issuer or any other body or person, and the duty of the replacement of such bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 6(d) of this Resolution for Bonds issued in conversion and exchange for other Bonds.

COVENANTS REGARDING TAX-EXEMPTION. (a) Covenants. The Issuer covenants to refrain from any action which would adversely affect, or to take such action to assure, the treatment of the Bonds as obligations described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code, or if more than 10 percent of the proceeds or the projects financed therewith are so used, such amounts, whether or not received by the Issuer, with respect to such private business use, do not, under the terms of this Resolution or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of section 141(b)(2) of the Code;

(2) to take any action to assure that in the event that the "private business use" described in subsection (a) hereof exceeds five percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of five percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(3) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or five percent of the proceeds of the Bonds (less amounts deposited into a reserve fund, if any) is, directly or indirectly, used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(4) to refrain from taking any action that would otherwise result in the Bonds being treated as "private activity bonds" within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Bonds being "federally guaranteed" within the meaning of section 149(b) of the Code;

(6) to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Bonds, other than investment property acquired with --

(A) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less or, in the case of a current refunding bond and a refunding bond, for a period of 90 days or less, until such proceeds are needed for the purpose for which the Bonds are issued,

(B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and

(C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Bonds;

(7) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage);

(8) to refrain from using the proceeds of the Bonds or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Bonds in contravention of the requirements of section 149(d) of the Code (relating to advance refundings); and

(9) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Bonds) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.

For purposes of the foregoing (a)(1) and (a)(2), the Issuer understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Bonds.

(b) Compliance with Code. It is the understanding of the Issuer that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the Issuer will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally-recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the Issuer agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs its President, Executive Director, Assistant General Manager – Chief Financial Officer to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds. The Issuer covenants to comply with the covenants contained in this section after defeasance of the Bonds.

(c) Rebate Fund. In order to facilitate compliance with the above covenant (a)(9), a "Rebate Fund" is hereby established by the Issuer for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation, the bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(d) Written Procedures. Unless superseded by another action of the Issuer to ensure compliance with the covenants contained herein regarding private business use, remedial actions, arbitrage and rebate, the Issuer hereby adopts and establishes the instructions attached hereto as Exhibit A as their written procedures applicable to Bonds issued pursuant to the Contract.

ALLOCATION OF, AND LIMITATION ON, EXPENDITURES FOR THE PROJECT; DISPOSITION OF THE PROJECT.

(a) The Issuer covenants to account for the expenditure of Bond proceeds and investment earnings to be used for the construction or acquisition of the property constituting the projects financed or refinanced with proceeds of the Bonds (the "Project") on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (1) the expenditure is made or (2) such construction or acquisition is completed. The foregoing notwithstanding, the Issuer shall not expend proceeds of the Bonds or investment earnings thereon more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds or (2) the date the Bonds are retired, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest on the Bonds.

(b) The Issuer covenants that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest on the Bonds.

INVESTMENTS

The District invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the Board of Directors of the District. Both State law and the District's investment policies are subject to change.

LEGAL INVESTMENTS . . . Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates meeting the requirements of the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, (i) that are issued by an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits or (ii) where (a) the funds are invested by the District through a depository institution that has a main office or branch office in the State and that is selected by the District; (b) the depository institution selected by the District arranges for the deposit of funds in one or more federally insured depository institutions, wherever located, for the account of the District; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; (d) the depository institution acts as a custodian for the District with respect to the certificates of deposit; and (e) at the same time that the certificates of deposit are issued, the depository institution selected by the District receives deposits from customers of other federally insured depository institutions, wherever located, that is equal to or greater than the funds invested by the District through the depository institution selected under clause (ii)(a) above (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less, (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (11) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, District investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the District shall submit an investment report detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest District funds without express written authority from the Board of Directors.

ADDITIONAL PROVISIONS . . . Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or Resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or Resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the District Board of Directors; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

TABLE 4 - CURRENT INVESTMENTS

As of June 30, 2025, investable funds of the District's Regional Wastewater System were invested as follows:

Description	Percent ⁽¹⁾	Market Value	Book Value
FHLB Note	0.32%	\$ 1,000,820	\$ 1,000,000
FHLMC Note	0.63%	1,978,840	1,999,062
FNMA Note	1.63%	5,152,651	5,109,045
Treasury Note	15.29%	48,400,328	48,329,918
State Pools	82.14%	260,022,225	260,022,225
	100.00%	<u>\$ 316,554,863</u>	<u>\$ 316,460,251</u>

(1) Based Upon Market Value.

TAX MATTERS

OPINION . . . On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel, will render their opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof, ("Existing Law") (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See APPENDIX D - Form of Bond Counsel's Opinion.

In rendering its opinion, Bond Counsel will rely upon (a) the District's federal tax certificate, (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the District to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with the covenants and the requirements described in the preceding paragraph, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds. Further, no assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT . . . The initial public offering price to be paid for one or more maturities of the Bonds (the "Original Issue Discount Bonds") may be less than the principal amount thereof or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year. In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under existing law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, owners of interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed earned income credit, certain S corporations with Subchapter C earnings and profits, taxpayers qualifying for the health insurance premium assistance credit, foreign corporations subject to the branch profits tax, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Interest on the Bonds may be includable in certain corporations' "adjusted financial statement income" determined under Section 56A of the code to calculate the alternative minimum tax imposed by section 55 of the code.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds, although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

FUTURE AND PROPOSED LEGISLATION . . . Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

OTHER INFORMATION

RATINGS

The Bonds and certain Outstanding Bonds are rated "Aa2" by Moody's Investors Service Inc. and "AAA" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

LITIGATION

The District is a party to various claims and lawsuits arising in the normal course of District operations. However, to the knowledge of the District, there is no pending, or to its knowledge threatened, litigation or other proceeding against the District that could have a material adverse financial impact upon the District or its operations.

At the time of the initial delivery of the Bonds, the District will provide the Initial Purchaser with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of said Bonds.

CYBERSECURITY

In November 2023, the District detected a ransomware incident affecting its business computer network and phone system. The business computer network and phone system were promptly restored, and the District's employees continued working through the event. The District's core water, wastewater, and solid waste services were not impacted by the incident, and the District continued to provide such services to its communities without interruption. The District did not pay a ransom.

The District promptly engaged third-party forensic specialists who are actively investigating the extent of any unauthorized activity, including a review of any potentially impacted District data and whether any personally identifiable information was compromised. The District has reported the incident to all required parties, including State and federal agencies. To the District's knowledge and belief, the cybersecurity incident did not have a material adverse effect on its operations or financial condition. However, the District cannot predict the likelihood of future cyber security incidents or whether such incidents could have a materially adverse effect on the operations or financial condition of the District.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041, Texas Government Code, provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" above. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with a capital of one million dollars or more, and savings and loan associations. The Public Funds Collateral Act, Chapter 2257, Texas Government Code, provides that the Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the District has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The District will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas as to the Bonds to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, a copy of which opinion is attached to this Official Statement as Appendix D. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any

responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Bond Resolution. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from District and Member Cities; records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has made the following agreements for the benefit of the holders and beneficial owners of the Bonds. Under the agreement the District has agreed to provide or cause to be provided with respect to itself and each Significant Obligated Person certain updated financial information and operating data annually and the District will be obligated to provide timely notice of specified material events. For purposes of such agreement, "Significant Obligated Person" means any Member City, or Additional Member City, or other party contracting with the District whose payments to the District for use of or service from the System in the calendar year preceding any such determination exceeded 10% of the Gross Revenues of the System. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB") through the Electronic Municipal Market Access ("EMMA") system.

ANNUAL REPORTS . . . The District will provide or cause each Significant Obligated Person to provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under tables numbered 1 through 4 and all quantitative financial information and operating data with respect to each Significant Obligated Person of the general type included in Appendix C to this Official Statement. The District will provide, or cause each Significant Obligation Person to provide, this information within 6 months after the end of each fiscal year ending in and after 2025. The District will additionally provide or cause to be provided audited financial statements for each Significant Obligated Person within the 12 months after each fiscal year end. If audited financial statements are not available, unaudited financial statements will be filed within 12 months after each fiscal year end and audited financial statements will be filed if and when they become available. Any such financial statements will be prepared in accordance with general accepted accounting principles or such other accounting principles or the Significant Obligated Persons may be required to employ from time to time pursuant to State law or regulation. The District or a Significant Obligated Person may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12 (the "Rule") of the United States Securities and Exchange Commission (the "SEC").

The District's and each Significant Obligated Person's current fiscal year end is September 30. Accordingly, updated information included in the above-referenced tables and Appendix C must be provided by March 31 in each year, and audited financial statements for the preceding fiscal year must be provided by September 30 of each year, unless the District or a Significant Obligated Person changes its respective fiscal year. If the District or such Significant Obligated Person changes its fiscal year, the District will notify or cause such Significant Obligated Person to notify the MSRB of the change. If the District or Significant Obligated Person fails to provide updated information as described above, the District will provide, or cause the Significant Obligated Person to provide timely notice of the failure to the MSRB.

NOTICE OF CERTAIN EVENTS . . . The District will also provide, or cause a Significant Obligated Person to provide, timely notices of certain events to the MSRB. The District will provide notice (not in excess of ten (10) business days after the occurrence of the event) of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (1) Principal and interest payment delinquencies; (2) Non-payment related defaults, if material; (3) Unscheduled draws on debt service reserves reflecting financial difficulties; (4) Unscheduled draws on credit enhancements reflecting financial difficulties; (5) Substitution of credit or liquidity providers, or their failure to perform; (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security; (7) Modifications to the rights of security holders, if material; (8) Bond calls, if material, and tender offers; (9) Defeasances; (10) Release, substitution or sale of property securing repayment of the securities, if material; (11) Rating changes; (12) Bankruptcy, insolvency, receivership or similar event of the District, or a Significant Obligated Person; (13) The consummation of a merger, consolidation, or acquisition involving the District, or a Significant Obligated Person, or the sale of all or substantially all of the assets of the District, or a Significant Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material. (15) Incurrence of a Financial Obligation of a Significant Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of a Significant Obligated Person, any of which affect security holder, if material; and (16) Default, event of acceleration, termination event,

modification of terms, or other similar events under the terms of a Financial Obligation of a Significant Obligated Person, any of which reflect financial difficulties. In purposes of (15) and (16) above, the term "Financial Obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "Financial Obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. In addition, the District will provide, or cause a Significant Obligated Person to provide timely notice of any failure by the District or a Significant Obligated Person to provide, information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

AVAILABILITY OF INFORMATION . . . The District and the Significant Obligated Persons, if any, have agreed to provide the foregoing information to the MSRB. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS . . . The District has agreed to update, or cause each Significant Obligated Person to update, information and to provide or cause the Significant Obligated Person to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its or any Significant Obligated Person's financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the respective Significant Obligated Person, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the Parity Bonds consent to the amendment or (b) any person unaffiliated with the District or the Significant Obligated Person (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the District so amends the agreement, the District has agreed to include or cause the Significant Obligated Person to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the District believes it has complied in all material respects with its previous continuing disclosure undertakings, entered into pursuant to the Rule, except as follows:

In its Buffalo Creek Wastewater Interceptor System Contract Revenue Refunding Bonds, Series 2012, Buffalo Creek Wastewater Interceptor System Contract Revenue Refunding and Improvement Bonds, Series 2019, and Buffalo Creek Wastewater Interceptor System Contract Revenue Bonds, Series 2020, the District agreed that it would provide or cause the Significant Obligated Person to provide audited financial statements (if available) or unaudited financial statements by March 31 of each year. For fiscal years ending 2019-2022, the City of Rockwall, Texas, filed its financial statements after the March 31 deadline in each year. In addition, with respect to the Series 2012, 2019 and 2020 Bonds, the City of Heath did not timely file its financial statements for fiscal years ended 2019, 2022 and 2023 by the March 31 deadline. The District filed certain financial information of the type included in Appendix C of the official statements, and unaudited financial statements for the City of Heath for fiscal year 2022 and 2023 by the required time.

In addition, in connection with its North Texas Municipal Water District Water Transmission Facilities Contract Revenue Refunding Bonds (City of Terrell Project), Series 2014, the District agreed that it would provide or cause the City of Terrell (the "City") to provide certain updated financial information and operating data annually to the MSRB, including audited financial statements for the District and the City when and if available, and unaudited financial statements within 12 months after fiscal year end, unless audited financial statements have been provided sooner. The City did not file audited or unaudited financial statements for fiscal year ended 2020 or fiscal year 2023 within 12 months after the end of its fiscal year, but audited financial statements were filed when they became available.

MUNICIPAL ADVISOR

Hilltop Securities serves as Municipal Advisor to the District in connection with the issuance of the Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Hilltop Securities, in its capacity as Municipal Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. In the normal course of business, the Municipal Advisor may from time to time sell investment securities to the District for the investment of bond proceeds or other funds of the District upon the request of the District.

The Municipal Advisor to the District has provided the following sentence for inclusion in this Official Statement. The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

INITIAL PURCHASER OF THE BONDS

After requesting competitive bids for the Bonds, the District accepted the bid of _____ (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the cover page of the Official Statement at a price of par plus a cash premium (if any) of \$ _____. The Initial Purchaser of the Bonds can give no assurance that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser of the Bonds. The District has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the sole responsibility of the Initial Purchaser.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The District's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

MISCELLANEOUS

The financial data and other information contained herein have been obtained from the District's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the Initial Purchaser will be furnished a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in this Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the District, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the District since the date of the last audited financial statements of the District.

The Resolution authorizing the issuance of the Bonds will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Initial Purchaser.

NORTH TEXAS MUNICIPAL WATER DISTRICT

/s/ _____
JENNAFER P. COVINGTON
Executive Director/General Manager

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APPENDIX A

EXCERPTS FROM THE
NORTH TEXAS MUNICIPAL WATER DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2024

The information contained in this Appendix consists of excerpts from the North Texas Municipal Water District Comprehensive Annual Financial Report for the Year Ended September 30, 2024, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Report for further information.

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INDEPENDENT AUDITOR'S REPORT

*Members of the Board of Directors
North Texas Municipal Water District
City of Wylie, Texas*

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of each major fund and the aggregate remaining fund information for the North Texas Municipal Water District (the District), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the District, as of September 30, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis*, *Schedule of Changes in Net Pension Liability and Related Ratios*, *Schedule of Employer Contributions*, *Money-Weighted Rate of Return – Retirement Plan*, *Schedule of Changes in Net OPEB Liability and Related Ratios*, *Schedule of NTMWD Contributions* and *Money-Weighted Rate of Return - OPEB* on pages 5-10, 62, 63, 64, 65, 67 and 68, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Crowe LLP". The signature is stylized, with the "C" being large and looping, and the "LLP" being written in a more straightforward, blocky style.

Crowe LLP

Plano, Texas
February 12, 2025

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (Unaudited)

As management of the North Texas Municipal Water District ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District as of and for the fiscal year ended September 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished with our letter of transmittal, which can be found in the Introductory section of this report.

Financial Highlights

As of September 30, 2024:

- Total assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources by \$2.31 billion.
- The District's total net position increased approximately \$202 million, or 9.56%.
- During the year, the District's total operating revenues increased by approximately \$64 million or 8.36%, and total operating expenses increased by approximately \$35 million, or 6.35%.
- The District issued \$776 million in revenue bonds for various projects. The District also added \$85 million in Extended Commercial Paper (ECP) debt and paid off \$52 million in ECP debt during FY24.
- Construction of the Bois d'Arc Lake, Leonard Water Treatment Plant (WTP), Wylie WTP Improvements, Sister Grove Wastewater Treatment Plant (WWTP) and various other WWTP improvements led the way in capital expenditures totaling over \$205 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of two components: 1) fund financial statements and 2) notes to the financial statements. This report also contains other supplementary information intended to furnish additional detail to support the basic financial statements.

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 District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the District can be divided into two categories: Proprietary Funds and Fiduciary Funds.

Proprietary Funds. The District maintains two different types of proprietary funds: enterprise funds and internal service funds.

Enterprise Funds. An enterprise fund is used to report the functions that are business-type activities. The District reports five major enterprise funds: Water, Regional Wastewater, Small Systems, Solid Waste and Interceptor.

Internal Service Funds. Internal service funds are used to accumulate and allocate costs internally amongst the District's various systems. The District uses internal service funds to account for its administrative support services, maintenance services, technical services, inspector's revenue, information technology support services, and insurance benefits to District employees, participating dependents, and eligible retirees.

The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 12 through 19 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources that are under the District's control, but are for the benefit of parties outside the District. The District's pension and OPEB trust are reported under the fiduciary funds. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 20 through 21 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found starting on page 22 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplemental information can be found beginning on page 62 of this report.

North Texas Municipal Water District's Net Position

	As of September 30			
	2024	2023	Increase/ (Decrease)	Percent Change
ASSETS:				
Current assets - unrestricted	\$ 331,698,400	\$ 272,159,938	\$ 59,538,462	21.9%
Current assets - restricted	140,646,175	91,080,914	49,565,261	54.4%
Noncurrent assets - restricted	1,512,215,156	964,980,541	547,234,615	56.7%
Capital assets-net	5,631,165,237	5,384,491,490	246,673,747	4.6%
Total assets	7,615,724,968	6,712,712,883	903,012,085	13.5%
Total deferred outflows of resources	64,261,729	76,305,470	(12,043,741)	-15.8%
Total assets and deferred outflows of resources	7,679,986,697	6,789,018,353	890,968,344	13.1%
LIABILITIES:				
Long-term liabilities outstanding	4,721,091,412	4,145,144,728	575,946,684	13.9%
Current and other liabilities	645,168,158	530,964,290	114,203,868	21.5%
Total liabilities	5,366,259,570	4,676,109,018	690,150,552	14.8%
Total deferred inflows of resources	4,461,572	5,181,412	(719,840)	-13.9%
Total liabilities and deferred inflows of resources	5,370,721,142	4,681,290,430	689,430,712	14.7%
NET POSITION:				
Net investment in capital assets	1,840,638,282	1,734,270,828	106,367,454	6.1%
Restricted	315,470,369	262,426,104	53,044,265	20.2%
Unrestricted	153,156,904	111,030,991	42,125,913	37.9%
Total net position	\$ 2,309,265,555	\$ 2,107,727,923	\$ 201,537,632	9.6%

The largest portion of the District's net position (79.7%) reflects its investment in capital assets (e.g., land, reservoir facilities, water treatment facilities and wastewater disposal facilities) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its Member Cities and Customers; consequently, these assets are not available for future spending. Although the District's investment in its 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 resources, since the capital assets themselves are not intended to be used to liquidate these liabilities.

An additional portion of the District's net position (13.7%) represents resources that are subject to external restrictions on how they may be used. The District's restricted net position consists primarily of the reserve funds required by bond resolutions.

The remaining balance of the District's net position represents unrestricted net position (6.6%) and may be used to meet the District's ongoing obligations. The overall increase in net position of \$201,537,632, or 9.6%, during the current fiscal year indicates an improved financial position.

While the Statement of Net Position provides the components of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at year-end, the Statement of Revenues, Expenses and Changes in Net Position provides information on the source of the change during the year.

North Texas Municipal Water District's Changes in Net Position

	Year Ended September 30		Increase	Percent
	2024	2023	(Decrease)	Change
Operating Revenues:				
Water sales	\$ 451,251,338	\$ 420,935,131	\$ 30,316,207	7.2%
Wastewater service fees	225,462,439	198,930,141	26,532,298	13.3%
Solid waste service fees	43,600,382	40,894,421	2,705,961	6.6%
Intragovernmental	79,910,858	77,422,127	2,488,731	3.2%
Insurance premiums	23,255,429	20,601,527	2,653,902	12.9%
Other operating revenues	3,645,137	4,524,592	(879,455)	-19.44%
Total Operating Revenues	827,125,583	763,307,939	63,817,644	8.4%
Operating Expenses:				
Personnel	129,223,264	116,792,740	12,430,524	10.6%
Claims paid	18,387,069	18,535,644	(148,575)	-0.8%
Administrative charges	960,660	1,905,769	(945,109)	-49.6%
Operating supplies	106,135,935	108,095,080	(1,959,145)	-1.8%
Operating services	201,931,339	201,500,453	430,886	0.2%
Depreciation/amortization	137,606,358	111,945,502	25,660,856	22.9%
Total Operating Expenses	594,244,625	558,775,188	35,469,437	6.3%
Operating Income	232,880,958	204,532,751	28,348,207	13.9%
Nonoperating Revenues (Expenses):				
Investment income (expense)	86,368,626	60,313,933	26,054,693	43.2%
Miscellaneous revenue (expense)	380,428	127,617	252,811	198.1%
Grant income	-	33,508	88,409	263.8%
Gain (loss) on sale of capital assets	4,840,328	833,606	4,006,722	480.6%
Contribution revenue (expense)	8,489,443	61,070	8,428,373	13801.2%
Interest expense	(131,544,068)	(111,502,521)	(20,041,547)	18.0%
Net Nonoperating Revenues (Expenses)	(31,465,243)	(50,132,787)	18,789,461	-37.2%
Capital contributions	121,917	-	121,917	100.0%
Change in Net Position	201,537,632	154,399,964	47,137,668	30.5%
Net Position - Beginning	2,107,727,923	1,953,327,959	154,399,964	7.9%
Net Position - Ending	\$ 2,309,265,555	\$ 2,107,727,923	\$ 201,537,632	9.6%

Total operating revenues for the District for the years ended September 30, 2024 and 2023 were \$827,125,583 and \$763,307,939, respectively. The \$63,817,644 increase in total revenues was primarily driven by increases in water sales and wastewater service fees. The Member City water rate for FY24 increased to \$3.64 per 1,000 gallons, an increase of \$.25 from FY23. The Member City cost for wastewater services increased from \$2.57 in FY23 to \$2.85 in FY24.

