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**Dated March 20, 2026**

**Ratings:**  
**S&P: "AAA"**  
**Fitch: "AA+"**  
**(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 herein including the alternative minimum tax on certain corporations. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel.



**\$333,850,000\***  
**TARRANT REGIONAL WATER DISTRICT,**  
**A WATER CONTROL AND IMPROVEMENT DISTRICT,**  
**WATER REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2026**

**Dated: March 15, 2026**

**Due: March 1, as shown below**

**Interest Accrues from Delivery Date**

**PAYMENT TERMS . . .** Interest on the \$333,850,000\* Tarrant Regional Water District, A Water Control and Improvement District (the "District"), Water Revenue Refunding and Improvement Bonds, Series 2026 (the "Bonds") will accrue from the date of initial delivery to the purchasers thereof (the "Delivery Date"), will be payable on September 1 and March 1 of each year, commencing September 1, 2026, until maturity or prior redemption, 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 BOKF, NA, Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

**SECURITY AND SOURCE OF PAYMENT . . .** The Bonds are and shall be secured by and payable from a first lien on and pledge of the Pledged Revenues of the District. Pledged Revenues consist of the Net Revenues of the District's raw water supply system (the "System"), which include amounts payable by the Cities of Fort Worth, Arlington and Mansfield, and the Trinity River Authority of Texas pursuant to the Contract (as defined herein) and by other customers, and any additional revenues, income, receipts, 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 (as defined herein) or any Additional Bonds (see "Selected Provisions of the Resolution").

**AUTHORITY FOR ISSUANCE . . .** The Bonds are issued pursuant to the general laws of the State of Texas, including Chapters 49 and 51, Texas Water Code, as amended, pursuant to the provisions of Chapters 1207 and 1371, Texas Government Code, as amended, Chapter 268, Acts of 1957, 55th Legislature of Texas, Regular Session, as amended, and pursuant to a resolution adopted by the Board of Directors of the District. In the resolution adopted on February 17, 2026 authorizing the issuance of the Bonds, the District delegated pricing of the Bonds and certain other matters to an "Authorized Officer" and authorized the Authorized Officer to execute an "Approval Certificate" (the resolution and the Approval Certificate are collectively referred to herein as the "Resolution" or a "Bond Resolution").

**PURPOSE . . .** Proceeds from the sale of the Bonds will be used (i) to pay for the District's continued work on preserving aging infrastructure and increasing capacity and operational flexibility with the Cedar Creek pipeline replacement project, the construction of the new Operations Facility, the continuation of the IPL Project, the design of the Marty Leonard Wetlands, and other construction, improvements and repairs to the District's System; (ii) to refund a portion of the District's debt (the "Refunded Bonds") for debt service savings as set forth in Schedule I - "SCHEDULE OF REFUNDED BONDS" attached hereto; (iii) to fund a debt service reserve fund; and (iv) to pay costs of issuance for the Bonds.

**MATURITY SCHEDULE\***

**CUSIP Prefix: 876443<sup>(1)</sup>**

Amount	March 1 Maturity	Rate	Yield	CUSIP Suffix <sup>(1)</sup>	Amount	March 1 Maturity	Rate	Yield	CUSIP Suffix <sup>(1)</sup>
\$ 26,365,000	2027				\$ 7,940,000	2042			
27,710,000	2028				8,350,000	2043			
29,120,000	2029				8,775,000	2044			
7,870,000	2030				9,225,000	2045			
4,945,000	2031				9,700,000	2046			
8,715,000	2032				10,195,000	2047			
5,065,000	2033				10,720,000	2048			
5,320,000	2034				11,270,000	2049			
5,595,000	2035				11,845,000	2050			
5,880,000	2036				12,455,000	2051			
6,185,000	2037				13,095,000	2052			
6,500,000	2038				13,765,000	2053			
6,835,000	2039				14,470,000	2054			
7,185,000	2040				15,210,000	2055			
7,555,000	2041				15,990,000	2056			

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

**REDEMPTION OPTION . . .** The District reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 2036, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on March 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 and received by the Initial Purchaser 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 C, "Form of Bond Counsel's Opinion").