Total operating expenses for the District for the years ended September 30, 2024 and 2023 were \$594,244,625 and \$558,775,188, respectively. Several key factors, primarily increased personnel and depreciation expense, account for the \$35,469,437 increase in total expenses from 2023 to 2024. The increase in personnel expense is attributed to 26 net new budgeted positions, average 5% merit increases, retirement plan funding increases and rising health insurance costs. A portion of these increased expenses were offset by lower operating supplies, primarily related to reduced chemical pricing and optimization efforts at the Leonard Water Treatment Plant.

The District's Internal Service Fund accounts for support services, as well as insurance benefits to District employees, participating dependents, and eligible retirees. Intragovernmental revenues are derived from direct and indirect allocations based on historical costs and trends. The allocation amounts and percentages are calculated based on a multi-faceted review including department specific metrics and manager input. These revenues are offset by specific operating expenses including personnel, supplies and services, including shared services which increased in FY24.

The District's operating revenues are derived from charges to Member Cities and Customers, primarily for the sale and treatment of water and wastewater. Member Cities and Customers generally contract to pay amounts equal to

the District's operating and maintenance expenses, debt service requirements and any other obligations payable from the revenues of the District.

In the Regional Wastewater System, Small Systems, Solid Waste System and Interceptor System, the charges for services are adjusted accordingly at the end of each year on a break-even basis. In the Water System, variable costs, that are below budget, are rebated to the Member Cities and Customers that consume less than their annual minimum on a proportionate basis. Each Member City's or Customer's share of the variable rebate is determined by actual use compared to their annual minimum requirements. Any Water System excess or shortage, after accounting for variable rebate costs, can be transferred to or from the Operating and/or the Contingency Fund subject to Fund Balance Policy limits. Surplus budgeted funds are returned to Member Cities in accordance with the contract when applicable.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Capital Assets and Debt Administration

Capital Assets

The District's capital assets as of September 30, 2024, amounted to \$5,631,165,237 (net of accumulated depreciation). These capital assets include land and land improvements, reservoir facilities, water treatment and transmission facilities, wastewater treatment facilities, buildings and other equipment and water rights. The total increase in the District's investment in capital assets for the current year was 4.6%.

Major capital asset events during the current fiscal year included the following:

- Completion of the Wylie Water Treatment Plant (WTP) II Mechanical improvements totaling approximately \$63 million;
- Improvements, including WTP II Structural improvements, filter improvements to WTP IV, and improvements to the Wylie WTP Ammonia Systems, the cost of these additions was \$38 million;
- Improvements to McKinney Lift Stations, Transfer Stations, Interceptors and Force Mains; the cost of additions to construction-in-progress was approximately \$40 million;
- Sister Grove WWTP and Plant Site development totaling more than \$51 million;
- Construction of the treated water pipeline from Leonard WTP to McKinney No. 4, Leonard Water Treatment Plant and Leonard High Service Pump Station; the cost of additions to construction-in-progress during the fiscal year was approximately \$27 million;
- Bois d'Arc raw water pipeline, raw water pump station, reservoir and dam, archaeological survey, boat ramps, Fannin County road and bridge improvements, and mitigation property; the cost of additions to construction-in-progress during the fiscal year were approximately \$22 million;
- Capitalized improvements of Upper East Fork Lift Stations and Interceptor Lines, including North McKinney and FM 2551 Relocation totaling approximately \$70.8 million.

Additional information on the District's construction commitments can be found in Note 11 of this report.

North Texas Municipal Water District's Capital Assets (net of accumulated depreciation/amortization)

	As of September 30		Increase (Decrease)	Percent Change
	2024	2023		
Land	\$ 354,034,223	\$ 349,496,699	\$ 4,537,524	1.3%
Easements	97,450,431	93,174,510	4,275,921	4.6%
Land improvements	266,304,836	274,745,693	(8,440,857)	-3.1%
Water treatment, storage and transmission facilities	2,471,948,067	2,387,670,666	84,277,401	3.5%
Wastewater treatment facilities	953,888,382	879,460,774	74,427,608	8.5%
Solid waste transfer and disposal facilities	51,242,194	52,958,316	(1,716,122)	-3.2%
Reservoir facilities and water rights	344,570,476	352,200,693	(7,630,217)	-2.2%
Buildings	67,756,148	69,563,046	(1,806,898)	-2.6%
Automobiles and trucks	9,782,415	8,886,120	896,295	10.1%
Office furniture and fixtures	458,492	230,839	227,653	98.6%
Other equipment	36,712,163	38,699,941	(1,987,778)	-5.1%
Lease and subscription right-of-use assets	3,272,937	1,807,238	1,465,699	81.1%
Construction in progress	973,744,473	875,596,955	98,147,518	11.2%
Total	<u>\$ 5,631,165,237</u>	<u>\$ 5,384,491,490</u>	<u>\$ 246,673,747</u>	<u>4.6%</u>

Additional information on the District's capital assets can be found in Note 4 of this report.

Debt Administration

At the end of the current fiscal year, the District had total outstanding debt of \$4,737,575,000. Of this amount 62% is reflected in the Water System revenue bonds and 18% is reflected in the Regional Wastewater System revenue bonds. For the Extendable Commercial Paper, 58% is reflected in the Water System and 42% in the Wastewater System.

North Texas Municipal Water District's Outstanding Debt

	As of September 30		Increase (Decrease)	Percent Change
	2024	2023		
Revenue bonds	\$ 4,600,575,000	\$ 3,997,070,000	\$ 603,505,000	15.1%
Extendable commercial paper	137,000,000	104,000,000	33,000,000	31.7%
Total	<u>\$ 4,737,575,000</u>	<u>\$ 4,101,070,000</u>	<u>\$ 636,505,000</u>	<u>15.1%</u>

The District's revenue bonds have been rated as follows for both FY24 and FY23:

	Moody's	S&P
Water System	Aa1	AAA
Wastewater System	Aa2	AAA
Solid Waste System	Aa2	AA+
Interceptor System	Aa1	AAA

Additional information on the District's long-term debt can be found in Note 8 of this report.

Economic Factors and Next Year's Budgets and Rates

The Annual Budget outlines the District's plans to provide high-quality, cost-effective service to its Member Cities and Customers. According to the Dallas Federal Reserve, the local economy moderated toward more normal growth in 2024. The Dallas Fed's Texas Employment Forecast suggests job growth would be steady for the remainder of the year. Inflation has continued to slow with Texas CPI down to 2.5% in August. The State of Texas and our local economy surrounding the Dallas/Forth Worth Metroplex is known for its traditionally lower cost of living which has attracted a large migration of new residents from across the U.S. to now call our service area home.

The District increased the Regional Water System rates for Member Cities by \$0.21/1,000 gallons to \$3.85/1,000 gallons for FY25. This represented a 5.8% increase and was necessary to cover increasing operating and capital costs. The District's Board of Directors goal of meeting the contractual obligation of the participating cities, within state and federal laws while protecting the environment, continues to be accomplished with reasonable cost in all systems.

Requests for Information

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Accounting Department, P.O. Box 2408, Wylie, Texas 75098 or Accounting@NTMWD.com.

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION - PROPRIETARY FUNDS SEPTEMBER 30, 2024

	Water System	Regional Wastewater System
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 123,258,736	\$ 17,430,413
Investments	73,593,680	1,990,680
Accounts receivable	14,577,144	4,111,015
Contracts receivable	-	-
Due from other funds	5,110,653	36,905
Prepaid expenses	6,613,022	928,595
Unbilled receivables	118,699	1,799,525
Total current unrestricted assets	223,271,934	26,297,133
Restricted assets:		
Cash and cash equivalents	45,289,759	16,339,745
Interest receivable	1,692,335	308,533
Accounts receivable	455,861	-
Due from other funds	24,934,275	4,663,583
Prepaid expenses	507,796	-
Unbilled receivables	-	-
Total current restricted assets	72,880,026	21,311,861
TOTAL CURRENT ASSETS	296,151,960	47,608,994
NONCURRENT ASSETS:		
Restricted assets:		
Cash and cash equivalents	580,346,995	221,624,947
Investments	259,239,507	37,042,128
Total noncurrent restricted assets	839,586,502	258,667,075
Capital assets:		
Land	319,300,038	20,854,911
Easements	78,903,302	40,598
Construction-in-progress	260,603,728	435,187,929
Land improvements	289,347,849	1,472,029
Water treatment, storage, and transmission facilities	3,036,240,048	-
Wastewater treatment facilities	-	577,070,045
Solid waste transfer and disposal facilities	-	-
Reservoir facilities and water rights	497,014,397	-
Buildings	17,109,622	3,763,888
Automobiles and trucks	2,397,202	3,772,447
Office furniture and fixtures	106,697	101,610
Other equipment	31,003,929	15,908,506
Lease and subscription right-of-use assets	92,015	1,626,135
Less: accumulated depreciation/amortization	(808,860,099)	(179,094,088)
Net capital assets	3,723,258,728	880,704,010
TOTAL NONCURRENT ASSETS	4,562,845,230	1,139,371,085
TOTAL ASSETS	4,858,997,190	1,186,980,079
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred loss on refunding	1,992,985	926,608
Deferred pension outflow	7,149,280	8,167,408
Deferred OPEB outflow	878,303	935,739
TOTAL DEFERRED OUTFLOWS OF RESOURCES	10,020,568	10,029,755
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,869,017,758	\$ 1,197,009,834

See notes to the basic financial statements.

Small Systems	Solid Waste System	Interceptor System	Total Enterprise Funds	Internal Service Fund
\$ 14,599,022	\$ 15,319,826	\$ 7,152,735	\$ 177,760,732	\$ 19,677,139
-	6,959,890	988,490	83,532,740	-
1,297,147	433,179	1,873,996	22,292,481	543,927
-	-	-	-	30,000
1,936,047	433,849	2,706	7,520,160	1,167,014
499,496	452,205	201,844	8,695,162	972,641
573,324	1,391,620	274,975	4,158,143	5,348,261
18,905,036	24,990,569	10,494,746	303,959,418	27,738,982
15,355,792	1,040,900	12,150,153	90,176,349	-
535,605	94,072	185,051	2,815,596	-
-	-	-	455,861	-
2,898,915	1,806,664	950,000	35,253,437	1,356,555
-	-	-	507,796	-
-	10,080,581	-	10,080,581	-
18,790,312	13,022,217	13,285,204	139,289,620	1,356,555
37,695,348	38,012,786	23,779,950	443,249,038	29,095,537
129,444,429	37,177,137	160,841,398	1,129,434,906	-
58,642,125	7,894,264	19,962,226	382,780,250	-
188,086,554	45,071,401	180,803,624	1,512,215,156	-
436,498	13,089,142	353,634	354,034,223	-
6,027,264	-	12,479,267	97,450,431	-
92,346,056	20,353,560	165,253,200	973,744,473	-
417,138	10,890,996	-	302,128,012	1,910,708
46,501,712	-	-	3,082,741,760	-
275,859,908	-	452,241,116	1,305,171,069	-
-	96,236,981	-	96,236,981	-
-	-	-	497,014,397	-
192,616	43,852,730	1,673,848	66,592,704	27,806,360
885,353	6,661,560	1,301,940	15,018,502	10,228,520
-	-	-	208,307	1,226,494
5,788,613	37,291,935	6,802,389	96,795,372	14,478,711
74,615	24,729	-	1,817,494	3,338,593
(101,713,083)	(87,581,613)	(109,745,658)	(1,286,994,541)	(29,783,333)
326,816,690	140,820,020	530,359,736	5,601,959,184	29,206,053
514,903,244	185,891,421	711,163,360	7,114,174,340	29,206,053
552,598,592	223,904,207	734,943,310	7,557,423,378	58,301,590
494,911	539,258	858,887	4,812,649	-
3,690,119	7,221,340	1,155,802	27,383,949	25,416,160
498,218	738,688	176,408	3,227,356	3,421,615
4,683,248	8,499,286	2,191,097	35,423,954	28,837,775
\$ 557,281,840	\$ 232,403,493	\$ 737,134,407	\$ 7,592,847,332	\$ 87,139,365

(Continued)

STATEMENT OF NET POSITION - PROPRIETARY FUNDS SEPTEMBER 30, 2024

	Water System	Regional Wastewater System
LIABILITIES		
CURRENT LIABILITIES:		
Payable from unrestricted assets:		
Accounts payable and accrued liabilities	\$ 32,950,614	\$ 6,507,829
Due to other funds	25,443,960	5,050,125
Customers' advance payments	14,205,079	4,346,155
Total payable from unrestricted assets	72,599,653	15,904,109
Payable from restricted assets:		
Accounts payable and accrued liabilities	58,620,987	44,857,873
Due to other funds	5,297,650	51,727
Accrued landfill closure and post-closure care cost	-	-
Accrued interest payable on notes	638,475	482,533
Accrued interest payable on revenue bonds	8,497,604	4,406,940
Accrued interest payable on lease and SBITA liability	-	31,742
Current portion of note payable	79,000,000	58,000,000
Current portion of lease and SBITA payable	18,586	415,084
Current portion of revenue bonds	110,205,000	24,195,000
Total payable from restricted assets	262,278,302	132,440,899
TOTAL CURRENT LIABILITIES	334,877,955	148,345,008
NONCURRENT LIABILITIES:		
Accrued landfill closure costs	-	-
Accrued vacation—less current portion	483,478	577,140
Accrued sick—less current portion	539,250	764,270
Net pension liability	15,565,499	15,622,036
Net OPEB liability	1,691,019	1,836,722
Lease and SBITA liability	25,291	785,989
Deferred compensation	-	-
Long-term debt—less current portion	2,852,376,346	805,927,179
TOTAL NONCURRENT LIABILITIES	2,870,680,883	825,513,336
TOTAL LIABILITIES	3,205,558,838	973,858,344
DEFERRED INFLOWS OF RESOURCES:		
Deferred pension inflow	(8,142)	374,235
Deferred OPEB inflow	266,468	325,127
Deferred grant income	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	258,326	699,362
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	3,205,817,164	974,557,706
NET POSITION:		
Net investment in capital assets	1,321,752,125	168,311,443
Restricted for debt service	188,785,878	49,500,446
Unrestricted	152,662,591	4,640,239
TOTAL NET POSITION	\$ 1,663,200,594	\$ 222,452,128

See notes to the basic financial statements.

Small Systems	Solid Waste System	Interceptor System	Total Enterprise Funds	Internal Service Fund
\$ 11,127,157	\$ 3,171,363	\$ 3,479,142	\$ 57,236,105	\$ 16,140,248
2,849,676	1,825,723	1,043,122	36,212,606	1,422,742
1,336,384	185,211	1,774,952	21,847,781	-
15,313,217	5,182,297	6,297,216	115,296,492	17,562,990
9,523,110	22,000,658	25,839,986	160,842,614	-
2,246,385	-	66,056	7,661,818	-
-	6,983,097	-	6,983,097	-
-	-	-	1,121,008	-
4,763,171	246,461	4,753,808	22,667,984	-
-	-	-	31,742	13,976
-	-	-	137,000,000	-
15,024	1,740	-	450,434	886,003
15,255,000	4,980,000	20,015,000	174,650,000	-
31,802,690	34,211,956	50,674,850	511,408,697	899,979
47,115,907	39,394,253	56,972,066	626,705,189	18,462,969
-	3,097,484	-	3,097,484	-
193,214	432,532	102,035	1,788,399	1,606,289
298,352	676,967	129,144	2,407,983	2,167,545
7,136,788	13,385,845	2,330,814	54,040,982	47,559,866
952,156	1,438,936	338,691	6,257,524	6,579,538
29,440	-	-	840,720	853,264
-	-	-	-	105,000
369,983,706	69,881,192	495,618,395	4,593,786,818	-
378,593,656	88,912,956	498,519,079	4,662,219,910	58,871,502
425,709,563	128,307,209	555,491,145	5,288,925,099	77,334,471
(30,757)	396,035	(49,963)	681,408	613,639
157,153	265,855	47,012	1,061,615	1,104,910
1,000,000	-	-	1,000,000	-
1,126,396	661,890	(2,951)	2,743,023	1,718,549
426,835,959	128,969,099	555,488,194	5,291,668,122	79,053,020
93,140,558	83,927,045	146,054,301	1,813,185,472	27,452,810
38,579,529	6,528,555	32,075,961	315,470,369	-
(1,274,206)	12,978,794	3,515,951	172,523,369	(19,366,465)
\$ 130,445,881	\$ 103,434,394	\$ 181,646,213	\$ 2,301,179,210	\$ 8,086,345

(Concluded)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS YEAR ENDED SEPTEMBER 30, 2024

	Water System	Regional Wastewater System
OPERATING REVENUES:		
Water sales	\$ 451,251,338	\$ -
Wastewater service fees	-	107,316,826
Solid waste service fees	-	-
Intragovernmental	-	-
Insurance premiums	-	-
Other operating revenues	257,999	105,198
Total operating revenues	451,509,337	107,422,024
OPERATING EXPENSES:		
Personnel	18,788,363	19,418,767
Claims paid	-	-
Administrative charges	-	-
Operating supplies:		
Chemicals	61,320,488	6,405,892
Other supplies	6,241,190	5,763,350
Operating services:		
Electric power	22,313,416	4,176,112
Wholesale water purchases	5,421,527	-
Consulting	4,515,015	955,755
Maintenance	23,354,184	2,696,786
Shared services	41,924,404	14,467,271
Other services	5,369,757	9,882,264
Depreciation/amortization	92,579,095	16,145,251
Total operating expenses	281,827,439	79,911,448
OPERATING INCOME	169,681,898	27,510,576
NONOPERATING REVENUES (EXPENSES):		
Investment income (expense)	56,207,072	13,524,580
Miscellaneous revenue (expense)	-	-
Gain (loss) on sale of capital assets	(683,386)	124,287
Contribution revenue (expense)	6,489,443	-
Interest expense	(92,094,157)	(13,813,978)
Total nonoperating revenues (expenses)	(30,081,028)	(165,111)
Income (loss) before contributions and transfers	139,600,870	27,345,465
Capital Contributions	121,917	-
CHANGE IN NET POSITION	139,722,787	27,345,465
NET POSITION AT OCTOBER 1, 2023	1,523,477,807	195,106,663
NET POSITION AT SEPTEMBER 30, 2024	\$ 1,663,200,594	\$ 222,452,128

See notes to the basic financial statements.

Small Systems	Solid Waste System	Interceptor System	Total Enterprise Funds	Internal Service Fund
\$ -	\$ -	\$ -	\$ 451,251,338	\$ -
63,242,546	-	54,903,067	225,462,439	-
-	43,600,382	-	43,600,382	-
-	-	-	-	79,910,858
-	-	-	-	23,255,429
414,650	2,664,677	9,321	3,451,845	193,292
63,657,196	46,265,059	54,912,388	723,766,004	103,359,579
9,582,935	15,825,043	3,529,600	67,144,708	62,078,556
-	-	-	-	18,387,069
-	-	-	-	960,660
3,005,928	174,402	4,906,790	75,813,500	32
2,622,533	5,503,554	1,106,314	21,236,941	9,085,462
2,819,672	263,844	1,674,998	31,248,042	167,266
-	-	-	5,421,527	-
2,141,479	494,578	1,026,325	9,133,152	2,688,534
1,541,944	1,242,553	5,922,087	34,757,554	3,446,508
8,239,544	4,095,499	7,034,890	75,761,608	-
9,249,443	4,833,075	5,365,974	34,700,513	4,606,635
8,526,504	7,360,933	9,120,986	133,732,769	3,873,589
47,729,982	39,793,481	39,687,964	488,950,314	105,294,311
15,927,214	6,471,578	15,224,424	234,815,690	(1,934,732)
8,376,332	2,974,603	5,082,749	86,165,336	203,290
-	-	-	-	380,428
14,846	5,164,565	43,012	4,663,324	177,004
-	-	2,000,000	8,489,443	-
(10,625,454)	(2,845,081)	(12,165,398)	(131,544,068)	-
(2,234,276)	5,294,087	(5,039,637)	(32,225,965)	760,722
13,692,938	11,765,665	10,184,787	202,589,725	(1,174,010)
-	-	-	121,917	-
13,692,938	11,765,665	10,184,787	202,711,642	(1,174,010)
116,752,943	91,668,729	171,461,426	2,098,467,568	9,260,355
\$ 130,445,881	\$ 103,434,394	\$ 181,646,213	\$ 2,301,179,210	\$ 8,086,345

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS YEAR ENDED SEPTEMBER 30, 2024

	Water System	Regional Wastewater System
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 477,025,211	\$ 105,265,406
Cash received from other funds	-	506,199
Cash received from (paid to) others	315,170	163,827
Cash paid to suppliers for goods and services	(144,859,371)	(31,144,296)
Cash paid for employee services	(11,420,219)	(11,172,484)
Cash paid to other funds	(42,117,873)	(17,857,169)
Net cash provided by operating activities	278,942,918	45,761,483
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of bonds	533,473,000	-
Cash paid for capital assets	(160,571,872)	(89,767,460)
Proceeds from extended commercial paper	25,000,000	25,000,000
Interest paid on long-term debt	(101,005,179)	(13,888,196)
Interest paid on notes	(2,874,092)	(1,696,982)
Principal payments on long-term debt	(115,540,000)	(22,525,000)
Principal payments on notes	-	-
Payments for bond issue costs	(1,083,000)	-
Arbitrage rebate and service fees	-	(57,070)
Capital contribution	121,917	-
Net cash provided by (used for) capital and related financing activities	177,520,774	(102,934,708)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale and maturity of investments	219,766,087	76,190,692
Purchases of investments	(298,020,036)	(34,960,861)
Interest received	53,193,356	16,983,939
Net cash provided by (used for) investing activities	(25,060,593)	58,213,770
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	431,403,099	1,040,545
CASH AND CASH EQUIVALENTS—Beginning of year	317,492,391	254,354,560
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 748,895,490</u>	<u>\$ 255,395,105</u>
RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET POSITION		
Unrestricted cash and cash equivalents	\$ 123,258,736	\$ 17,430,413
Restricted cash and cash equivalents	625,636,754	237,964,692
	<u>\$ 748,895,490</u>	<u>\$ 255,395,105</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 169,681,898	\$ 27,510,576
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation/amortization	92,579,095	16,145,251
Change in operating assets and liabilities:		
Accounts receivable and unbilled receivable	1,045,693	(1,387,524)
Prepaid expenses	(121,743)	(135,890)
Pension related deferred outflows of resources	1,343,403	1,365,100
OPEB related deferred outflows of resources	247,083	251,018
Net pension liability	(8,095)	(8,227)
Pension related deferred inflows of resources	(166,771)	(169,463)
OPEB related deferred inflows of resources	61,064	62,037
Net OPEB liability	(166,050)	(168,695)
Subscription liability	(1,441)	1,202,212
Due to/from other funds	(172,325)	(227,643)
Accounts payable, accrued liabilities, and developers' deposits	12,889,531	2,091,472
Accrued vacation and accrued sick	84,677	127,702
Landfill liability	-	-
Customers' advance payments	1,646,899	(896,443)
	<u>109,261,020</u>	<u>18,250,907</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 278,942,918</u>	<u>\$ 45,761,483</u>
NONCASH TRANSACTION DISCLOSURES		
Change in landfill liability	\$ -	\$ -
Gain (loss) on disposal of capital assets	(79,432)	-
Amortization of bond-related items	(13,428,416)	(1,795,843)
Change in fair value of investments	(6,029,174)	(1,179,588)
Change in liabilities related to capital assets	(26,119,616)	(18,406,165)
Change in actuarial value of net pension liability	8,095	8,227

See notes to the basic financial statements

Small Systems	Solid Waste System	Interceptor System	Total Enterprise Funds	Internal Service Fund
\$ 63,123,006	\$ 38,649,739	\$ 53,695,523	\$ 737,758,885	\$ -
-	4,430,569	56,092	4,992,860	75,988,386
72,413	2,090,621	24,079	2,666,110	4,398,798
(19,861,727)	(17,751,826)	(21,059,816)	(234,677,036)	(37,465,722)
(5,578,511)	(9,298,458)	(2,129,226)	(39,598,898)	(36,141,758)
(10,245,644)	(4,095,121)	(6,568,646)	(80,884,453)	(96,797)
27,509,537	14,025,524	24,018,006	390,257,468	6,682,907
97,753,402	-	159,127,601	790,354,003	-
(47,247,717)	(15,793,571)	(56,057,637)	(369,438,257)	(3,128,129)
-	-	35,000,000	85,000,000	-
(10,444,135)	(3,321,047)	(12,518,718)	(141,177,275)	-
-	-	(1,367,379)	(5,938,453)	-
(13,605,000)	(4,635,000)	(16,095,000)	(172,400,000)	-
-	-	(52,000,000)	(52,000,000)	-
(1,492,182)	-	(1,665,344)	(4,240,526)	-
(11,909)	-	-	-	-
-	-	-	121,917	-
24,952,459	(23,749,618)	54,423,523	130,212,430	(3,128,129)
69,695,063	27,005,051	42,638,127	435,295,020	-
(64,631,881)	(32,571,675)	(25,649,168)	(455,833,621)	-
10,211,734	4,055,636	5,969,851	90,414,516	583,719
15,274,916	(1,510,988)	22,958,810	69,875,915	583,719
67,736,912	(11,235,082)	101,400,339	590,345,813	4,138,497
91,662,331	64,772,945	78,743,947	807,026,174	15,538,642
\$ 159,399,243	\$ 53,537,863	\$ 180,144,286	\$ 1,397,371,987	\$ 19,677,139
\$ 14,599,022	\$ 15,319,826	\$ 7,152,735	\$ 177,760,732	\$ 19,677,139
144,800,221	38,218,037	172,991,551	1,219,611,255	-
\$ 159,399,243	\$ 53,537,863	\$ 180,144,286	\$ 1,397,371,987	\$ 19,677,139
\$ 15,927,214	\$ 6,471,578	\$ 15,224,424	\$ 234,815,690	\$ (1,934,732)
8,526,504	7,360,933	9,120,986	133,732,769	3,873,589
287,913	(1,187,316)	(1,035,881)	(2,277,115)	(988,807)
(87,982)	(1,127)	(68,590)	(415,332)	(187,432)
682,564	1,158,419	233,002	4,782,488	4,469,647
125,468	178,196	48,977	850,742	883,989
(4,101)	(6,982)	(1,401)	(28,806)	(26,948)
(84,734)	(143,805)	(28,931)	(593,704)	(554,858)
31,007	44,039	12,104	210,251	218,471
(84,321)	(119,754)	(32,914)	(571,734)	(594,075)
13,345	(7,687)	-	1,206,429	187,883
(118,989)	270,189	2,327	(246,441)	228,076
3,126,294	135,490	734,701	18,977,488	950,430
57,466	229,890	35,617	535,352	246,744
-	598,571	-	598,571	-
(888,111)	(955,110)	(226,415)	(1,319,180)	(89,070)
11,582,323	7,553,946	8,793,582	155,441,778	8,617,639
\$ 27,509,537	\$ 14,025,524	\$ 24,018,006	\$ 390,257,468	\$ 6,682,907
\$ -	\$ 598,571	\$ -	\$ 598,571	\$ -
-	635,287	-	555,855	-
(1,125,979)	(434,692)	(2,180,318)	(18,965,248)	-
(514,231)	(115,908)	(412,578)	(8,251,479)	-
(3,693,435)	(1,287,143)	(11,218,639)	(60,724,998)	-
4,101	6,982	1,401	28,806	26,948

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
SEPTEMBER 30, 2024

	Total ⁽¹⁾
ASSETS	
Cash and cash equivalents	\$ 6,247,603
Investments	137,454,833
TOTAL ASSETS	<u>143,702,436</u>
LIABILITIES	
Accrued expenses and benefits payable	<u>-</u>
TOTAL LIABILITIES	<u>-</u>
NET POSITION:	
Restricted for pensions	131,893,557
Restricted for postemployment benefits other than pensions	11,808,879
TOTAL NET POSITION	<u><u>\$ 143,702,436</u></u>

(1) Information presented for the Pension Trust Fund is as of December 31, 2023.

Information presented for the OPEB Trust Fund is as of September 30, 2024.

See notes to the basic financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS

YEAR ENDED SEPTEMBER 30, 2024

	Total ⁽¹⁾
Additions:	
Contributions:	
Employer	\$ 13,471,420
Member	3,371,026
Total contributions	<u>16,842,446</u>
Net investment income:	
Interest and dividends	4,288,707
Equity fund income, net	-
Net increase in fair value of investments	11,543,874
Less investment expenses:	
Direct investment expense	<u>367,677</u>
Total investment expenses	<u>367,677</u>
Net investment income	<u>15,464,904</u>
Other income	<u>-</u>
Total Additions	<u>32,307,350</u>
Deductions:	
Service benefits	<u>10,807,991</u>
Total Deductions	<u>10,807,991</u>
Net increase (decrease)	21,499,359
Net position	
Beginning of year	122,203,077
End of year	<u><u>\$ 143,702,436</u></u>

(1) Information presented for the Pension Trust Fund is as of December 31, 2023.

Information presented for the OPEB Trust Fund is as of September 30, 2024.

See notes to the basic financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the North Texas Municipal Water District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

Reporting Entity

The District is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Article XVI, Section 59, of the Texas Constitution, pursuant to Chapter 62, Acts of 1951, 52nd Legislature of Texas, Regular Session, as amended (the Act). The District was created for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment, processing and transportation of such water to its 13 Member Cities (as defined below) and other customers located in North Central Texas. Under the State of Texas Constitution and the Statutes, the District has broad powers to effect flood control and the conservation and use, for all beneficial purposes, of storm and floodwaters and unappropriated flow waters and, as a necessary aid to these purposes, the specific authority to construct, own and operate water supply, treatment, and distribution facilities and sewage gathering, transmission and disposal facilities and to collect, transport, treat, dispose of and control all municipal, domestic, industrial, or communal waste, whether in fluid, solid, or composite state.

The District comprises all of the territory of its Member Cities: Allen, Farmersville, Forney, Frisco, Garland, McKinney, Mesquite, Plano, Princeton, Richardson, Rockwall, Royse City, and Wylie (the Member Cities). The District's Administrative Office is located at 501 E. Brown Street, Wylie, Texas. The District is governed by a 25-member Board of Directors. Each Member City having a population of 5,000 or more is represented by two members on the Board of Directors. A Member City with a population of less than 5,000 (Farmersville) is represented by one member on the Board of Directors. Members of the Board of Directors are appointed by the governing bodies of the respective Member Cities for two-year terms.

Basis of Presentation - Fund Financial Statements

The fund financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses.

The District reports the following proprietary fund types:

Enterprise Funds. The District reports its activities in five major enterprise funds: Water System, Regional Wastewater System, Small Systems, Solid Waste System and Interceptor System.

The Water System owns and operates a wholesale water treatment and transmission system consisting of raw water facilities, water treatment works and water transmission facilities and provides treated water to municipalities, water supply corporations, and individual customers.

The Regional Wastewater System, Small Systems, and Interceptor System own and operate wastewater treatment and disposal systems consisting of facilities to receive, treat and dispose of wastewater.

The Solid Waste System owns and operates landfill sites and solid waste transfer stations.

Internal Service Fund. This fund accounts for support services, as well as insurance benefits to District employees, participating dependents, and eligible retirees.

Fiduciary funds are used to account for assets held on behalf of outside parties. The District reports the following fiduciary fund types:

Pension and Other Employee Benefit Trust Funds. These funds account for the operations of the retirement and other postemployment benefits. The Pension Trust is reported on a calendar year basis as of December 31, 2023 and the OPEB Trust is reported on a fiscal year basis, which reflects each of the trusts measurement dates respectively.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Measurement Focus and Basis of Accounting**

The accompanying basic financial statements are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The District's operating revenues are derived from charges to cities, primarily for the sale and treatment of water, wastewater and solid waste. The District constructs facilities to provide services to others, which are financed in part by the issuance of its revenue bonds. Users, primarily Member Cities, generally contract to pay amounts equal to the District's operating and maintenance expenses, debt service requirements and any other obligations payable from the revenues of the District. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Cash and Cash Equivalents

All highly liquid investments (including restricted assets) with original maturities of three months or less when purchased are considered to be cash equivalents.

Deposits

The District's collateral agreement requires that all deposits be fully collateralized by government securities or Texas municipal bonds rated A or better that have a fair value exceeding the total amount of cash and investments held at all times.

Investments

All of the District's investments, except for investment pools, are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Investments in U.S. government securities are guaranteed or insured by the U.S. government. Investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost also in accordance with GASB Statement No. 72. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Accounts Receivable

Management considers accounts receivable to be fully collectible as of September 30, 2024; accordingly, no allowance for doubtful accounts is deemed necessary. As of September 30, 2024, 57% of total accounts receivable was attributed to the Member Cities and 26% was attributable to Customers.

Material and Supplies Inventory

Inventory of supplies and parts is maintained at different warehouses for use in the operation and is recorded as an expense when consumed or placed in service. Inventory is valued based on first-in-first-out methodology.

Capital Assets

All purchased capital assets are stated at historical cost unless they are determined to be impaired based on GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. Donated capital assets are reported at acquisition value based on GASB Statement No. 72, *Fair Value Measurement and Application*.

Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized.

According to the District's capitalization policy, assets with a useful life greater than one year with an original cost over the below thresholds will be capitalized.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (continued)

Land, right-of-way and easements	Capitalize all
Water treatment, storage and transmission facilities	\$ 50,000
Wastewater treatment facilities	50,000
Solid waste transfer and disposal facilities	50,000
Land improvements	20,000
Water rights	50,000
Reservoir facilities	50,000
Buildings and building improvements	50,000
Automobiles and trucks	15,000
Office furniture and fixtures	10,000
Other equipment and machinery	10,000

Depreciation is calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Water treatment, storage and transmission facilities	40 to 75 years
Wastewater treatment facilities	40 to 50 years
Solid waste transfer and disposal facilities	40 years
Land improvements	20 years
Water rights	50 years
Reservoir facilities	50 years
Buildings	40 years
Automobiles and trucks	5 years
Office furniture and fixtures	10 years
Other equipment	5 to 20 years

Leases and Subscription-Based Information Technology Arrangements (SBITA)

In accordance with GASB Statement No. 87, *Leases*, a lessee is required to recognize an intangible right-to-use lease asset and a lease liability, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be during the lease term. The right-to-use leased asset is initially measured as the initial amount of the lease liability, adjusted for certain indirect costs and amortized on a straight-line basis over the shorter of the lease term or its useful life.

District as Lessee. The District is a lessee for noncancelable leases of land and equipment. The District recognizes a lease liability, reported with noncurrent liabilities, and a right-to-use leased asset reported with other capital assets, on the Statement of Net Position. The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the right-to-use leased asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

District as Lessor. As of September 30, 2024, the District is not a lessor that meets the pronouncement requirement.

In accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, the District is required to recognize an intangible right-to-use subscription asset and a SBITA liability. At the commencement of a SBITA contract, the District initially measures the SBITA liability at the present value of payments expected to be made during the subscription term. Subsequently, the SBITA liability is reduced by the principal portion of subscription payments made. The right-to-use subscription asset is initially measured as the initial amount of the SBITA liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. The SBITA asset is amortized on a straight-line basis over its useful life.

The District monitors changes in circumstances that would require a remeasurement of its SBITA arrangement and will remeasure the SBITA right-to-use subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability. SBITA right-of-use assets are reported with other capital assets and SBITA liabilities are reported with noncurrent liabilities on the Statement of Net Position.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflow/Outflow of Resources

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category - 1) deferred charges on refunding, 2) deferred amounts related to pension and 3) deferred amounts related to OPEB. The deferred charges on refunding result from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts for pension and OPEB relate to the differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The District reports deferred amounts related to pension and OPEB.

Compensated Absences

Employees are allowed to accumulate vacation within certain limitations. Payment for accrued vacation (within limits) is payable upon termination. Payment for accrued sick leave (within limits) is paid upon retirement. As of September 30, 2024, a liability of \$7,234,640 for unused vacation and \$7,004,623 for unused sick leave has been accrued. The short-term portion is included in "accounts payable and accrued liabilities" in the accompanying Statement of Net Position. A summary of changes in accrued vacation and sick leave for the year ended September 30, 2024 is as follows:

	Beginning Liability	Additions	Reductions	Ending Liability	Amount due within one year
Vacation	\$ 6,510,813	\$ 1,272,423	\$ 548,596	\$ 7,234,640	\$ 3,839,953
Sick	6,575,255	742,421	313,053	7,004,623	2,429,095

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred inflows/outflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. Investments are reported at fair value.

Net Position

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is reported as (1) net investment in capital assets; (2) restricted for debt service and; (3) unrestricted. When both restricted and unrestricted net position are available for use, it is the District's policy to use restricted net position first, then unrestricted net position.

Revenues

Charges for treated water are based upon the current budgeted expenditure requirements (including debt service payments and excluding charges for depreciation and amortization) and amounts designated by the Board of Directors for capital improvements. Charges for wastewater and solid waste disposal are based upon the current budgeted expenditure requirements (including debt service payments and excluding charges for depreciation and amortization) and are adjusted for the difference between budgeted and actual expenditures for the same period. The District derives approximately 64% of its revenues from the cities of Allen, Frisco, Garland, McKinney, Mesquite, Plano, and Richardson. Such revenues derived directly from the respective systems are defined by the District as operating revenues. All other revenues not directly related to the operations of the systems are reported as non-operating revenues. Revenues are shown net of rebates and/or excess billings.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Expenses**

Direct charges attributable to the operations of the District's systems, including depreciation and amortization, are reported as operating expenses. Interest expense and other similar charges are reported as non-operating expenses.

Intragovernmental Transactions

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. Transactions that would be treated as revenue or expense if they involved organizations external to the District are similarly treated when involving funds of the District. Major transactions that fall into this category include payments for support services and payments in lieu of insurance premiums to the Internal Service Fund.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events

The District issued \$23,735,000 of Series 2024 Bonds for the Mustang Creek Interceptor System. The District also issued Extendable Commercial Paper of \$25,000,000 in the Regional Water System and \$15,000,000 in the Regional Wastewater System.

NOTE 2. RESTRICTED ASSETS

Restricted assets represent amounts reserved for:

- *Construction* — Construction of facilities, restricted by purpose of the debt issuance.
- *Interest and Redemption (Sinking)* — Current interest and principal of bonded indebtedness.
- *Reserve* — Payment of final serial maturity on bonded indebtedness or payment of interest and principal of bonded indebtedness when and to the extent the amount in the interest and redemption (sinking) fund is insufficient.
- *Contingency* — Unexpected or extraordinary expenses for which funds are not otherwise available or for debt service to the extent of interest and redemption (sinking) fund deficiencies as required by bond covenants.
- *Reserve for Maintenance* — Escrow for future maintenance expenses.
- *Arbitrage Escrow* — Payment of interest earnings on bond proceeds due to the United States Government.

NOTE 2. RESTRICTED ASSETS (CONTINUED)

The cash and cash equivalents, investments, and interest receivable components of each fund represented by restricted assets are as follows:

Funds	Cash and Cash Equivalents	Investments	Interest Receivable
Water:			
Construction	\$ 540,735,079	\$ 111,827,860	\$ 466,510
Interest and Sinking	45,289,759	-	-
Reserve	3,994,727	147,411,647	1,225,825
Contingency	32,764,717	-	-
Arbitrage	2,290,686	-	-
Reserve for Maintenance	561,786	-	-
	<u>625,636,754</u>	<u>259,239,507</u>	<u>1,692,335</u>
Regional Wastewater:			
Construction	211,565,900	-	-
Interest and Sinking	16,339,745	-	-
Reserve	731,254	37,042,128	308,533
Arbitrage	4,450,380	-	-
Reserve for Maintenance	4,877,413	-	-
	<u>237,964,692</u>	<u>37,042,128</u>	<u>308,533</u>
Small Systems:			
Construction	120,630,773	37,190,330	271,945
Interest and Sinking	15,355,793	-	-
Reserve	6,271,458	21,451,795	263,660
Arbitrage	1,060,048	-	-
Reserve for Maintenance	1,482,149	-	-
	<u>144,800,221</u>	<u>58,642,125</u>	<u>535,605</u>
Solid Waste:			
Construction	16,553,193	2,991,465	34,861
Interest and Sinking	1,040,900	-	-
Reserve	772,106	4,902,799	59,211
Arbitrage	187,007	-	-
Reserve for Maintenance	1,446,208	-	-
Reserve for Equipment Replacement	18,218,623	-	-
	<u>38,218,037</u>	<u>7,894,264</u>	<u>94,072</u>
Interceptor:			
Construction	150,379,131	2,477,135	18,635
Interest and Sinking	12,150,153	-	-
Reserve	7,028,110	17,485,091	166,416
Arbitrage	555,473	-	-
Reserve for Maintenance	2,878,684	-	-
	<u>172,991,551</u>	<u>19,962,226</u>	<u>185,051</u>
Total	<u>\$ 1,219,611,255</u>	<u>\$ 382,780,250</u>	<u>\$ 2,815,596</u>

Unbilled receivables of \$10,080,581 that are reflected as restricted assets in the Solid Waste System represent Member Cities' obligations for closure and postclosure costs related to solid waste landfills. Based on the contracts for services, Member Cities will be billed for the actual costs incurred to close the landfills.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS

The District maintains a cash and investment pool, which includes cash balances and authorized investments of all funds. This pooled cash is invested by the Investment Officer to enhance diversification and interest earnings. The pooled interest earned is allocated to the funds based on each fund's cash and investment balance at the end of each month.

A. Deposits

At September 30, 2024, the carrying amount of cash deposits was \$8,484,235 and total bank balance was \$8,455,940. During 2023-2024, the District's combined deposits were fully insured by federal depository insurance or collateralized with securities pledged to the District and held by the entity or its agent in the entity's name. At September 30, 2024, the District also held petty cash of \$500.

B. Investments

Legal provisions generally permit the District to invest in direct and indirect obligations of the United States of America or its agencies, certain certificates of deposit, repurchase agreements, public funds investment pools and mutual funds. During the year ended September 30, 2024, the District did not own any types of securities other than those permitted by statute.

The District invests in multiple Local Government Investment Pools (LGIP), including LOGIC, Texas CLASS, Texas CLASS Government and TexPool. The District has an undivided beneficial interest in the pool of assets held by the related investment pools. These underlying investments and deposits are fully insured by Federal depository insurance or collateralized by securities. The investment objectives of the pools are safety of principal, liquidity in accordance with the operating requirements of the Participants, and a competitive rate of return. Authorized investments include obligations of the United States of America or its agencies, direct obligations of the State of Texas or its agencies, certificates of deposit and repurchase agreements.

LOGIC

Hilltop Securities INC. (HTS) and J.P. Morgan Investment Management INC are the Co-Administrators of Texas Local Government Investment Cooperative (LOGIC) with HTS providing distribution, administration, Participant support, and marketing services while J.P. Morgan Investment Management provides investment management, custody, and fund accounting services. LOGIC was created as an investment pool for its Participants pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. LOGIC is organized and existing as a business trust under the laws of the State of Texas with all Participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the Participants. The Board of Trustees is LOGIC's governing body and is comprised of employees, officers or elected officials of Participant Government Entities or individuals who do not have a business relationship with the Pool and are qualified to advise it. A maximum of two advisory board members represent the Co-Administrators of the Pool. LOGIC uses amortized cost rather than the market value to report net position to compute share prices. Accordingly, the fair value of the position in LOGIC is the same as the net asset value of LOGIC shares.

Texas CLASS

Public Trust Advisors, LLC provides advisory services and administration and marketing services to Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS), which has two separate investment pools: Texas CLASS and Texas CLASS Government. The purpose of the Trust is to establish one or more investment funds through which a Participant may pool any of its funds or funds under its control in order to preserve principal, to maintain the liquidity of the Participant, and to maximize yield. These goals are in accordance with the Public Funds Investment Act, Section 2256.01, Texas Government Code, or other laws of the State of Texas, from time to time in effect, governing the investment of funds of a Participant or funds under its control. The Board of Trustees supervises the Trust and its affairs and acts as the liaison between the Participants, the Custodian and the Program Administrator. The Board is comprised of active members of the pool and elected by the Participants, guided by the Advisory Board. The Board is responsible for selecting the Administrator and Investment Advisors. UMB Bank, NA serves as the Custodian for Texas CLASS.

NOTE 3. CASH AND INVESTMENTS (CONTINUED)**TexPool**

The Comptroller of Public Accounts (the "Comptroller") is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company (the "Trust Company"), which is authorized to operate TexPool. Federated Investors, Inc. ("Federated"), under an agreement with the Comptroller, acting on behalf of the Trust Company, provides administrative and investment services to TexPool. The Texas Local Government Investment Pools (the "TexPool Portfolios") have been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Comptroller maintains oversight of the services provided to the TexPool Portfolios by Federated. In addition, the TexPool Advisory Board advises on the Investment Policies for the TexPool Portfolios. The Advisory Board is composed equally of participants in the TexPool Portfolios and other persons who do not have a business relationship with the TexPool Portfolios who are qualified to advise the TexPool Portfolios. TexPool uses amortized cost rather than the market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the net asset value of TexPool shares.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, Fair Value Measurement and Application provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

The District has recurring fair value measurements as presented in the table below. The District's investment balances and weighted average maturity of such investments are as follows:

	September 30, 2024	Fair Value Measurements Using Significant Other Observable Inputs (Level 2)	Percent Total Investments	Weighted Average Maturity (Days)
<i>Investments not Subject to Level Reporting:</i>				
Investment Pools*:				
LOGIC	\$ 332,381,321	\$ -	17.73%	48
Texas CLASS - CP	714,687,126	-	38.12%	36
Texas CLASS - Government	115,502,686	-	6.16%	12
TexPool	245,993,258	-	13.12%	31
<i>Investments by Fair Value Level:</i>				
U. S. Government Agency Securities:				
Fannie Mae Note	10,643,710	10,643,710	0.57%	329
Federal Farm Credit Bank Note	13,000,000	13,000,000	0.69%	1
Federal Home Loan Mortgage Corp. Note	44,193,000	44,193,000	2.36%	174
Federal Home Loan Bank Note	60,203,830	60,203,830	3.21%	663
U. S. Treasury Note	338,272,450	338,272,450	18.04%	621
<i>Total Value</i>	<u>\$ 1,874,877,381</u>	<u>\$ 466,312,990</u>		

Portfolio Weighted Average Maturity

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*Investment Pools are exempt for level reporting.

U.S. Government Agency Securities and *U.S. Treasury Notes* classified in Level 2 of the fair value hierarchy are valued using both active market prices observable for each identical or similar securities and other observable inputs provided by a reputable and independent source including but not limited to Bloomberg, the Wall Street Journal, Intercontinental Exchange (ICE), and the District's safekeeping agent. In the event the District has retained the services of a Registered Investment Advisor, the advisor shall also provide security pricing from ICE, Bloomberg or similarly recognized pricing services. Since the District does not have visibility to the market pricing all such securities are classified as Level 2.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, addresses common deposit and investment risks related to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

Credit risk is the risk that a security issuer may default on an interest or principal payment. State law and the District's investment policy limits the District to investments in high quality rated instruments that have been evaluated by agencies such as Standard and Poor's or Moody's Investor Service.

Custodial credit risk is the risk that a depository financial institution will not be able to recover collateral securities that are in the possession of an outside party. The District monitors collateral balances at the bank to ensure they are backed by quality rated instruments.

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

Concentration of credit risk is the risk associated with holding investments that are not pools and full faith credit securities in excess of 5% of the total portfolio. The investment policy of the District specifies the following limitations on the amount that can be invested in any one instrument at the time of purchase.

Instrument	Limitations
U.S. TREASURY SECURITIES	100%
U.S. AGENCIES & INSTRUMENTALITIES	75%
U.S. AGENCY BULLET	75%
U.S. AGENCY CALLABLE	25%
CERTIFICATES OF DEPOSIT	40%
REPURCHASE AGREEMENTS	40%
MONEY MARKET MUTUAL FUNDS	25%
AUTHORIZED INVESTMENT POOLS	100%

At September 30, 2024, investments, other than external investment pools, that represent 5% or more of the District's investments are as follows:

Issue	Investment Type	Reported Amount
U.S. TREASURY NOTE	Treasury note	\$ 338,272,450

The District held a total of \$466,312,990 in securities that equated to 24.87% of the total investment portfolio.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. There is no formal policy relating to interest rate risk. However, the District manages its exposure to interest rate risk by investing in investment pools which purchase a combination of short term investments with an average maturity of less than 60 days, thus reducing the interest rate risk. The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. At September 30, 2024, \$226,410,270 of the District's portfolio had a weighted average maturity of greater than one year.

Foreign currency risk is the potential for loss due to fluctuations in exchange rates. The District is not exposed to foreign currency risk.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value using the aggregate method in all funds, resulting in the following investment income:

	Water System	Regional Wastewater System	Small Systems	Solid Waste System	Interceptor System	Internal Service Funds	Total
Investment income:							
Interest	\$ 52,412,710	\$ 15,717,223	\$ 8,908,154	\$ 3,041,141	\$ 5,536,615	\$ 203,290	\$ 85,819,133
Arbitrage rebate	(2,234,812)	(3,372,231)	(1,046,053)	(182,446)	(866,444)	-	(7,701,986)
Net changes in the fair value of investments	6,029,174	1,179,588	514,231	115,908	412,578	-	8,251,479
Investment income:	<u>\$ 56,207,072</u>	<u>\$ 13,524,580</u>	<u>\$ 8,376,332</u>	<u>\$ 2,974,603</u>	<u>\$ 5,082,749</u>	<u>\$ 203,290</u>	<u>\$ 86,368,626</u>

In accordance with GASB Statement No. 31, the net changes in the fair value of investments take into account all changes in fair value (including purchases and sales) that occurred during the year. These portfolio value changes are unrealized unless sold.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

C. Summary of Cash and Investments

	Water System	Regional Wastewater System	Small Systems	Solid Waste System	Interceptor System	Internal Service Funds	Total
Unrestricted:							
Cash and cash equivalents	\$ 123,258,736	\$ 17,430,413	\$ 14,599,022	\$ 15,319,826	\$ 7,152,735	\$ 19,677,139	\$ 197,437,871
Investments	73,593,680	1,990,680	-	6,959,890	988,490	-	83,532,740
Total unrestricted	196,852,416	19,421,093	14,599,022	22,279,716	8,141,225	19,677,139	280,970,611
Restricted-current:							
Cash and cash equivalents	45,289,759	16,339,745	15,355,792	1,040,900	12,150,153	-	90,176,349
Total restricted-current	45,289,759	16,339,745	15,355,792	1,040,900	12,150,153	-	90,176,349
Restricted -non-current:							
Cash and cash equivalents	580,346,995	221,624,947	129,444,429	37,177,137	160,841,398	-	1,129,434,906
Investments	259,239,507	37,042,128	58,642,125	7,894,264	19,962,226	-	382,780,250
Total restricted-non-current	839,586,502	258,667,075	188,086,554	45,071,401	180,803,624	-	1,512,215,156
Total Restricted	884,876,261	275,006,820	203,442,346	46,112,301	192,953,777	-	1,602,391,505
	\$						
Total	1,081,728,677	\$ 294,427,913	\$ 218,041,368	\$ 68,392,017	\$ 201,095,002	\$ 19,677,139	\$ 1,883,362,116

Amounts included in unrestricted cash and cash equivalents and investments are comprised of the following:

	Water System	Regional Wastewater System	Small Systems	Solid Waste System	Interceptor System	Internal Service Funds	Total
Unrestricted:							
Operating Funds	\$ 92,869,587	\$ 9,893,196	\$ 3,339,611	\$ 3,652,567	\$ 3,005,546	\$ 6,838,212	\$ 119,598,719
Petty Cash	500	-	-	-	-	-	500
Capital Improvement Funds	103,982,329	9,022,583	3,100,704	18,627,149	3,965,578	-	138,698,343
Contingency Funds	-	-	-	-	-	4,558,233	4,558,233
Preventative Maintenance	-	505,313	8,158,707	-	1,170,101	-	9,834,122
Employee Insurance Funds	-	-	-	-	-	4,638,906	4,638,906
Retiree Insurance Funds	-	-	-	-	-	3,641,788	3,641,788
Total unrestricted	\$ 196,852,416	\$ 19,421,093	\$ 14,599,022	\$ 22,279,716	\$ 8,141,225	\$ 19,677,139	\$ 280,970,611

Refer to Note 2 for a detail of restricted assets and Note 11 for commitments under construction contracts.

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

At September 30, 2024, the District had the following deposits and investments:

	Credit Quality Ratings	Fair Value	Weighted Average Maturity
Unrestricted Cash and Investments			
Cash and cash equivalents:			
Deposits with a financial institution	Not Rated	\$ 8,484,202	N/A
Cash on hand	Not Rated	500	N/A
Texas CLASS - CP	AAAm	63,216,562	36 Days
Texas CLASS - Government	AAAm	14,392,355	12 Days
TexPool	AAAm	111,344,252	31 Days
Total cash and cash equivalents		197,437,871	
Investments—Securities of U.S. Government Agencies:			
Treasury Note - US Treasuries	Aaa	56,527,360	173 Days
FFCB - Federal Farm Credit Bank	Aaa	10,000,000	1 Day
FHLB - Federal Home Loan Bank	Aaa	17,005,380	187 Days
Total Securities of U.S. Government Agencies		83,532,740	
Total Unrestricted Investments and Cash Equivalents		280,970,611	
Restricted Cash and Investments			
Cash and cash equivalents:			
Deposits with a financial institution	Not Rated	33	N/A
LOGIC	AAAm	332,381,321	48 Days
Texas CLASS - CP	AAAm	651,470,564	36 Days
Texas CLASS - Government	AAAm	101,110,331	12 Days
TexPool	AAAm	134,649,006	31 Days
Total cash and cash equivalents		1,219,611,255	
Investments—Securities of U.S. Government Agencies:			
Treasury Note - US Treasuries	Aaa	281,745,090	710 Days
FFCB - Federal Farm Credit Bank	Aaa	3,000,000	1 Day
FHLB - Federal Home Loan Bank	Aaa	43,198,450	851 Days
FHLMC - Federal Home Loan Mortgage Corp.	Aaa	44,193,000	174 Days
FNMA - Fannie Mae	Aaa	10,643,710	329 Days
Total Securities of U.S. Government Agencies		382,780,250	
Total Restricted Investments and Cash Equivalents		1,602,391,505	
Total Cash and Investments		\$ 1,883,362,116	

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

D. Pension and OPEB Trust Fund Cash, Cash Equivalents, and Investments

GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The balance per bank of cash on deposit in the Pension Trust Fund and the carrying value was \$165,062 as of December 31, 2023. The balance per bank of cash on deposit in the OPEB Trust Fund and the carrying value was \$23,632 as of September 30, 2024. Additional cash in the amount of \$3,184,664 was held by Aetna as of December 31, 2023 to cover the monthly benefit payments. See below for the detail of investments held.

The assets of the District's Employee Benefit Pension Plan are administered by the North Texas Municipal Water District Finance Committee of the Board of Directors. The District has contracted with Westwood Trust, Commonwealth Financial, and Aetna as ancillary trustees and custodians for the District's investments and those investments are respectively held by each of these trustees and custodians.

The District has contracted with Westwood Trust for trust administration, and the District's OPEB Plan investments are held in the Investment Trust by its trustee and custodian Westwood Trust (the "Trustee").

Investments	Pension Trust Fund ⁽¹⁾	OPEB Trust Fund	Quoted Prices in Active Markets for Identical Assets
			(Level 1)
Money Market Funds			
Fidelity Government Money Market Capital Reserves	\$ 33,884(2)	\$ -	N/A
Equity Funds			
American Capital Income Builder	30,848,247	-	30,848,247
American Income Fund of America	35,018,305	-	35,018,305
Largecap Value Equity - EB	6,289,091	1,425,810	7,714,901
LSV Emerg Mrkts Eqty - I	-	237,516	237,516
Baron Emerging Markets Fund Institutional Shares	3,816,527	-	3,816,527
RBC Emerg Mkts Equity - I	-	479,891	479,891
Pgim Jennison Growth Fund R6	6,268,784	902,612	7,171,395
Smidcap Value Equity - EB	3,142,777	598,027	3,740,804
Smallcap Value Equity - EB	3,153,987	602,042	3,756,029
Vanguard FTSE Developed Markets Index Fund ETF Shares	5,718,972	1,411,189	7,130,161
Vanguard Scottsdal Vng Rus2000grw	4,448,518	831,073	5,279,590
Fixed Income Funds			
Core Investment Grade Bond - EB	11,790,598	2,471,472	14,262,070
iShares 20 Year Treasury Bond ETF	1,842,332	357,280	2,199,612
Westwood High Income Fund Instl	3,725,395	702,852	4,428,247
Specialty Funds			
Westwood Total Return Fund Instl	6,210,190	-	6,210,190
Westwood Alternative Income Fund Ultra	615,711	116,173	731,885
Income Opportunity - EB	5,620,512	1,649,310	7,269,822
Total Investments and Cash Equivalents	\$ 128,543,831	\$ 11,785,247	\$ 140,295,193

(1) Information presented for the Pension Trust Fund is as of December 31, 2023.

(2) The Pension Trust Fund is invested in a Money Market Fund (Fidelity Government Money Market Capital Reserves) which is valued at Net Asset Value and is therefore excluded from leveling above. See discussion earlier in this note regarding inputs for each level.

Neither the Pension Trust Fund or OPEB Trust Fund have unfunded commitments and therefore may redeem investments at any time to pay for benefits.

NOTE 4. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance at October 1, 2023	Additions and Transfers	Disposals and Transfers	Balance at September 30, 2024
Nondepreciable:				
Land	\$ 349,496,699	\$ 5,111,213	\$ 573,689	\$ 354,034,223
Easements	93,174,510	4,275,921	-	97,450,431
Construction in progress	875,596,955	375,258,203	277,110,685	973,744,473
Total nondepreciable assets	1,318,268,164	384,645,337	277,684,374	1,425,229,127
Depreciable:				
Land improvements	297,717,691	6,321,029	-	304,038,720
Water treatment, storage and transmission facilities	2,936,371,464	149,624,851	3,254,555	3,082,741,760
Wastewater treatment facilities	1,201,347,237	103,823,832	-	1,305,171,069
Solid waste transfer and disposal facilities	96,192,501	44,480	-	96,236,981
Reservoir facilities and water rights	494,380,821	2,633,576	-	497,014,397
Buildings	93,949,185	449,879	-	94,399,064
Automobiles and trucks	23,598,084	4,076,414	2,427,476	25,247,022
Office furniture and fixtures	1,130,331	304,470	-	1,434,801
Other equipment	106,225,656	7,709,466	2,661,039	111,274,083
Total depreciable assets	5,250,912,970	274,987,997	8,343,070	5,517,557,897
Amortizable:				
Equipment lease assets	974,916	989,869	53,465	1,911,320
Subscription assets	1,688,543	1,768,599	212,375	3,244,767
Total amortizable assets	2,663,459	2,758,468	265,840	5,156,087
Total depreciable/amortizable assets	5,253,576,429	277,746,465	8,608,910	5,522,713,984
Less accumulated depreciation/amortization on:				
Land improvements, depreciation	(22,971,998)	(14,761,886)	-	(37,733,884)
Water treatment, storage and transmission facilities, depreciation	(548,700,798)	(65,268,017)	(3,175,122)	(610,793,693)
Wastewater treatment facilities, depreciation	(321,886,463)	(29,396,224)	-	(351,282,687)
Solid waste transfer and disposal facilities, depreciation	(43,234,185)	(1,760,602)	-	(44,994,787)
Reservoir facilities and water rights, depreciation	(142,180,128)	(10,263,793)	-	(152,443,921)
Buildings, depreciation	(24,386,139)	(2,256,777)	-	(26,642,916)
Automobiles and trucks, depreciation	(14,711,964)	(3,063,141)	(2,310,498)	(15,464,607)
Office furniture and fixtures, depreciation	(899,492)	(76,817)	-	(976,309)
Other equipment, depreciation	(67,525,715)	(9,466,330)	(2,430,125)	(74,561,920)
Equipment lease assets, amortization	(297,514)	(398,132)	53,467	(642,179)
Subscription assets, amortization	(558,707)	(894,635)	(212,371)	(1,240,971)
Total accumulated depreciation/amortization	(1,187,353,103)	(137,606,354)	(8,074,649)	(1,316,777,874)
Total depreciable/amortizable assets—net	4,066,223,326	140,140,111	534,261	4,205,936,110
TOTAL CAPITAL ASSETS—NET	\$ 5,384,491,490	\$ 524,785,448	\$ 278,218,635	\$ 5,631,165,237

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS, CONTINUED

At September 30, 2024, capital assets by system were the following:

	Net Depreciable Assets	Net Amortizable Assets	Total Net Capital Assets
Water System	\$ 3,723,214,749	\$ 43,979	\$ 3,723,258,728
Regional Wastewater System	879,357,918	1,346,092	880,704,010
Small Systems	326,772,964	43,726	326,816,690
Solid Waste System	140,817,938	2,082	140,820,020
Interceptor System	530,359,736	-	530,359,736
Internal Service Fund	27,368,995	1,837,058	29,206,053
Total	<u>\$ 5,627,892,300</u>	<u>\$ 3,272,937</u>	<u>\$ 5,631,165,237</u>

NOTE 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At September 30, 2024, accounts payable and accrued liabilities consisted of the following:

	Water System	Regional Wastewater System	Small Systems	Solid Waste System	Interceptor System	Internal Service Fund	Total
Payable to vendors/ contractors	\$ 79,206,309	\$ 40,079,145	\$ 9,369,014	\$ 3,920,347	\$ 24,145,528	\$ 3,382,088	\$ 160,102,431
Insurance claims liability	-	-	-	-	-	2,335,483	2,335,483
Arbitrage liability	-	4,256,809	-	-	-	-	4,256,809
Escrow liability	10,896,598	5,382,727	10,674,999	19,847,276	4,915,229	5,101,693	56,818,522
Compensated absences	757,687	939,999	257,616	578,555	143,769	3,591,422	6,269,048
Accrued payroll and related benefits	711,007	707,022	348,638	825,843	114,602	1,729,562	4,436,674
Total	\$ 91,571,601	\$ 51,365,702	\$ 20,650,267	\$ 25,172,021	\$ 29,319,128	\$ 16,140,248	\$ 234,218,967
Payable from unrestricted assets	\$ 32,950,614	\$ 6,507,829	\$ 11,127,157	\$ 3,171,363	\$ 3,479,142	\$ 16,140,248	\$ 73,376,353
Payable from restricted assets	58,620,987	44,857,873	9,523,110	22,000,658	25,839,986	-	160,842,614
Total	\$ 91,571,601	\$ 51,365,702	\$ 20,650,267	\$ 25,172,021	\$ 29,319,128	\$ 16,140,248	\$ 234,218,967

NOTE 6. INTERFUND BALANCES

At September 30, 2024, interfund balances consisted of the following:

	Due From Other Funds	Due To Other Funds
Water System	\$ 30,044,928	\$ 30,741,610
Regional Wastewater System	4,700,488	5,101,852
Small Systems	4,834,962	5,096,061
Solid Waste System	2,240,513	1,825,723
Interceptor System	952,706	1,109,178
Internal Service Fund	2,523,569	1,422,742
Total	\$ 45,297,166	\$ 45,297,166

The above interfund balances are a result of routine administrative type transactions in the normal course of business and are expected to be repaid in less than one year.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. DEFERRED OUTFLOWS OF RESOURCES

At September 30, 2024, deferred outflows of resources consisted of the following:

	Balance at October 1, 2023	Additions	Deletions	Balance at September 30, 2024
Water System:				
Deferred loss on refunded debt	\$ 2,103,686	\$ -	\$ (110,701)	\$ 1,992,985
Deferred pension outflow	8,492,683	-	(1,343,403)	7,149,280
Deferred OPEB outflow	1,125,386	-	(247,083)	878,303
	<u>11,721,755</u>	<u>-</u>	<u>(1,701,187)</u>	<u>10,020,568</u>
Regional Wastewater:				
Deferred loss on refunded debt	1,237,103	-	(310,495)	926,608
Deferred pension outflow	9,532,508	-	(1,365,100)	8,167,408
Deferred OPEB outflow	1,186,757	-	(251,018)	935,739
	<u>11,956,368</u>	<u>-</u>	<u>(1,926,613)</u>	<u>10,029,755</u>
Small Systems:				
Deferred loss on refunded debt	712,831	-	(217,920)	494,911
Deferred pension outflow	4,372,683	-	(682,564)	3,690,119
Deferred OPEB outflow	623,686	-	(125,468)	498,218
	<u>5,709,200</u>	<u>-</u>	<u>(1,025,952)</u>	<u>4,683,248</u>
Solid Waste System:				
Deferred loss on refunded debt	683,834	-	(144,576)	539,258
Deferred pension outflow	8,379,759	-	(1,158,419)	7,221,340
Deferred OPEB outflow	916,884	-	(178,196)	738,688
	<u>9,980,477</u>	<u>-</u>	<u>(1,481,191)</u>	<u>8,499,286</u>
Interceptor System:				
Deferred loss on refunded debt	1,132,070	-	(273,183)	858,887
Deferred pension outflow	1,388,804	-	(233,002)	1,155,802
Deferred OPEB outflow	225,385	-	(48,977)	176,408
	<u>2,746,259</u>	<u>-</u>	<u>(555,162)</u>	<u>2,191,097</u>
Internal Service Fund:				
Deferred pension outflow	29,885,807	-	(4,469,647)	25,416,160
Deferred OPEB outflow	4,305,604	-	(883,989)	3,421,615
	<u>34,191,411</u>	<u>-</u>	<u>(5,353,636)</u>	<u>28,837,775</u>
Total deferred outflows of resources	<u>\$ 76,305,470</u>	<u>\$ -</u>	<u>\$ (12,043,741)</u>	<u>\$ 64,261,729</u>

NOTE 8. LONG -TERM DEBT

At September 30, 2024, long-term debt consisted of the following:

	Original Borrowing	Balance at October 1, 2023	Issued	Retired or Refunded	Balance at September 30, 2024	Amounts due Within One Year
Water System:						
Water revenue bonds 3/23-9/51, 2.00-5.00%	\$ 2,629,713,000	\$ 1,150,010,000	\$ -	\$ 61,535,000	\$ 1,088,475,000	\$ 59,595,000
Water direct placement 3/23-9/49, 1.060-3.43%	2,009,370,000	1,292,320,000	532,390,000	54,005,000	1,770,705,000	50,610,000
Total Water System	4,639,083,000	2,442,330,000	532,390,000	115,540,000	2,859,180,000	110,205,000
Regional Wastewater:						
Wastewater revenue bonds, 12/22-6/51, 2.00-5.00%	451,360,000	349,675,000	-	14,820,000	334,855,000	15,490,000
Wastewater direct placement 12/22-6/50, .020-.170%	496,535,000	480,405,000	-	7,705,000	472,700,000	8,705,000
Total Regional Wastewater System	947,895,000	830,080,000	-	22,525,000	807,555,000	24,195,000
Small Systems:						
Rockwall contract revenue bonds, 12/22-6/28, 5.75%	2,960,000	1,055,000	-	190,000	865,000	200,000
Mustang Creek Interceptor System revenue bonds, 12/22-6/50, 2.50- 5.125%	34,455,000	29,965,000	-	800,000	29,165,000	840,000
Rockwall-Heath contract revenue bonds 12/22-6/25, 4.20-4.25%	3,020,000	440,000	-	215,000	225,000	225,000
Terrell contract revenue bonds 12/22-6/35, 3.25-5.00%	10,465,000	7,110,000	-	475,000	6,635,000	495,000
Stewart Creek contract revenue bonds, 12/22-6/35, 3.00-5.00%	69,685,000	45,200,000	-	2,890,000	42,310,000	3,005,000
Sabine Creek Wastewater System revenue bonds, 12/22-6/52, 2.00- 5.00%	101,710,000	92,810,000	-	640,000	92,170,000	660,000
Muddy Creek Wastewater System revenue bonds 12/22-6/40, 2.00- 4.00%	116,930,000	17,185,000	84,300,000	1,325,000	100,160,000	2,550,000
Muddy Creek Interceptor revenue bonds 12/22-6/24, 3.00%	2,135,000	250,000	-	250,000	-	-
Buffalo Creek Interceptor revenue bonds 12/22-6/50, 2.00-5.00%	58,995,000	37,275,000	8,470,000	1,625,000	44,120,000	1,365,000
Rockwall Water Pumping Facilities bonds 12/22-6/26, 4.55-4.60%	2,145,000	470,000	-	150,000	320,000	155,000
Panther Creek Wastewater System bonds 12/22-6/40, 2.50-5.00%	36,190,000	18,825,000	-	3,480,000	15,345,000	3,640,000
Lower East Fork Interceptor bonds 12/22-6/26, 3.00-4.00%	10,745,000	3,695,000	-	1,180,000	2,515,000	1,230,000
Parker Creek Parallel Interceptor bonds 12/21-6/36, 2.00-3.00%	3,045,000	2,210,000	-	135,000	2,075,000	140,000
Total Small Systems revenue bonds	452,480,000	256,490,000	92,770,000	13,355,000	335,905,000	14,505,000

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG -TERM DEBT (CONTINUED)

	Original Borrowing	Balance at October 1, 2023	Issued	Retired or Refunded	Balance at September 30, 2024	Amounts due Within One Year
Small Systems direct placement:						
Buffalo Creek Interceptor direct placement 12/21-6/52, 1.10-2.52%	38,615,000	38,365,000	-	250,000	38,115,000	750,000
Total Small Systems	491,095,000	294,855,000	92,770,000	13,605,000	374,020,000	15,255,000
Solid Waste System - revenue						
bonds, 3/23-9/43, 3.00-5.00%	116,435,000	75,310,000	-	4,635,000	70,675,000	4,980,000
Interceptor System - revenue						
bonds, 12/22-6/51, 2.00-6.25%	687,680,000	354,495,000	150,745,000	16,095,000	489,145,000	20,015,000
Total	<u>\$ 6,882,188,000</u>	<u>\$ 3,997,070,000</u>	<u>\$ 775,905,000</u>	<u>\$ 172,400,000</u>	<u>\$ 4,600,575,000</u>	<u>\$ 174,650,000</u>

Pledged Revenue

Throughout the years, the District has issued revenue bonds and U.S. Government Notes with pledged revenues as collateral.

Pledged revenues generally include gross revenues of the District's respective Systems, and includes specifically certain payments to be received by the District from the Systems' Member Cities and contracting parties. The Member Cities and contracting parties are obligated to make payments in amounts sufficient to pay the principal and interest of the debt, which were issued to provide funding for construction and capital improvement projects.

The total amount of the pledge is equal to the remaining outstanding debt service requirements for the District's bonds and notes.

For the year ended September 30, 2024, bond debt service of \$318,148,348 was fully secured by 100% of pledged revenues of \$723,766,004 and interest earned on accounts restricted for debt service. Also, the Interceptor System ECP Debt service amount of \$782,654 was paid directly from Operating and is not included in the pledged revenues.

Arbitrage Rebate

The Federal Tax Reform Act of 1986 imposes a rebate requirement with respect to certain long-term obligations. Arbitrage rebate rules, under the Internal Revenue Code Section 148 and related Treasury Regulations, require generally that a tax-exempt bond issuer forward to the federal government any profits made from investing bond proceeds at a yield above the bond yield, when investing in a taxable market. Payments based on cumulative profits earned by bonds are due, in general, every five years. For the year ended September 30, 2024, the District accrued a yield restriction/arbitrage rebate of \$8,629,123, based on the most recent calculation. Future calculations might result in adjustments to this determination.

NOTE 8. LONG -TERM DEBT (CONTINUED)

In the Statement of Net Position, the long-term liabilities include premiums net of discounts of \$103,401,346 in the Water System, \$22,567,179 in the Regional Wastewater System, \$11,218,706 in the Small Systems, \$4,186,192 in the Solid Waste System and \$26,488,395 in the Interceptor System.

Other premiums and discounts related to long term debt activity for the year ended September 30, 2024, were as follows:

	Balance at October 1, 2023	Additions	Deletions	Balance at September 30, 2024
Water System:				
Premiums	\$ 116,940,463	\$ -	\$ (13,539,117)	\$ 103,401,346
	116,940,463	-	(13,539,117)	103,401,346
Regional Wastewater:				
Premiums	24,673,517	-	(2,106,338)	22,567,179
	24,673,517	-	(2,106,338)	22,567,179
Small Systems:				
Premiums	9,076,135	3,491,220	(1,345,429)	11,221,926
Discounts	(4,750)	-	1,530	(3,220)
	9,071,385	3,491,220	(1,343,899)	11,218,706
Solid Waste System:				
Premiums	4,765,460	-	(579,268)	4,186,192
	4,765,460	-	(579,268)	4,186,192
Interceptor System:				
Premiums	22,224,638	6,717,258	(2,453,501)	26,488,395
	22,224,638	6,717,258	(2,453,501)	26,488,395
Total	\$ 177,675,463	\$ 10,208,478	\$ (20,022,123)	\$ 167,861,818

Revenue bonds outstanding at September 30, 2024 are secured as follows:

- **Water Revenue Bonds** — Assignment of the gross revenues to be derived from the operation of the District's Water System.
- **Regional Wastewater Revenue Bonds** — Assignment of the gross revenues to be derived from the operation of the District's Regional Wastewater System and payments made to the District from the Cities of Plano, Mesquite, McKinney, Forney, Allen, Frisco, Princeton, Prosper, Rockwall, Seagoville and Heath.
- **Rockwall Contract Revenue Bonds** — Assignment of the gross revenues to be derived from the operation of the District's sewage disposal system serving the City of Rockwall.
- **Mustang Creek Interceptor Revenue Bonds** — Payments to be made to the District by the City of Forney.
- **Rockwall/Heath Water Storage Facilities Revenue Bonds** — Payments to be made to the District by the Cities of Rockwall and Heath.
- **Terrell Water Transmission Facilities Contract Revenue Bonds** — Payments to be made to the District by the City of Terrell.
- **Stewart Creek Contract Revenue Bonds** — Assignment of the gross revenues to be derived from the operation of the Stewart Creek Wastewater System and payments made to the District by the City of Frisco.
- **Sabine Creek Wastewater System Revenue Bonds** — Assignment of the gross revenues to be derived from the operation of the Sabine Creek Wastewater System and payments made to the District by the Cities of Fate and Royse City.
- **Muddy Creek Wastewater System Revenue Bonds** — Assignment of the gross revenues to be derived from the operation of the Muddy Creek Wastewater System and payments made to the District by the Cities of Murphy and Wylie.
- **Buffalo Creek Interceptor System Revenue Bonds** — Assignment of the gross revenues to be derived from the operation of the Buffalo Creek Interceptor System and payments made to the District by the Cities of Forney, Heath, and Rockwall.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG -TERM DEBT (CONTINUED)

- *Rockwall Water Pumping Facilities Bonds* — Payments to be made to the District by the City of Rockwall.
- *Panther Creek Wastewater System Bonds* — Assignment of the gross revenues to be derived from the operation of the Panther Creek Wastewater System and payments made to the District by the City of Frisco.
- *Lower East Fork Interceptor System Bonds* — Assignment of the gross revenues to be derived from the operation of the District's Lower East Fork Interceptor System and payments made to the District by the Cities of Mesquite and Seagoville.
- *Parker Creek Parallel Wastewater Interceptor Bonds* — Assignment of the gross revenues to be derived from the operation of the Parker Creek Interceptor System and payments made to the District by the City of Fate.
- *Solid Waste System Revenue Bonds* — Assignment of the gross revenues to be derived from the operation of the District's Solid Waste System.
- *Interceptor System Revenue Bonds* — Assignment of the gross revenues to be derived from the operation of the District's Upper East Fork Interceptor System.

Interest and redemption (sinking) funds, reserve funds and contingency funds have been established, as required, in accordance with bond resolutions. Funds may be placed in secured time deposits or invested in direct obligations of, or obligations guaranteed by, the U.S. government. Interest earned is retained in the applicable funds or transferred to meet debt service requirements in accordance with bond resolutions.

Premiums and discounts on bonds are amortized over the life of the debt using the effective interest method.

During the year, the District issued revenue bonds in the amounts of \$532,390,000 in the Water System primarily for improving the District's Water System, including paying construction costs relating to the Lower Bois D'Arc Creek Reservoir and the Leonard WTP expansion, \$150,745,000 in the Interceptor System primarily for refunding a portion of the District's outstanding Extendable Commercial Paper, the acquisition, construction, and inspection of the Wilson Creek Transfer Force Main, the McKinney East Side extension, Sloan Creek Force Main, Beck Branch Parallel Interceptor, Spring Creek Force Main and the Plano-McKinney Pipeline and systems relocations, \$92,770,000 in the Small Systems primarily for constructing the Muddy Creek WWTP expansion to 12.5 MGD, constructing the Muddy Creek WWTP Operations Building operation improvements, preliminary design of Buffalo Creek Parallel Interceptor Phase II, final design of Buffalo Creek Lift Station No. 2, final design and easements of Buffalo Creek Parallel Force Main and other system improvements.

At September 30, 2024, defeased bonds outstanding totaled \$0.

For current and advance refunding resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. At September 30, 2024, the amount of the unamortized deferred amount on refundings is \$4,812,649.

Additional debt information

As disclosed in this note, the District's outstanding revenue bonds including direct placement revenue bonds are secured by and payable, both as to principal and interest, solely from and secured by a first lien on and pledge of the pledged revenues.

A number of the District's bond issues have separately purchased insurance on them. The insurance contains a provision that in the event, the District defaults on a scheduled payment of principal or interest, all or a portion becomes due under the policy. The bonds are payable solely from the sources of funds pledged to the payment of the bonds. Payment of the principal and interest is not subject to acceleration.

The District's outstanding revenue bonds from direct placements of \$1,770,705,000 for the Water System, \$472,700,000 for the Wastewater System, and \$38,115,000 for Small Systems contain a provision that if the District defaults on the payment of the principal and interest of the bond when due, there is no right to the acceleration of maturity of the Bonds. The District is eligible to seek relief from its creditors under chapter 9 of the U.S. Bankruptcy Code.

The Board has authorized using Extendable Commercial Paper (ECP) in the Water System (not to exceed \$700M), Regional Wastewater System (not to exceed \$400M), and Interceptor System (not to exceed \$150M). As of September 30, 2024, the District has outstanding ECP notes of \$79,000,000 in the Water System, \$58,000,000 in the Wastewater System, and \$0 in the Interceptor System.

NOTE 8. LONG -TERM DEBT (CONTINUED)

Annual requirements to retire revenue bonds outstanding, including interest, are:

	Water System			Water System - Direct Placement		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 59,595,000	\$ 45,708,508	\$ 105,303,508	\$ 50,610,000	\$ 56,262,736	\$ 106,872,736
2026	61,430,000	42,943,859	104,373,859	51,705,000	55,137,416	106,842,416
2027	64,510,000	39,940,059	104,450,059	52,850,000	53,966,851	106,816,851
2028	64,690,000	36,784,358	101,474,358	54,025,000	52,752,040	106,777,040
2029	66,940,000	33,724,208	100,664,208	55,265,000	51,467,467	106,732,467
2030-2034	339,665,000	122,442,406	462,107,406	297,885,000	234,730,619	532,615,619
2035-2039	217,420,000	59,315,981	276,735,981	342,740,000	188,307,040	531,047,040
2040-2044	137,840,000	27,413,174	165,253,174	401,165,000	128,110,274	529,275,274
2045-2049	71,730,000	6,067,461	77,797,461	357,410,000	55,884,432	413,294,432
2050-2053	4,655,000	171,745	4,826,745	107,050,000	11,652,830	118,702,830
	<u>\$ 1,088,475,000</u>	<u>\$ 414,511,759</u>	<u>\$ 1,502,986,759</u>	<u>\$ 1,770,705,000</u>	<u>\$ 888,271,705</u>	<u>\$ 2,658,976,705</u>

	Regional Wastewater System			Regional Wastewater System - Direct Placement		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 15,490,000	\$ 13,042,181	\$ 28,532,181	\$ 8,705,000	\$ 178,641	\$ 8,883,641
2026	16,190,000	12,316,500	28,506,500	12,665,000	178,641	12,843,641
2027	15,770,000	11,587,825	27,357,825	18,310,000	178,641	18,488,641
2028	16,485,000	10,872,687	27,357,687	18,310,000	178,641	18,488,641
2029	13,865,000	10,124,462	23,989,462	18,310,000	178,641	18,488,641
2030-2034	60,040,000	42,432,102	102,472,102	91,625,000	893,201	92,518,201
2035-2039	63,605,000	30,157,245	93,762,245	92,635,000	893,201	93,528,201
2040-2044	78,210,000	17,423,524	95,633,524	94,680,000	874,181	95,554,181
2045-2049	51,165,000	4,167,538	55,332,538	97,560,000	527,072	98,087,072
2050-2053	4,035,000	125,456	4,160,456	19,900,000	30,110	19,930,110
	<u>\$ 334,855,000</u>	<u>\$ 152,249,520</u>	<u>\$ 487,104,520</u>	<u>\$ 472,700,000</u>	<u>\$ 4,110,970</u>	<u>\$ 476,810,970</u>

	Small Systems			Small Systems - Direct Placement		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 14,505,000	\$ 13,458,225	\$ 27,963,225	\$ 750,000	\$ 743,822	\$ 1,493,822
2026	16,590,000	12,720,903	29,310,903	1,115,000	735,572	1,850,572
2027	12,625,000	12,041,750	24,666,750	1,125,000	723,307	1,848,307
2028	13,010,000	11,533,313	24,543,313	1,140,000	710,932	1,850,932
2029	13,350,000	10,935,332	24,285,332	1,150,000	698,392	1,848,392
2030-2034	68,680,000	46,728,457	115,408,457	5,965,000	3,286,716	9,251,716
2035-2039	56,285,000	33,663,257	89,948,257	6,455,000	2,805,451	9,260,451
2040-2044	49,845,000	23,925,907	73,770,907	7,135,000	2,117,551	9,252,551
2045-2049	52,155,000	14,473,331	66,628,331	7,995,000	1,253,029	9,248,029
2050-2053	38,860,000	4,393,738	43,253,738	5,285,000	267,114	5,552,114
	<u>\$ 335,905,000</u>	<u>\$ 183,874,213</u>	<u>\$ 519,779,213</u>	<u>\$ 38,115,000</u>	<u>\$ 13,341,886</u>	<u>\$ 51,456,886</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG -TERM DEBT (CONTINUED)

	Solid Waste System			Interceptor System		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 4,980,000	\$ 2,957,531	\$ 7,937,531	\$ 20,015,000	\$ 16,390,827	\$ 36,405,827
2026	5,205,000	2,708,531	7,913,531	20,035,000	17,555,905	37,590,905
2027	4,895,000	2,448,281	7,343,281	22,120,000	16,610,955	38,730,955
2028	5,105,000	2,203,531	7,308,531	23,210,000	15,564,680	38,774,680
2029	3,670,000	1,983,281	5,653,281	22,050,000	14,489,655	36,539,655
2030-2034	20,890,000	7,696,114	28,586,114	97,350,000	59,455,563	156,805,563
2035-2039	16,740,000	3,665,806	20,405,806	80,000,000	41,773,805	121,773,805
2040-2044	9,190,000	894,600	10,084,600	71,865,000	29,599,419	101,464,419
2045-2049	-	-	-	81,150,000	17,268,625	98,418,625
2050-2053	-	-	-	51,350,000	5,414,050	56,764,050
	<u>\$ 70,675,000</u>	<u>\$ 24,557,675</u>	<u>\$ 95,232,675</u>	<u>\$ 489,145,000</u>	<u>\$ 234,123,484</u>	<u>\$ 723,268,484</u>
	Total All Systems					
	Principal	Interest	Total			
2025	\$ 174,650,000	\$ 148,742,471	\$ 323,392,471			
2026	184,935,000	144,297,327	329,232,327			
2027	192,205,000	137,497,669	329,702,669			
2028	195,975,000	130,600,182	326,575,182			
2029	194,600,000	123,601,438	318,201,438			
2030-2034	982,100,000	517,665,178	1,499,765,178			
2035-2039	875,880,000	360,581,786	1,236,461,786			
2040-2044	849,930,000	230,358,630	1,080,288,630			
2045-2049	719,165,000	99,641,488	818,806,488			
2050-2053	231,135,000	22,055,043	253,190,043			
	<u>\$ 4,600,575,000</u>	<u>\$ 1,915,041,212</u>	<u>\$ 6,515,616,212</u>			

NOTE 8. LONG -TERM DEBT (CONTINUED)

As of September 30, 2024, the District's total lease liability is \$1,245,120. The total lease liability payable within one year is \$367,266.

As of September 30, 2024, the District's total SBITA liability is \$1,785,301, plus \$45,718 accrued interest payable. The total SBITA liability payable within one year is \$969,171.

Lease and SBITA liabilities consist of the following at September 30, 2024:

	Balance at October 1, 2023	Additions	Deletions	Balance at September 30, 2024
Water System:				
Lease liability	\$ 45,318	\$ 18,397	\$ (19,838)	\$ 43,877
	45,318	18,397	(19,838)	43,877
Regional Wastewater:				
Lease liability	30,603	-	(12,119)	18,484
Subscription liability	-	1,571,478	(388,889)	1,182,589
	30,603	1,571,478	(401,008)	1,201,073
Small Systems:				
Lease liability	31,119	27,722	(14,377)	44,464
	31,119	27,722	(14,377)	44,464
Solid Waste System:				
Lease liability	9,427	-	(7,687)	1,740
	9,427	-	(7,687)	1,740
Internal Service Fund:				
Lease liability	539,114	943,752	(346,311)	1,136,555
Subscription liability	1,000,398	222,967	(620,653)	602,712
	1,539,512	1,166,719	(966,964)	1,739,267
Total	\$ 1,655,979	\$ 2,784,316	\$ (1,409,874)	\$ 3,030,421

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG -TERM DEBT (CONTINUED)

The following is a summary schedule of future lease and SBITA payments by fund type as of September 30, 2024:

	Internal Service Fund - Leases			Internal Service Fund - SBITA		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 320,462	\$ 24,703	\$ 345,165	\$ 565,541	\$ 18,025	\$ 583,566
2026	315,125	18,288	333,413	37,171	1,229	38,400
2027	302,202	11,817	314,019	-	-	-
2028	196,360	5,305	201,665	-	-	-
2029	2,406	18	2,424	-	-	-
	<u>\$ 1,136,555</u>	<u>\$ 60,131</u>	<u>\$ 1,196,686</u>	<u>\$ 602,712</u>	<u>\$ 19,254</u>	<u>\$ 621,966</u>

	Water System - Leases			Water System - SBITA		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 18,586	\$ 736	\$ 19,322	\$ -	\$ -	\$ -
2026	14,096	462	14,558	-	-	-
2027	6,949	232	7,181	-	-	-
2028	3,914	85	3,999	-	-	-
2029	332	-	332	-	-	-
	<u>\$ 43,877</u>	<u>\$ 1,515</u>	<u>\$ 45,392</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Wastewater System - Leases			Wastewater System - SBITA		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 11,454	\$ 77	\$ 11,531	\$ 403,630	\$ 40,811	\$ 444,441
2026	7,030	23	7,053	250,896	26,882	277,778
2027	-	-	-	259,553	18,223	277,776
2028	-	-	-	268,510	9,265	277,775
2029	-	-	-	-	-	-
	<u>\$ 18,484</u>	<u>\$ 100</u>	<u>\$ 18,584</u>	<u>\$ 1,182,589</u>	<u>\$ 95,181</u>	<u>\$ 1,277,770</u>

	Solid Waste System - Leases			Solid Waste System - SBITA		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 1,740	\$ 1	\$ 1,741	\$ -	\$ -	\$ -
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
	<u>\$ 1,740</u>	<u>\$ 1</u>	<u>\$ 1,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Small Systems - Leases			Small Systems - SBITA		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 15,024	\$ 728	\$ 15,752	\$ -	\$ -	\$ -
2026	14,470	429	14,899	-	-	-
2027	6,204	277	6,481	-	-	-
2028	6,348	134	6,482	-	-	-
2029	2,418	13	2,431	-	-	-
	<u>\$ 44,464</u>	<u>\$ 1,581</u>	<u>\$ 46,045</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 8. LONG -TERM DEBT (CONTINUED)

	Total All Systems - Leases			Total All Systems - SBITA		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 367,266	\$ 26,245	\$ 393,511	\$ 969,171	\$ 58,836	\$ 1,028,007
2026	350,721	19,202	369,923	288,067	28,111	316,178
2027	315,355	12,326	327,681	259,553	18,223	277,776
2028	206,622	5,524	212,146	268,510	9,265	277,775
2029	5,156	31	5,187	-	-	-
	<u>\$ 1,245,120</u>	<u>\$ 63,328</u>	<u>\$ 1,308,448</u>	<u>\$ 1,785,301</u>	<u>\$ 114,435</u>	<u>\$ 1,899,736</u>

NOTE 9. DEFERRED INFLOWS OF RESOURCES

At September 30, 2024, deferred inflows of resources consisted of the following:

	Balance at October 1, 2023	Additions	Deletions	Balance at September 30, 2024
Water System:				
Deferred pension inflow	\$ 158,629	\$ -	\$ (166,771)	\$ (8,142)
Deferred OPEB inflow	205,404	61,064		266,468
	<u>364,033</u>	<u>61,064</u>	<u>(166,771)</u>	<u>258,326</u>
Regional Wastewater:				
Deferred pension inflow	543,698	-	(169,463)	374,235
Deferred OPEB inflow	263,090	62,037		325,127
	<u>806,788</u>	<u>62,037</u>	<u>(169,463)</u>	<u>699,362</u>
Small Systems:				
Deferred pension inflow	53,977	-	(84,734)	(30,757)
Deferred OPEB inflow	126,146	31,007		157,153
Deferred grant revenue	1,000,000	-	-	1,000,000
	<u>1,180,123</u>	<u>31,007</u>	<u>(84,734)</u>	<u>1,126,396</u>
Solid Waste System:				
Deferred pension inflow	539,840	-	(143,805)	396,035
Deferred OPEB inflow	221,816	44,039		265,855
	<u>761,656</u>	<u>44,039</u>	<u>(143,805)</u>	<u>661,890</u>
Interceptor System:				
Deferred pension inflow	(21,032)	-	(28,931)	(49,963)
Deferred OPEB inflow	34,908	12,104		47,012
	<u>13,876</u>	<u>12,104</u>	<u>(28,931)</u>	<u>(2,951)</u>
Internal Service Fund:				
Deferred pension inflow	1,168,497	-	(554,858)	613,639
Deferred OPEB inflow	886,439	218,471		1,104,910
	<u>2,054,936</u>	<u>218,471</u>	<u>(554,858)</u>	<u>1,718,549</u>
Total	<u>\$ 5,181,412</u>	<u>\$ 428,722</u>	<u>\$ (1,148,562)</u>	<u>\$ 4,461,572</u>

As of September 30, 2024, the Buffalo Creek Interceptor Fund had deferred grant income of \$1,000,000 that represents the Clean Water Principal Grant income received in May 2022.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLAN

Plan Description

The District provides a Retirement Plan for Employees of North Texas Municipal Water District (the Plan), a single employer defined benefit pension plan, for all of its eligible full-time employees. Prior to May 1, 1990, the Plan was funded by an Aetna Group Annuity Contract, a deferred annuity contract between Aetna Life Insurance Company and the District. All benefits accrued prior to May 1, 1990 remain guaranteed. Effective May 1, 1990, the Plan's method of funding changed from a deferred annuity basis to a defined benefit fund basis. The Plan is administered by the District's Executive Director/General Manager. The Plan does not issue separate financial statements. An employee will become a participant in the Plan on the date of full-time employment.

Benefits Provided

Benefits are established and may be amended by the District's Board of Directors. Benefits provided by the Plan include retirement, disability and preretirement death benefits. The benefit formula provides for a 10-year certain and continuous annuity. Preretirement death benefits are provided as a lump sum equal to the greater of the present value of the accrued benefit or current vested wages. The benefit at retirement is calculated as follows:

- *Normal Retirement (age 65)* — 3% of career compensation plus 1% of all yearly compensation in excess of covered compensation for each year.
- *Early Retirement (over age 55 with at least 20 years of service)* — The annual accrued benefit equals the accrued benefit based on service to the early retirement date, reduced by 5% for each year a member retires before the normal retirement date. There is no reduction in benefits for a member who retires whose age plus years of service total at least 80.
- *Late Retirement (after normal retirement date)* — The benefit accrued to the late retirement date.
- *Disability (certified to be permanently and totally disabled on or after May 1, 1990)* — 60% of final average monthly compensation reduced by 64% of Social Security disability.

Employees Covered by Benefit Terms

As of January 1, 2024, the following numbers of employees were covered by the benefit terms:

Active employees	887
Inactive employees entitled to but not yet receiving benefits (Vested Terminated)	189
Inactive employees entitled to but not yet receiving benefits (Nonvested Terminated)	122
Inactive employees or beneficiaries currently receiving benefits	285
Total	1,483

Contributions

The District's annual minimum contribution is actuarially calculated. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the actuarial accrued liability as set forth below. Effective January 1, 2023, the unfunded actuarial liability is amortized using a closed period, layered amortization approach. The unfunded actuarial liability comprises various sources, and under the layered amortization approach each component source of unfunded actuarial liability is amortized over a separated closed period.

Effective January 1, 2018, employees who enter service on or after January 1, 2018 shall make mandatory contributions to the Plan at the rate of 5% of annual earnings and subject to 3.5% plan interest rate credits per year.

For the Plan year ended December 31, 2023, the District made contributions of \$13,471,420, which represent 18.4% of annual covered payroll. These contributions were based on actuarially determined contribution requirements through an actuarial valuation performed at January 1, 2023. For the fiscal year ended September 30, 2024, the District made contributions of \$13,700,000 of which contributions subsequent to the measurement date through September 30, 2024 were \$10,274,987.

Net Pension Liability

The District's Net Pension Liability reported for the fiscal year ending September 30, 2024 was measured as of December 31, 2023, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that same date.

NOTE 10. RETIREMENT PLAN (CONTINUED)**Actuarial Assumptions**

The Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	January 1, 2023	January 1, 2024
Measurement date	December 31, 2022	December 31, 2023
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation	2.50%	2.50%
Salary increases including inflation	2.50% to 6.5%, including inflation	2.50% to 6.5%, including inflation
	Amount-weighted General Tables (i.e., PubG-2010) projected generationally using Scale MP-2021.	Amount-weighted General Tables (i.e., PubG-2010) projected generationally using Scale MP-2021.
Mortality		

Many of the actuarial assumptions used in this valuation were based on the results of an actuarial experience study performed as of December 31, 2022. No assumptions or other inputs have been updated since the prior valuation.

Long-Term Expected Rate of Return

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. The ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by an asset allocation percentage which is based on the nature and mix of current and expected plan investments. This weighted-return is then increased by expected inflation and reduced by assumed investment expenses. Best estimates of geometric real rates of return for each major asset class included in the Plan's asset allocation as of December 31, 2023 are summarized in the following tables:

Asset Class	Allocation	Long-Term Expected Real Rate of Return	Target Allocation Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	5.00%	0.25%	0.013%
Fixed Income	24.00%	2.00%	0.480%
U.S. Equities	48.00%	7.25%	3.480%
International Equities	13.00%	5.25%	0.683%
Alternative Income	10.00%	4.10%	0.410%
Total	100.00%		5.066%
Real Rate of Investment Return Assumption			5.066%
Assumed Inflation			2.500%
Assumed Investment Expenses			-0.200%
Unrounded Expected Long-Term Rate of Return			7.366%
Selected Rounded Expected Long-Term Rate of Return			7.25%

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rate and that employer contributions will be made in amounts equal to the actuarially determined contribution amounts. Based on those assumptions, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	December 31, 2022	December 31, 2023
Discount rate	7.25%	7.25%
Long-term expected rate of return, net of investment expense	7.25%	7.25%

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLAN (CONTINUED)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of September 30, 2023	\$ 214,156,359	\$ 112,499,757	\$ 101,656,602
Changes for the year:			
Service cost	6,910,378	-	6,910,378
Interest on Total Pension Liability	15,718,982	-	15,718,982
Differences between expected and actual experience	5,366,556	-	5,366,556
Contributions - Employer	-	13,471,420	(13,471,420)
Contributions - Member	-	1,220,906	(1,220,906)
Net investment income	-	13,359,344	(13,359,344)
Benefit payments, including refunds of employee contributions	(8,657,870)	(8,657,870)	-
Administrative expenses	-	-	-
Assumption changes	-	-	-
Balances as of September 30, 2024	\$ 233,494,405	\$ 131,893,557	\$ 101,600,848

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability, calculated using the discount rate of 7.25%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	\$ 136,232,353	\$ 101,600,848	\$ 73,201,605

Pension Expense

For the year ended September 30, 2024, the District recognized pension expense of \$21,747,819 of which \$10,506,237 was allocated to the Support Fund, \$3,157,769 was allocated to the Water System, \$3,208,768 was allocated to the Wastewater System, \$1,604,411 was allocated to the Small Systems, \$2,722,947 was allocated to the Solid Waste System, and \$547,687 was allocated to the Interceptor System.

The components of pension expense for the fiscal year ended September 30, 2024 are as follows:

	October 1, 2023 to September 30, 2024
Pension Expense	
Service cost	\$ 6,910,378
Interest on Total Pension Liability	15,718,982
Amortization of differences between expected and actual experience	4,148,116
Amortization of changes of assumptions	3,912,941
Member contributions	(1,220,906)
Projected earnings on Plan investments	(8,371,154)
Amortization of differences between projected and actual earnings on Plan investments	649,462
Pension Plan administrative expense	-
Pension expense	\$ 21,747,819

NOTE 10. RETIREMENT PLAN (CONTINUED)**Deferred Outflows/Inflows of Resources Related to Pensions**

At September 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,432,274	\$ (451,246)
Changes of assumptions	19,743,002	(843,801)
Net difference between projected and actual earnings	7,349,846	-
Contributions made subsequent to measurement date	10,274,987	-
Total	<u>\$ 52,800,109</u>	<u>\$ (1,295,047)</u>

Year Ended September 30	Net Outflows/(Inflows) of Resources
2025	\$ 10,487,583
2026	9,996,654
2027	11,088,370
2028	5,268,422
2029	3,662,164
Thereafter*	726,882
	<u>\$ 41,230,075</u>

*Note that additional future deferred inflows and outflows of resources may impact these numbers.

Pension Plan Fiduciary Net Position

	January 1, 2023	January 1, 2024
Assets		
Cash and cash equivalents	\$ 7,719,253	\$ 6,223,971
Receivables and prepaid expenses	-	-
Investments:		
Fixed income	28,733,195	31,547,940
Alternative Investments	12,625,277	13,215,203
Stocks	63,422,032	80,906,443
Total investments	<u>104,780,504</u>	<u>125,669,586</u>
Total assets	<u>112,499,757</u>	<u>131,893,557</u>
Liabilities		
Total liabilities	<u>-</u>	<u>-</u>
Net position restricted for pensions	<u>\$ 112,499,757</u>	<u>\$ 131,893,557</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLAN (CONTINUED)

Changes in Pension Plan Fiduciary Net Position

	January 1, 2023	January 1, 2024
Additions:		
Contributions:		
Employer	\$ 9,203,590	\$ 13,471,420
Member	977,896	1,220,906
Total contributions	10,181,486	14,692,326
Net investment income:		
Interest and dividends	4,964,784	4,288,707
Net appreciation in market value of investments	(17,830,025)	9,407,631
Less investment expenses:		
Direct investment expense	333,688	336,994
Total investment expenses	333,688	336,994
Net investment income	(13,198,929)	13,359,344
Total Additions	(3,017,443)	28,051,670
Deductions:		
Benefit payments including refunds of employee contributions	8,307,489	8,657,870
Administrative expenses	-	-
Other	-	-
Total Deductions	8,307,489	8,657,870
Net increase (decrease) in market value	(11,324,932)	19,393,800
Net position		
Beginning of year	123,824,689	112,499,757
End of year	<u>\$ 112,499,757</u>	<u>\$ 131,893,557</u>

NOTE 11. COMMITMENTS AND CONTINGENCIES**Commitments**

Remaining commitments under construction contracts as of September 30, 2024 were as follows:

Payable from:	Capital Improvement Funds	Restricted Bond Funds	Total Commitments
Water System	\$ 61,745,251	\$ 801,294,043	\$ 863,039,294
Regional Wastewater System	1,148,222	242,783,771	243,931,993
Sewer System	1,364,454	122,350,055	123,714,509
Solid Waste System	11,352,662	14,120,783	25,473,445
Interceptor System	2,798,343	158,378,284	161,176,627
	<u>\$ 78,408,932</u>	<u>\$ 1,338,926,936</u>	<u>\$ 1,417,335,868</u>

Contingencies

The District is involved in threatened litigation and lawsuits arising in the ordinary course of business, including claims involving contract disputes. In the opinion of the District's management, potential liability in these matters will not have a material impact on the financial statements as of September 30, 2024.

NOTE 12. CLOSURE AND POSTCLOSURE CARE COSTS

State and Federal laws and regulations require the District to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the District accrues a portion of these estimated closure and postclosure care costs in each period based on landfill capacity used as of each Statement of Net Position date. At September 30, 2024, a liability of \$10,080,581 for landfill closure and postclosure care costs has been accrued in the Solid Waste System Fund in the accompanying statement of net position.

Beginning Liability	Additions	Reductions	Ending Liability
\$ 9,482,010	\$ 598,571	\$ -	\$ 10,080,581

The \$10,080,581 reported as landfill closure and postclosure care liability at September 30, 2024, includes \$256,059 for Transfer Stations, \$1,832,500 for the Maxwell Creek Landfill, \$3,415,780 for the McKinney Landfill and \$4,576,242 for the 121 Regional Disposal Facility, which represents the cumulative amount reported to date based on the use of 20% of the estimated capacity of the 121 Regional Disposal Facility. The Maxwell Creek Landfill was closed during 2006 and the McKinney Landfill was closed during 2009. The District will recognize the remaining cost of closure and postclosure care of \$17,790,534 for the 121 Regional Disposal Facility as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care at September 30, 2024. Based upon the current utilization of capacity, the remaining expected life of the 121 Regional Disposal Facility is estimated to be 99.3 years. Actual costs may be higher due to inflation, changes in technology, or changes in laws or regulations.

The District is required to provide financial assurance for closure and postclosure care to the State of Texas. In accordance with current regulations, a local government may demonstrate financial assurance for closure and postclosure care, or corrective action by satisfying certain requirements. Management of the District believes they have satisfied such requirements.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is purchased for fire and extended coverage for the buildings, plants, structures and contents with a \$25,000 deductible per occurrence. Commercial insurance is also provided under a commercial floater policy, which covers the heavy off-road equipment with a \$10,000 deductible per occurrence. The District is a member of a public entity risk pool operating as a common risk management and insurance program for a number of water districts and river authorities within the State of Texas. Coverage provided by the pool consists of workers' compensation, general liability, automobile liability, directors' and officers' liability, and automobile physical damage. Annual premiums are paid to the pool. The pool is self-sustaining through member premiums and the purchase of reinsurance through commercial companies. The amount of settlements did not exceed insurance coverage for the last three fiscal years.

The District maintains a self-insurance program for the employee group medical program. A third-party administrator is utilized to provide claims administration and payment of claims. Insurance is purchased to provide specific stop loss and aggregate stop loss protection.

The liability for insurance claims is based on GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities are based upon the insurance company's figures for the District's liability for termination claims upon the termination of the policy year and the stop loss premium for any claims above the District's liability. Additionally, the liability for unpaid claims includes the effects of specific incremental claims, adjustment expenses, and if probable and material, salvage, and subrogation. The liability is reported with accounts payable and accrued liabilities in the Statement of Net Position. Changes in the employees' health claims liability amount in fiscal September 30, 2024 and 2023 were:

Fiscal Year	Liability Beginning of Year	Claims Incurred and Change in Estimates	Current Year Claim Payments	Liability End of Year
2023	\$ 1,897,894	\$ 18,853,579	\$ 18,535,644	\$ 2,215,829
2024	2,215,829	18,506,723	18,387,069	2,335,483

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS

Plan Description and Benefits Provided

The District’s defined benefit other postemployment benefits (OPEB) plan provides OPEB in the form of health and dental insurance benefits for certain retirees and their spouses up to age 65 through a single-employer defined medical plan. These benefits are funded 100 percent by the District for the currently eligible retirees and their spouses, if the retiree had 20 years of District service. For those with less than 20 years of service, the retiree receives a 5% discount off of the total cost of the premium for each year of District service they have. A third-party administrator is utilized to provide claims administration and the District pays claims directly to the insurance provider. Insurance is purchased to provide specific stop loss and aggregate stop loss protection.

The District does not issue separate audited financial statements for its plan.

Employees Covered by Benefit Terms

As of September 30, 2024, the participants comprised of the following:

	Medical	Dental
Active plan participants	916	916
Inactive plan participants, retirees and retiree spouses	116	118
Total number of participants	1,032	1,034

Contributions

The District’s funding policy is established and may be amended by the District’s Board of Directors. The District has established an irrevocable trust fund to accumulate assets for payment of future OPEB benefits. The District pre-funds benefits through contributions to the trust. The current funding policy is to contribute at least the Actuarially Determined Contribution as calculated by the actuary. The Actuarially Determined Contribution is the sum of the current year’s normal cost plus an amount necessary to amortize the unfunded liability over a closed 20-year period beginning October 1, 2017. Currently, the District pays benefits on a pay-as-you-go basis.

Net OPEB Liability

The District’s Net OPEB Liability reported for the fiscal year ending September 30, 2024 was measured as of September 30, 2024, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that same date.

Actuarial Assumptions

The total OPEB liability in the September 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Valuation date	October 1, 2022	October 1, 2023
Measurement date	September 30, 2023	September 30, 2024
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation	2.50%	2.50%
Salary increases including inflation	2.5% to 6.5% including inflation	2.5% to 6.5% including inflation
Long -Term Expected Rate of Return	7.25%	7.25%
Healthcare Cost Trend Rates (Medical)	6.5% for FY24 decreasing .50% per year to 4.50% for later years (medical)	6.5% for FY25 decreasing .25% per year to 4.50% for later years (medical)
Healthcare Cost Trend Rates (Dental)	3.30% each year for all years	3.30% each year for all years

Mortality rates (pre-retirement) were based on the Pub-2010 General Employees amount-weighted mortality tables with MP-2021 Projection Scale projected generationally from the year 2010. Mortality rates (post-retirement) were based on the Pub-2010 General Healthy Retiree mortality tables with MP-2021 projected generationally from the year 2010. Mortality rates (retirees) were based on the Pub-2010 General Healthy Retiree amount-weighted mortality tables with MP-2021 Projection Scale projected generationally from the year 2010. Mortality rates (retiree spouses) were based on the Pub-2010 General Contingent Survivor amount-weighted mortality tables with MP-2021 Projection Scale projected generationally from the year 2010. Mortality rates (disabled retirees) were based on the Pub-2010 General Disabled Retiree amount-weighted mortality tables with MP-2021 Projection Scale projected generationally from the year 2010.

NOTES TO FINANCIAL STATEMENTS

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Discount Rate

Discount Rate: 7.25% in the current and previous year.

Projected Cash Flows: Projected cash flows into the plan are equal to the greater of projected benefit payments out of the plan or the projected actuarially determined contribution in accordance with Paragraph No. 50 of GASB No. 74 and Paragraph No. 30 of GASB No. 75.

Long-Term Expected Rate of Return: 7.25%; The plan operates on a pay-as-you-go (PAYGO) basis and accumulates assets in a trust in addition to the PAYGO amount.

Municipal Bond Rate: 3.81% as of September 30, 2024; the source of the municipal bond rate is the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. In describing their index, the Bond Buyer notes that the bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

Years of Projected Benefit Payments to which Long-Term Expected Rate of Return Applies: All years

Long-Term Expected Rate of Return

In accordance with Paragraph No. 48 of GASB No. 74 and Paragraph No. 36 of GASB No. 75, the discount rate should be the single rate that reflects the following: (a) the long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that (i) the OPEB plan's fiduciary net position (i.e., plan assets) is projected to be sufficient to make projected benefit payments and (ii) OPEB plan assets are expected to be invested using a strategy to achieve that return, and (b) a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), to the extent that the conditions in (a) are not met.

For each future period, if the amounts of the OPEB plan's fiduciary net position is projected to be greater than or equal to the benefit payments that are projected to be made in that period and OPEB plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, the actuarial present value of benefit payments projected to be made in the period should be determined using the long-term expected rate of return on those investments discussed in (a) above. Per paragraph No. 40 of GASB No. 75, the long-term expected rate of return should be based on the mix of current and expected OPEB plan investments over a period representative of the expected length of time between (1) the point at which a plan member begins to provide service to the employer and (2) the point at which all benefits to the plan member have been paid. For this purpose, the long-term expected rate of return should be determined net of OPEB plan investment expense but without reduction for OPEB plan administrative expense. The municipal bond discussed in (b) above should be used to calculate the actuarial present value of all other benefit payments. The discount rate is the single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the actuarial present values determined using the long-term rate of return and the municipal bond rate applied to the appropriate periods as described above.

Based on guidance in Illustration B2 of Appendix B to GASB Implementation Guide 2017-3, Accounting and Financial Reporting for Postemployment, Benefit Plans other than Pensions, as of September 30, 2024, the accumulated funds and expected contributions are projected to be sufficient to cover benefit payments in all future years. Therefore, the discount rate at the end of the measurement year must be based solely on the long-term expected rate of return on OPEB plan investments, discussed in (a) above. Discount rate information is summarized in the table.

Equivalent Single Discount Rate Determination	Beginning of Fiscal Year	End of Fiscal year
Measurement Date	09/30/2023	09/30/2024
Long-term Expected Rate of return (LTROR)	7.25%	7.25%
Bond Buyer Index of general obligation 20-year bonds	4.09%	3.81%
Projected year of asset depletion	None*	None*
Single Discount Rate equivalent to using:		
(a) LTROR for years prior to depletion date and		
(b) the 20-year bond rate for years on and after depletion date	7.25%	7.25%

* Accumulated Funds and expected contributions are projected to cover benefit payments in all future years.

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability as of September 30, 2024, as well as what the Net OPEB liability would be if were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current discount rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net OPEB liability	\$ 14,937,141	\$ 12,837,062	\$ 10,937,744

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability as of September 30, 2024, as well as what the Net OPEB liability would be if were calculated using the healthcare cost trend rates that are 1-percentage point lower (5.50% for FY24 decreasing to 3.5% by FY32) or 1-percentage-point higher (7.5% for FY25 decreasing to 5.50% by FY32) than the current healthcare cost trend rates:

	1% Decrease (5.50% decreasing to 3.50%)	Current Healthcare Cost Trend Rates (6.5% decreasing to 4.50%)	1% Increase (7.50% decreasing to 5.50%)
Net OPEB liability	\$ 10,401,467	\$ 12,837,062	\$ 15,698,882

Deferred Outflows/Inflows of Resources Related to OPEB

At September 30, 2024, the District reported deferred inflows and outflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,705,040	\$ (931,423)
Changes of assumptions	1,943,931	(731,064)
Net difference between projected and actual earnings	-	(504,038)
Total	<u>\$ 6,648,971</u>	<u>\$ (2,166,525)</u>

Amounts currently reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30	Net Outflows/ (Inflows) of Resources
2025	\$ 788,134
2026	1,082,693
2027	698,609
2028	853,932
2029	720,387
Thereafter*	338,691
	<u>\$ 4,482,446</u>

*Note that additional future deferred inflows and outflows of resources may impact these numbers.

NOTES TO FINANCIAL STATEMENTS

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances as of September 30, 2023	\$ 23,706,191	\$ 9,703,320	\$ 14,002,871
Changes for the year:			
Service cost	1,316,301	-	1,316,301
Interest on total OPEB liability	1,736,189	-	1,736,189
Changes of benefit terms	-	-	-
Differences between expected and actual experience	575,215	-	575,215
Effect of assumptions changes or inputs	(537,835)	-	(537,835)
Benefit payments	(2,150,120)	2,150,120	(4,300,240)
Employer contributions	-	(2,150,120)	2,150,120
Member contributions	-	-	-
Net investment income	-	2,105,559	(2,105,559)
Administrative expenses	-	-	-
Balances as of September 30, 2024	\$ 24,645,941	\$ 11,808,879	\$ 12,837,062

The District's total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and then was projected to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 75.

	September 30, 2023	September 30, 2024
Total OPEB liability	\$ 23,706,191	\$ 24,645,941
Fiduciary net position	9,703,320	11,808,879
Net OPEB liability	\$ 14,002,871	\$ 12,837,062
Fiduciary net position as a % of total OPEB liability	40.93%	47.91%

OPEB Plan Fiduciary Net Position

	September 30, 2023	September 30, 2024
Assets		
Cash and cash equivalents	\$ 90,648	\$ 23,632
Receivables and prepaid expenses	-	-
Investments:		
Fixed income	2,911,166	3,531,604
Stocks	4,504,289	6,488,160
Real estate	-	-
Alternative investments	2,197,217	1,765,483
Total investments	9,612,672	11,785,247
Total assets	9,703,320	11,808,879
Liabilities		
Total liabilities	-	-
Net position restricted for OPEB	\$ 9,703,320	\$ 11,808,879

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**Changes in OPEB Plan Fiduciary Net Position**

	<u>September 30, 2023</u>	<u>September 30, 2024</u>
Additions:		
Contributions:		
Member	\$ 2,704,625	\$ 2,150,120
Total contributions	2,704,625	2,150,120
Net investment income:		
Interest and dividends	-	-
Net increase in fair value of investments	1,045,986	2,136,242
Less investment expenses:		
Direct investment expense	30,306	30,683
Total investment expenses	30,306	30,683
Net investment income	1,015,680	2,105,559
Other income	-	-
Total Additions	3,720,305	4,255,679
Deductions:		
Service benefits	2,704,625	2,150,120
Total Deductions	2,704,625	2,150,120
Net increase (decrease)	1,015,680	2,105,559
Net position		
Beginning of year	8,687,640	9,703,320
End of year	<u>\$ 9,703,320</u>	<u>\$ 11,808,879</u>

NOTE 15. RECENTLY ISSUED GASB STATEMENTS

The District has implemented the following new accounting pronouncements:

GASB Statement No. 99, *Omnibus 2022*. The standard addresses a number of practice issues for certain previously issued GASB statements, as well as providing additional guidance for accounting and reporting for financial guarantees. This statement was implemented in the current year with no material impact on the District's financial statements.

GASB issued Statement No. 100, *Accounting Changes and Error Corrections*, effective for periods beginning after June 15, 2023. The standard is intended to improve the clarity of accounting and financial reporting for accounting changes and error corrections in order to provide greater consistency of application in practice with more understandable and relevant information.

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FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

PENSION & OPEB TREND INFORMATION (UNAUDITED)

North Texas Municipal Employee Retirement System
Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Years
(Dollar amounts in 1,000s)

	As of the Measurement Date December 31 for the Fiscal Year Ended September 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability (TPL)										
Service cost	\$ 6,911	\$ 4,949	\$ 3,726	\$ 3,726	\$ 3,712	\$ 3,428	\$ 2,897	\$ 2,517	\$ 3,058	\$ 2,166
Interest on total pension liability	15,719	13,718	12,449	12,542	10,062	9,451	8,582	7,643	6,614	6,387
Effect of plan changes	-	-	-	13,026	-	-	(843)	-	-	-
Effect of economic/ demographic gains or (losses)	5,367	9,111	3,480	2,104	(1,312)	5,496	6,366	(2,503)	8,442	(4,871)
Effect of assumptions changes or inputs	-	18,540	8,389	4,794	(243)	(3,039)	(1,928)	(1,115)	(6,899)	-
Benefit payments	(8,658)	(8,307)	(7,424)	(5,057)	(4,749)	(4,517)	(3,507)	(3,092)	(2,617)	(2,055)
Net change in TPL	19,339	38,011	20,620	31,135	7,469	10,819	11,568	3,450	8,599	1627
TPL, beginning	214,156	176,145	155,525	124,390	116,921	106,102	94,534	91,085	82,486	80,859
TPL, ending (a)	\$233,495	\$214,156	\$176,145	\$155,525	\$124,390	\$116,921	\$106,102	\$94,535	\$91,085	\$82,486
Fiduciary Net Position (FNP)										
Employer contributions	\$ 13,472	\$ 9,203	\$ 6,300	\$ 8,108	\$ 6,808	\$ 6,450	\$ 6,765	\$ 5,957	\$ 4,999	\$ 5,595
Member contributions	1,221	978	783	577	347	98	-	-	-	-
Investment income net of investment expenses	13,359	(13,199)	14,387	8,101	15,158	(5,315)	9,686	5,284	(1,337)	3,689
Benefit payments	(8,658)	(8,307)	(7,424)	(5,057)	(4,749)	(4,517)	(3,507)	(3,092)	(2,617)	(2,055)
Administrative expenses	-	-	-	-	-	-	-	-	(195)	(180)
Net change in FNP	19,394	(11,325)	14,046	11,729	17,564	(3,284)	12,944	8,149	850	7,049
FNP, beginning	112,500	123,825	109,779	98,050	80,486	83,770	70,827	62,678	61,828	54,779
FNP, ending (b)	131,894	112,500	123,825	109,779	98,050	80,486	83,771	70,827	62,678	61,828
Net Pension Liability, ending = (a) - (b)	\$101,601	\$101,656	\$ 52,320	\$ 45,746	\$ 26,340	\$ 36,435	\$ 22,331	\$23,708	\$28,407	\$20,658
FNP as a % of TPL	56.49%	52.53%	70.30%	70.59%	78.82%	68.84%	78.95%	74.92%	68.81%	74.96%
Covered payroll	\$ 73,399	\$ 66,021	\$ 49,341	\$ 53,290	\$ 42,877	\$ 41,022	\$ 33,587	\$31,778	\$30,085	\$26,655
Net pension liability as a % of covered payroll	138.42%	153.98%	106.04%	85.85%	61.43%	88.82%	66.49%	74.61%	94.42%	77.50%

NOTE: The District implemented GASB Statement No. 68 in FY2015. Information in this table has been determined as of the measurement date (December 31) of the Net Pension Liability.

North Texas Municipal Employee Retirement System

Schedule of Employer Contributions

Last 10 Fiscal Years

(Dollar amounts in 1,000s)

	Fiscal Year Ended September 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 13,324	\$ 11,762	\$ 9,478	\$ 7,599	\$ 6,510	\$ 5,195	\$ 5,213	\$ 5,034	\$ 4,600	\$ 4,386
Actual Employer Contribution	13,700	12,500	6,300	8,108	6,808	6,450	6,765	5,957	4,999	5,595
Contribution Deficiency (Excess)	(376)	(738)	3,178	(249)	(1,598)	(1,255)	(1,552)	(923)	(399)	(1,209)
Covered Payroll*	\$ 77,774	\$ 72,059	\$ 58,287	\$ 53,444	\$ 54,413	\$ 47,598	\$ 33,587	\$ 31,778	\$ 30,085	\$ 26,655
Contributions as a % of Covered Payroll	17.62%	17.35%	10.81%	15.17%	12.51%	13.55%	20.14%	18.75%	16.62%	20.99%

Notes to Schedule:

Valuation Date January 1, 2024

Actuarially determined contribution rates are calculated as of January 1, which is the most recent valuation date prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates for 2024:

Actuarial cost method	Entry age
Amortization method	Level percent, layered closed periods
Remaining amortization period	Layered amortization with 20 years remaining on unfunded accrued liability at date of transition to layered approach
Asset valuation method	5-year smoother market value
Inflation	2.50%
Salary increases	2.50% to 6.50%, including inflation
Investment rate of return	7.25% net of pension plan investment expenses, including inflation
Retirement age	Rates that vary by age
Mortality	Amount-weighted General Tables (i.e. PubG-2010) projected generationally using Scale MP-2021 mortality improvement rates

* Covered payroll for 2019-2024 is for the fiscal year period ended September 30. Covered payroll for 2015-2018 is for the fiscal year period ending December 31 within each year.

North Texas Municipal Employee Retirement System
Money-Weighted Rate of Return
Fiscal Year Ended September 30

Fiscal Year Ended September 30	Net Money-Weighted Rate of Return
2015	6.64%
2016	-2.15%
2017	8.36%
2018	13.48%
2019	-6.29%
2020	18.56%
2021	8.18%
2022	13.16%
2023	-10.58%
2024	11.64%

North Texas Municipal Employee Other Postemployment Benefits Plan

Schedule of Changes in Net OPEB Liability and Related Ratios

Last 10 Fiscal Years

(Dollar amounts in 1,000s)

	Fiscal Year Ended September 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total OPEB Liability										
Service cost	\$ 1,317	\$ 917	\$ 482	\$ 473	\$ 405	\$ 374	\$ 406	\$ 432	N/A	N/A
Interest on total OPEB liability	1,736	1,573	1,405	1,015	923	953	832	826	N/A	N/A
Changes on benefit terms	-	(817)	2,267	-	-	-	-	-	N/A	N/A
Effect of economic/demographic gains or (losses)	575	1,390	732	4,782	(828)	(1,677)	1,046	(1,258)	N/A	N/A
Effect of assumptions changes or inputs	(538)	1,935	(164)	481	662	(83)	(634)	104	N/A	N/A
Benefit payments	(2,150)	(2,705)	(3,125)	(1,963)	-	-	-	-	N/A	N/A
Employer contributions	-	-	-	2,128	-	-	-	-	N/A	N/A
Member contributions	-	-	-	29	-	-	-	-	N/A	N/A
Administrative expenses	-	-	-	(194)	-	-	-	-	N/A	N/A
Net change in total OPEB liability	940	2,293	1,597	6,751	1,162	(433)	1,650	104	N/A	N/A
Total OPEB liability, beginning	23,706	21,413	19,816	13,065	11,902	12,335	10,685	10,581	N/A	N/A
Total OPEB liability, ending (a)	24,646	23,706	21,413	19,816	13,065	11,902	12,335	10,685	N/A	N/A
Fiduciary Net Position (FNP)										
Employer contributions	\$ 2,150	\$ 2,705	\$ 3,125	\$ -	\$ 50	\$ -	\$ 696	\$ 600	N/A	N/A
Net investment income	2,106	1,016	(1,798)	1,650	565	227	428	600	N/A	N/A
Benefit payments	(2,150)	(2,705)	(3,125)	-	-	-	-	-	N/A	N/A
Administrative expenses	-	-	-	-	-	-	-	-	N/A	N/A
Net change in FNP	2,106	1,016	(1,798)	1,650	615	227	1,124	1,200	N/A	N/A
FNP, beginning	9,703	8,687	10,485	8,835	8,220	7,993	6,869	5,669	N/A	N/A
FNP, ending (b)	11,809	9,703	8,687	10,485	8,835	8,220	7,993	6,869	N/A	N/A
Net OPEB liability, ending = (a) - (b)	\$ 12,837	\$ 14,003	\$ 12,726	\$ 9,331	\$ 4,230	\$ 3,682	\$ 4,342	\$ 3,816	N/A	N/A
FNP as a % of total OPEB liability	47.91%	40.93%	40.57%	52.91%	67.62%	69.06%	64.80%	64.28%	N/A	N/A
Covered-employee payroll (as reported with pension data)	\$ 77,774	\$ 72,059	\$ 58,287	\$ 62,977	\$ 54,413	\$ 47,598	\$ 33,587	\$ 31,778	N/A	N/A
Net OPEB liability as a % of covered-employee payroll	16.51%	19.43%	21.83%	14.82%	7.77%	7.74%	12.93%	12.01%	N/A	N/A

NOTE: Data prior to 2017 is not available. Additional years' information will be displayed as it becomes available.

Notes to Schedule of Changes in OPEB and Related Ratios

Changes in Assumptions

The following assumptions have been updated since the previous valuation:

Expenses:

Current: For medical benefits, administration expenses directly related to the payment of benefits are \$55.87 per member per month for 2025. For dental benefits, administration expenses directly related to the payment of benefits are included in the assumed per capita claims costs.

Prior: For medical benefits, administration expenses directly related to the payment of benefits are \$76.46 per member per month for 2024. For dental benefits, administration expenses directly related to the payment of benefits are included in the assumed per capital claims costs.

Health Benefit Cost and Retiree Contribution Trend:

Current: Medical rates of 6.50% from Fiscal Year 2024 to 2025. 6.25% from Fiscal Year 2025 to 2026. 6.00% from Fiscal Year 2026 to 2027. 5.75% from Fiscal Year 2027 to 2028. 5.5% from Fiscal Year to 2028 to 2029. 5.25% from Fiscal Year to 2029 to 2030. 5% from Fiscal Year to 2030 to 2031. 4.75% from Fiscal Year 2031 to 2032. 4.50% for all future years after 2032. Dental rates were 3.30% for each fiscal year.

Prior: Medical rates of 6.50% from Fiscal Year 2023 to 2024. 5.50% from Fiscal Year 2024 to 2025. 5.00% from Fiscal Year 2025 to 2026. 4.50% from Fiscal Year 2026 to 2027. 4.20% from Fiscal Year 2027 to 2028 and beyond. Dental rates are 3.00% for each fiscal year.

Assumed Per Capita Claims:

Current: Deductibles, copayments, coinsurance levels and retiree contribution levels are assumed to increase at the same rate as the health benefit cost trend, consistent with the expected operation of the substantive plan (i.e., the proportion of non-Medicare expenses covered by the employer/employee is assumed to remain constant).

Prior: Assumed per Capita Health Benefit Cost (Medical) by age for Fiscal Year 2024.

North Texas Municipal Employee Other Postemployment Benefits Plan

Schedule of NTMWD Contributions

Last 10 Fiscal Years

(Dollar amounts in 1,000s)

	Fiscal Year Ended September 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 3,037	\$ 2,428	\$ 1,539	\$ 905	\$ 819	\$ 864	\$ 832	\$ 669	N/A	N/A
Actual Employer Contribution	2,150	2,705	3,125	-	50	-	696	600	N/A	N/A
Contribution Deficiency (Excess)	887	(277)	(1,586)	905	769	864	137	69	N/A	N/A
Covered-employee Payroll	\$ 77,774	\$ 72,059	\$ 58,287	\$ 62,977	\$ 54,413	\$ 47,598	\$ 33,587	\$ 31,778	N/A	N/A
Contributions as a % of Covered-employee Payroll	2.76%	3.75%	5.36%	0.00%	0.09%	0.00%	2.07%	1.89%	N/A	N/A

Notes to Schedule:

Valuation Timing	Actuarial valuations for funding purposes are performed annually as of September 30.
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of payroll; Closed
Amortization Period	14 years
Asset Valuation Method	Market Value
Inflation	2.50%
Salary Increases	2.50% to 6.50% including inflation
Discount Rate	7.25%
Healthcare Cost Trend Rates (Medical)	6.5% for FY 2025, decreasing 0.25% per year to an ultimate rate of 4.50% for later years (medical)
Healthcare Cost Trend Rates (Dental)	3.30% each year for all years
Retirement age	Age-based table of rates upon attainment of eligibility for unreduced pension benefits.
Mortality	Pre-retirement: PUB-2010 General Employees Amount-Weighted Table with Mortality Improvement Scale MP-2021 Projection Scale projected generationally from the year 2010
	Post-retirement: Pub-2010 General Healthy Retiree amount-weighted mortality tables with MP-2021 Projection Scale projected generationally from the year 2010
	Disability retirement: Pub-2010 General Disabled Retiree amount-weighted mortality tables with MP-2021 Projection Scale projected generationally from the year 2010
	Retirees: Pub-2010 General Healthy Retiree amount-weighted mortality tables with MP-2021 Projection Scale projected generationally from year 2010.
	Retiree Spouses: PUB-2010 Contingent Survivors Amount-Weighted Table with MP-2021 Projection Scale projected generationally from the year 2010.

2017 and 2018 payroll as reported with pension data. 2019 through 2022 payroll shows fiscal year ending September 30 reported with OPEB data.

Data prior to 2017 is not available. Additional years' information will be displayed as it becomes available.

North Texas Municipal Employee Other Postemployment Benefits Plan
Money-Weighted Rate of Return
Fiscal Year Ended September 30

Fiscal Year Ended September 30	Net Money-Weighted Rate of Return
2015	NA
2016	NA
2017	10.68%
2018	5.94%
2019	3.41%
2020	0.50%
2021	19.15%
2022	-17.14%
2023	11.69%
2024	21.70%

Data prior to 2017 is not available. Additional years' information will be displayed as it becomes available.

APPENDIX B

NORTH TEXAS MUNICIPAL WATER DISTRICT

MISCELLANEOUS STATISTICAL DATA

FISCAL YEAR ENDED SEPTEMBER 30, 2024

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MISCELLANEOUS STATISTICAL DATA

Authority created under Chapter 62, Acts of 1951, and 52nd Legislature.

Year of Creation	1951
Domicile	Wylie, Texas
District Population	2,000,000
District Service Area	2,200 Square Miles
Water Treatment Plant	532.614 acres
Rain Received at Lavon Lake during fiscal year	43.86 inches
Total Employees	969

REGIONAL WATER SYSTEM

Raw Water Supply: Safe Yield	
Lake Lavon	80.5 MGD
Lake Texoma	63.6 MGD
Jim Chapman Lake	37.5 MGD
Lake Bonham	1.7 MGD
Lake Tawakoni	37.4 MGD
Wilson Creek Reuse	55 MGD
East Fork Raw Water Supply	41 MGD
Main Stem Trinity River	50 MGD
Bois d'Arc Lake	56 MGD
Total	422.4 MGD

Water Treatment Plants: Capacity	
Wylie - Plant I	70 MGD
Wylie - Plant II	280 MGD
Wylie - Plant III	280 MGD
Wylie - Plant IV	210 MGD
Bonham	6.6 MGD
Tawakoni	30 MGD
Leonard	70 MGD
Total	946.6 MGD

Transmission Pipelines	
12" to 24" Diameter	153.5 Miles
30" to 54" Diameter	175.3 Miles
60" to 96" Diameter	<u>368.0</u> Miles
Total	696.8 Miles

RAW WATER PUMP STATIONS

Lavon - 3 sites	
Total raw water pumps	18
Total raw water pumping capacity	1106 MGD
Texoma - 1 site	
Total raw water pumps	4
Total raw water pumping capacity	216 MGD
Jim Chapman - 1 site	
Total raw water pumps	3
Total raw water pumping capacity	176 MGD
East Fork Raw Water Supply - 2 sites	
Total raw water pumps	10
Total raw water pumping capacity	351.3 MGD
Main Stem Trinity River	
Total raw water pumps	4
Total raw water pumping capacity	120 MGD
Lake Tawakoni - 2 sites	
Total raw water pumps	7
Total raw water pumping capacity	167.5 MGD
Wylie Water Plant - treated water pump stations	7
Wylie Water Plant - treated water pumping capacity	1070 MGD
Bois d'Arc Lake - 1 site	
Total raw water pumps	3
Total raw water pumping capacity	150 MGD
NTMWD treated water storage reservoirs	
Treatment plant storage	62.4 million gallons
Transmission system storage	<u>87.40 million gallons</u>
	149.80 million gallons
Total City delivery points	82

REGIONAL WASTEWATER SYSTEM

REGIONAL SYSTEM

<u>Regional Wastewater Plants</u>	<u>Permitted Capacity</u>
Floyd Branch RWWTP*	4.750 MGD
Sister Grove RWWTP*	64.000 MGD
South Mesquite RWWTP*	33.000 MGD
Rowlett Creek RWWTP*	24.000 MGD
Wilson Creek RWWTP*	64.000 MGD

SEWER SYSTEM

<u>City</u>	<u>System</u>	<u>Permitted Capacity</u>
Farmersville	Farmersville No. 1 Plant	0.225 MGD
	Farmersville No. 2 Plant	1.225 MGD
Frisco	Panther Creek Plant*	10.000 MGD
	Stewart Creek West Plant*	10.000 MGD
Lavon	Bear Creek Plant	0.500 MGD
Rockwall	North Rockwall Plant*	1.200 MGD
	South Rockwall Plant*	2.250 MGD
Royse City and Fate	Sabine Creek Plant*	3.000 MGD
Seis Lagos MUD	Seis Lagos Plant	0.250 MGD
Wylie and Murphy	Muddy Creek Plant*	10.000 MGD
Total Treatment Capacity		<u>228.400 MGD</u>

Total number of plants - 13

Total number of plants in operation - 13**

* Number of plants owned by NTMWD - 11

**Total number of plants in operation at September 30, 2024

REGIONAL INTERCEPTORS

<u>Regional Interceptors:</u>	<u>Pipeline Length</u>
Upper East Fork Interceptor Systems	171.7 Miles
Lakeside Interceptor (Rockwall)	4.3 Miles
Muddy Creek Interceptor	4.1 Miles
Forney Interceptor	6.9 Miles
Sabine Creek Interceptor	3.2 Miles
Parker Creek Interceptor	5.1 Miles
Buffalo Creek Interceptor	24.5 Miles
McKinney Interceptor System	3.1 Miles
Mustang Creek Interceptor System	7.6 Miles
Parker Creek Parallel Interceptor	1.5 Miles
Lower East Fork Interceptor	9.4 Miles
Total	<u>241.4 Miles</u>

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APPENDIX C

NORTH TEXAS MUNICIPAL WATER DISTRICT REGIONAL WASTEWATER SYSTEM

WATERWORKS AND SEWER SYSTEM FINANCIAL DATA ⁽¹⁾⁽²⁾ FOR CERTAIN MEMBER CITIES

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- (1) Financial data is being presented herein only for the Member Cities which meet the definition of a "Significant Obligated Person" for purposes of continuing disclosure as described herein under "OTHER INFORMATION – Continuing Disclosure of Information."
 - (2) The following condensed operating schedules in this Appendix C have been compiled using a presentation customarily employed in the determination of net revenues available for debt service, and in all instances exclude depreciation, transfers, debt service payments and expenditures identified as capital.

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CITY OF MESQUITE

WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
Revenues ⁽¹⁾	<u>\$ 105,756,280</u>	<u>\$ 92,958,536</u>	<u>\$ 78,166,437</u>	<u>\$ 71,914,721</u>	<u>\$ 74,595,801</u>
<u>Expenditures</u> ⁽²⁾					
Personal Services	\$ 11,739,843	\$ 9,886,349	\$ 7,695,641	\$ 7,483,937	\$ 12,710,309
Supplies	767,104	611,218	563,981	336,272	322,522
Contractual Services	50,367,919	46,137,978	42,925,901	41,327,593	41,841,106
Transfers Out	6,287,423	5,311,784	5,330,380	5,074,340	1,030,000
	<u>\$ 69,162,289</u>	<u>\$ 61,947,329</u>	<u>\$ 56,515,903</u>	<u>\$ 54,222,142</u>	<u>\$ 55,903,937</u>
Net Income	<u>\$ 36,593,991</u>	<u>\$ 31,011,207</u>	<u>\$ 21,650,534</u>	<u>\$ 17,692,579</u>	<u>\$ 18,691,864</u>
Water Customers	43,238	43,067	42,738	42,228	40,921
Sewer Customers	41,122	41,218	40,845	40,386	39,230

(1) Includes operating and non-operating income, excludes depreciation.

(2) Effective with fiscal year 2016, transfers out are included in Expenditures.

Waterworks and Sewer System Revenue Bonds Outstanding (as of 12-31-24)	\$ 174,065,000
Average Annual Principal and Interest Requirements, 2025-2043	\$ 11,820,615
Coverage of Average Annual Principal and Interest Requirements by 9-30-24 by Net Income	3.10 Times
Interest and Sinking Fund (as of 9-30-24)	\$ 5,846,508
Reserve Fund (as of 9-30-24) ⁽¹⁾	\$ 10,158,652

(1) The W&S Revenue Reserve Fund is being secured by insurance rather than cash.

MONTHLY WATER RATES - (EFFECTIVE OCTOBER 1, 2024)Residential and Commercial

0.625 inch meter	\$ 18.91 (Minimum)
1.000 inch meter	26.29 (Minimum)
1.500 inch meter	65.02 (Minimum)
2.000 inch meter	43.76 (Minimum)
3.000 inch meter	52.49 (Minimum)
4.000 inch meter	61.23 (Minimum)
6.000 inch meter	68.51 (Minimum)
0-1,000 gallons	\$ - included in minimum
1,001 - 5,000 gallons	8.21 per 1,000 gallons
5,001 - 10,000 gallons	8.84 per 1,000 gallons
10,001 - 50,000 gallons	9.27 per 1,000 gallons
50,001 - 70,000 gallons	9.71 per 1,000 gallons
70,001 - 500,000 gallons	10.16 per 1,000 gallons
Over 500,000 gallons	8.40 per 1,000 gallons

Apartments (per unit)

0-1,000 gallons	\$ - minimum per unit ⁽¹⁾
1,001 - 5,000 gallons	8.21 per 1,000 gallons per unit ⁽¹⁾
5,001 - 10,000 gallons	8.84 per 1,000 gallons per unit ⁽¹⁾
10,001 - 50,000 gallons	9.27 per 1,000 gallons per unit ⁽¹⁾
50,001 - 70,000 gallons	9.71 per 1,000 gallons per unit ⁽¹⁾
70,001 - 500,000 gallons	10.16 per 1,000 gallons per unit ⁽¹⁾
Over 500,000 gallons	8.40 per 1,000 gallons per unit ⁽¹⁾

(1) Apartment complexes with more than one unit are billed by dividing the total number of gallons consumed by the number of units in the apartment complex and computing the bill as though each unit was a separate residence using the average number of gallons

MONTHLY SEWER RATES - (EFFECTIVE OCTOBER 1, 2024)Residential

First 1,000 Gallons of water used	\$18.96
Over 1,000 Gallons if water used (8,000 gallons maximum)	\$7.45/1,000 gallons

Commercial

First 1,000 Gallons of water used	\$18.96
Over 1,000 Gallons if water used	\$7.45/1,000 gallons

Apartments

First 1,000 Gallons of water used	\$18.96
Over 1,000 Gallons if water used	\$7.45/1,000 gallons

CITY OF PLANO

WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
Revenues	<u>\$ 226,020,240</u>	<u>\$ 214,174,919</u>	<u>\$ 192,627,683</u>	<u>\$ 166,637,706</u>	<u>\$ 171,659,063</u>
<u>Expenditures</u> ⁽¹⁾					
Water Purchased	\$ 85,523,507	\$ 81,813,711	\$ 77,678,572	\$ 76,813,645	\$ 77,364,433
Sewer Contract	50,925,556	43,373,195	37,493,446	36,807,029	35,386,603
Other	<u>44,492,994</u>	<u>40,874,824</u>	<u>33,733,820</u>	<u>32,968,549</u>	<u>36,809,254</u>
	\$ 180,942,057	\$ 166,061,730	\$ 148,905,838	\$ 146,589,223	\$ 149,560,290
Net Income	<u>\$ 45,078,183</u>	<u>\$ 48,113,189</u>	<u>\$ 43,721,845</u>	<u>\$ 20,048,483</u>	<u>\$ 22,098,773</u>
Water Customers	83,304	82,999	82,849	82,425	82,206
Sewer Customers	80,920	82,393	79,747	79,747	79,507

(1) Excludes depreciation and bonded debt amortization.

Waterworks and Sewer System Revenue Bonds Outstanding (as of 9/30/24)	\$ 30,200,000
Average Annual Principal and Interest Requirements, 2025-2036	\$ 3,084,892
Coverage of Average Annual Principal and Interest Requirements by 9-30-24 by Net Income	14.61 Times

MONTHLY WATER RATES

(Effective November 1, 2024)

Current Water Rates	
Meter Size	Rate
up to 3/4"	\$ 28.89
1"	28.89
1 1/2"	127.88
2"	201.82

Residential Consumption Charge

First 1000 Gallons	Included in Minimum Meter Charge
1,001 - 5,000 Gallons	\$0.89 per 1,000 Gallons
5,001 - 20,000 Gallons	\$4.37 per 1,000 Gallons
20,001 - 40,000 Gallons	\$8.73 per 1,000 Gallons
All over 40,000 Gallons	\$10.58 per 1,000 Gallons

All Non-Residential and Separately Metered

Irrigation Use Consumption Charges

Meter Size	Rate	Meter Size	Rate
3/4"	\$ 28.89	4"	\$ 620.96
1"	65.29	6"	1,237.30
1 1/2"	127.88	8"	1,976.89
2"	201.82	10"	2,839.98
3"	398.95		

All Non-Residential and Separately Metered

Irrigation Use Consumption Charges

First 1000 Gallons	Included in Minimum Meter Charge
1,001 - 20,000 Gallons	\$4.37 per 1,000 Gallons
All over 20,000 Gallons*	\$8.73 per 1,000 Gallons

SEWER RATES**(Effective November 1, 2024)****All Residential Base Meter Charge**

<u>Meter Size</u>	<u>Rate</u>	<u>Meter Size</u>	<u>Rate</u>
Up to 3/4"	\$ 18.67	1 1/2"	\$ 18.67
1"	18.67	2"	18.67

**All Non-Residential
Base Meter Charge**

<u>Meter Size</u>	<u>Rate</u>	<u>Meter Size</u>	<u>Rate</u>
up to 3/4"	\$ 18.67	4"	\$ 301.72
1"	36.41	6"	596.60
1 1/2"	65.87	8"	887.74
2"	101.29	10"	1,363.19
3"	195.63		

Residential Consumption Charges

First 1000 Gallons	Included in Minimum Meter Charge
All over 1,000 Gallons	\$7.39 per 1,000 Gallons

**All Non-Residential
Use Consumption Charges**

First 1000 Gallons	Included in Minimum Meter Charge
All over 1,000 Gallons*	\$7.39 per 1,000 Gallons

CITY OF RICHARDSON, TEXAS

WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
Revenues	\$ 112,452,486	\$ 107,453,515	\$ 95,926,233	\$ 84,450,681	\$ 87,406,333
<u>Expenditures</u> ⁽¹⁾					
Sewage Disposal Contract	\$ 26,235,486	\$ 24,088,301	\$ 20,953,292	\$ 20,217,548	\$ 19,605,266
Water Purchased	37,791,668	35,326,744	32,368,547	31,632,235	32,018,401
Other	27,230,341	27,912,310	23,781,261	34,205,996	24,942,634
	\$ 91,257,495	\$ 87,327,355	\$ 77,103,100	\$ 86,055,779	\$ 76,566,301
Net Income	\$ 21,194,991	\$ 20,126,160	\$ 18,823,133	\$ (1,605,098)	\$ 10,840,032
Water Customers	33,655	33,744	33,627	33,617	33,532
Sewer Customers	30,167	30,227	30,144	30,170	30,119

(1) Excludes depreciation and bonded debt amortization.

MONTHLY WATER RATES – EFFECTIVE NOVEMBER 1, 2024

Monthly Minimum Charge \$ 8.00 plus per each 1,000 gallons consumed

<u>Water Usage Charges:</u>		<u>Rate</u>			
0 to 11,000	Gallons	\$ 7.33	per 1,000	Gallons	
11,001 to 20,000	Gallons	7.93	per 1,000	Gallons	
20,001 to 40,000	Gallons	8.27	per 1,000	Gallons	
40,001 to 60,000	Gallons	9.62	per 1,000	Gallons	
All over 60,000	Gallons	10.03	per 1,000	Gallons	

Apartments will be treated and billed as a commercial water account.

Homeowner Association Irrigation Rates

Homeowner Associations responsible for maintaining common areas in a residential subdivision may receive a discount of 40 percent of the water usage charges for water used through an irrigation meter. There is no monthly minimum charge.

MONTHLY SEWER RATES – EFFECTIVE NOVEMBER 1, 2024

Monthly Minimum Charge \$ 8.00

Rates per 1,000 gallons and portion
of metered water:

0 to 11,000	\$ 5.22
All over 11,001	\$ 10.34

Apartments will be treated as commercial accounts for sewer billing purposes.

CITY OF MCKINNEY, TEXAS

WATERWORKS AND SEWER SYSTEM STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
<u>Revenues</u>	<u>\$ 174,026,915</u>	<u>\$ 151,084,962</u>	<u>\$ 120,929,964</u>	<u>\$ 108,043,200</u>	<u>\$ 105,611,724</u>
<u>Expenses</u>					
Water Purchased	\$ 77,606,351	\$ 68,581,016	\$ 60,311,710	\$ 57,964,644	\$ 57,176,000
Contract Payments	9,037,620	8,193,391	6,663,784	6,057,185	6,179,644
Other	29,545,518	26,111,246	21,954,630	28,088,862	18,903,772
Total Expenses	<u>\$ 116,189,489</u>	<u>\$ 102,885,653</u>	<u>\$ 88,930,124</u>	<u>\$ 92,110,691</u>	<u>\$ 82,259,416</u>
 Net Income	 <u>\$ 57,837,426</u>	 <u>\$ 48,199,309</u>	 <u>\$ 31,999,840</u>	 <u>\$ 15,932,509</u>	 <u>\$ 23,352,308</u>
 Water Customers	 79,162	 75,922	 73,551	 70,857	 62,398
Sewer Customers	73,438	70,172	68,193	66,030	64,148

The condensed statements above have been compiled using accounting principles customarily employed in the determination of net revenues available for debt service, and in all instances excluding depreciation, transfers (except operating transfers), debt service payments and expenditures identified as capital. Gross revenues include all revenues associated with the operation of the Water/Wastewater system including receipts of contributions from developers.

Waterworks and Sewer System Revenue Bonds Outstanding (as of 9/30/24)	\$ 266,080,000
Average Annual Principal and Interest Requirements, 2025-2044	\$ 18,827,469
Coverage of Average Annual Principal and Interest Requirements by 9-30-24 Net Income	3.07x
Maximum Principal and Interest Requirement, 2028	\$ 23,619,244
Coverage at Maximum Principal and Interest Requirement by 9-30-24 Net Income	2.49x
Interest and Sinking Fund (as of 9-30-24)	\$ 9,554,238
Reserve Fund (as of 9-30-24)	\$ 19,229,859

MONTHLY WATER RATES – (EFFECTIVE OCTOBER 1, 2024)

Residential Meters	\$ 19.05
Non-residential and ALL Irrigation Meters:	
3/4 Inch	19.05
1 Inch	33.50
1 1/2 Inch	57.40
2 Inch	80.45
3 Inch	141.65
4 Inch	210.65
6 Inch	392.65
8 Inch	775.65
10 Inch	1,467.70
12 Inch	2,743.80
Volumetric Rates per 1,000 Gallons:	
Residential and ALL Irrigation Meters:	
1 to 7,000 Gallons	\$ 4.80
7,001 to 20,000 Gallons	6.65
20,000 to 40,000 Gallons	8.35
Over 40,000 Gallons	10.05
Wholesale/Municipal Water Rate	4.15

MONTHLY WASTEWATER RATES – (EFFECTIVE OCTOBER 1, 2024)

Residential Meters	\$ 26.75
Non-residential and ALL Irrigation Meters:	
3/4 Inch	26.75
1 Inch	43.85
1 1/2 Inch	72.45
2 Inch	94.30
3 Inch	147.85
4 Inch	209.60
6 Inch	358.10
8 Inch	700.70
10 Inch	1,442.40
12 Inch	2,942.20
Volumetric Rates per 1,000 Gallons:	
Residential Meters:	
1 to 8,000 Gallons (Using Winter Quarter Avg.)	\$ 7.45
Municipal Sewer Rates	5.65
All Other Meters	7.45

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APPENDIX D

FORM OF BOND COUNSEL'S OPINION

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October 29, 2025

\$[PAR]
NORTH TEXAS MUNICIPAL WATER DISTRICT
REGIONAL WASTEWATER SYSTEM REVENUE REFUNDING
AND IMPROVEMENT BONDS,
SERIES 2025

DATED SEPTEMBER 15, 2025

AS BOND COUNSEL for the North Texas Municipal Water District (the "Issuer"), in connection with the issuance of the Regional Wastewater System Revenue Refunding and Improvement Bonds, Series 2025 (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Bonds. Terms used herein and not otherwise defined shall have the meaning given in the Resolution of the Issuer authorizing the issuance and sale of the Bonds (the "Resolution").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the Issuer, and other pertinent instruments relating to the authorization of the Bond to be initially delivered (the "Initial Bonds") and the Bonds to be delivered in substitution therefor (the "Definitive Bonds") and the issuance and delivery of the Initial Bond, including the executed Initial Bond and a printed form for the Definitive Bonds initially made available by the Issuer for conversion of and exchange for the Initial Bond.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized and the Initial Bond has been duly issued and delivered, all in accordance with law, and that, except as may be limited by laws relating to sovereign immunity and to bankruptcy, reorganization, and other similar matters affecting creditors' rights, (i) the covenants and agreements in the Bond Resolution constitute valid and binding obligations of the Issuer, and the Initial Bond constitutes and Definitive Bonds will constitute valid and legally binding special obligations of the Issuer, which, together with other bonds, are secured by and payable from a first lien on and pledge of the Issuer's "Pledged Revenues," as defined in the Bond Resolution, including the Gross Revenues of the Issuer's Trinity East Fork Regional Wastewater System, and including specifically certain payments to be received by the Issuer from the Cities of Mesquite, Plano, Richardson, Allen, McKinney, Forney, Frisco, Princeton, Rockwall, Heath, Prosper, Seagoville, and Melissa, Texas (collectively, the "Member Cities"), and any future Additional Member Cities, under the "Trinity East Fork Regional Wastewater System Contract", dated October 1, 1975, among the Cities of Mesquite and Plano and the Issuer, the "City of Richardson-Trinity East Fork Regional Wastewater System Contract", dated January 9, 1978, and amended as of December 1, 1985, between the City of Richardson and the Issuer, the "City of Allen-Trinity East Fork Regional

Wastewater System Contract," dated August 24, 1978, between the City of Allen and the Issuer, the "City of McKinney-Trinity East Fork Regional Wastewater System Contract, dated August 23, 1979, between the City of McKinney and the Issuer, the "City of Forney - Trinity East Fork Regional Wastewater System Contract", dated February 22, 1990, between the City of Forney and the Issuer, the "City of Frisco - Trinity East Fork Regional Wastewater System Contract," dated as of November 19, 1996, between the City of Frisco and the Issuer, the "City of Princeton - Trinity East Fork Regional Wastewater System Contract," dated as of November 26, 1996, between the City of Princeton and the Issuer, the "City of Rockwall - Trinity East Fork Regional Wastewater System Contract," dated March 29, 2001, between the City of Rockwall and the Issuer, "City of Heath - Trinity East Fork Regional Wastewater System Contract," dated March 29, 2001, between the City of Heath and the Issuer, "Town of Prosper - Trinity East Fork Regional Wastewater System Contract," dated as of February 24, 2004, between the Town of Prosper and the Issuer, the "City of Seagoville - Trinity East Fork Regional Wastewater System Contract," dated as of February 24, 2005, between the City of Seagoville, Texas and the Issuer, and the "City of Melissa - Trinity East Fork Regional Wastewater System Contract," dated as of April 1, 2019, between the City of Melissa and the Issuer (collectively, the "Contract") and all similar contracts with any Additional Member Cities as defined in and permitted by the Contract and (ii) the Contract has been duly executed, is valid and is legally binding upon and enforceable by the parties thereto in accordance with its respective terms and conditions.

THE ISSUER has reserved the right, subject to the restrictions stated in the Bond Resolution, to issue additional parity revenue bonds which also may be secured by and made payable from a first lien on and pledge of the aforesaid Gross Revenues.

THE ISSUER also has reserved the right, subject to the restrictions stated in the Bond Resolution, to amend the Bond Resolution with the approval of the holders or owners of fifty-one percent in principal amount of all outstanding bonds which are secured by and payable from a first lien on and pledge of the aforesaid Gross Revenues.

THE REGISTERED OWNERS of the Bonds shall never have the right to demand payment of the principal thereof or interest thereon out of any funds raised or to be raised by taxation, or from any source whatsoever other than specified in the Bond Resolution.

IN OUR OPINION, except as discussed below, the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of an interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer or the Contracting Parties, or the adequacy of the Gross Revenues, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

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