**DELIVERY . . .** It is expected that the Bonds will be available for delivery through the facilities of DTC on April 28, 2026.

**BIDS DUE TUESDAY, MARCH 31, 2026 AT 10:00 AM, CDT**

\* Preliminary, subject to change. See "THE BONDS – Adjustment of Principal Amounts and/or Types of Bids" in the "Notice of Sale and Bidding Instructions".

For purposes of compliance with Rule 15c2-12 of the United States 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.

This Official Statement, which includes the cover page, Schedule I 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.

Certain information set forth herein has been obtained from the District and other sources considered by the District to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Municipal Advisor or the Initial Purchaser. 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.

The Initial Purchaser have provided the following sentence for inclusion in this Official Statement: The Initial Purchaser have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Initial Purchaser do not guarantee the accuracy or completeness of such information.

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 undertaking to provide certain information on a continuing basis.

None of the District, the Municipal Advisor or the Initial Purchaser makes any representation or warranty regarding the information in this Official Statement describing DTC or the DTC Book-Entry-Only System. CUSIP numbers have been assigned to this issue by the CUSIP Global Services and are included solely for the convenience of the owners of the Bonds. None of the District, the Municipal Advisor, or the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

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.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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 JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Bonds or passed upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offense.

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

**TARRANT REGIONAL WATER DISTRICT  
A WATER CONTROL AND IMPROVEMENT DISTRICT**

**BOARD OF DIRECTORS**

Leah M. King ..... President  
Paxton Motheral ..... Vice President  
C.B. Team ..... Secretary  
Jonathan Killebrew ..... Director  
Skylar O’Neal..... Director

**MANAGEMENT OFFICERS**

Dan Buhman..... General Manager  
Sandra Newby ..... Chief Financial Officer  
Kathleen Ray..... Finance Director

**CONSULTANTS, ADVISORS, AND INDEPENDENT AUDITORS**

Independent Auditors ..... Deloitte & Touche LLP  
Dallas, 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:

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Tarrant Regional Water District  
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Fort Worth, Texas 76102-1097  
(817) 335-2491

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777 Main Street, Suite 1525  
Fort Worth, Texas 76102  
(817) 332-9710

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## OFFICIAL STATEMENT

### RELATING TO

**\$333,850,000\***  
**TARRANT REGIONAL WATER DISTRICT,  
A WATER CONTROL AND IMPROVEMENT DISTRICT,  
WATER REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2026**

### INTRODUCTION

This Official Statement, which includes the Schedule I and Appendices hereto, provides certain information regarding the issuance of \$333,850,000\* Tarrant Regional Water District, a Water Control and Improvement District, Water Revenue Refunding and Improvement Bonds, Series 2026 (the "Bonds"). In the resolution adopted on February 17, 2026 authorizing the issuance of the Bonds, the District delegated, pursuant to certain provisions of Chapters 1207 and 1371, Texas Government Code, pricing of the Bonds and certain other matters to an "Authorized Officer" and authorized the Authorized Officer to execute an "Approval Certificate" (the resolution and the Approval Certificate are collectively referred to herein as the "Bond Resolution" or "Resolution"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Resolution, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the Tarrant Regional Water District, a Water Control and Improvement 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. ("HilltopSecurities"), Fort Worth, Texas.

**DESCRIPTION OF THE DISTRICT** . . The District is a conservation and reclamation district, functioning under Article 16, Section 59, of the Texas Constitution, pursuant to the general laws of the State of Texas, including Chapters 49 and 51, Texas Water Code, as amended, and pursuant to the provisions of Chapter 268, Acts of 1957, 55<sup>th</sup> Legislature of Texas, Regular Session, as amended (the "District Act").

### PLAN OF FINANCING

**PURPOSE** . . . Proceeds from the sale of the Bonds will be used (i) to pay for the District's continued work on preserving aging infrastructure and increasing capacity and operational flexibility with the Cedar Creek pipeline replacement project, the construction of the new Operations Facility, the continuation of the IPL Project, the design of the Marty Leonard Wetlands, and other construction, improvements and repairs to the District's System; (ii) to refund a portion of the District's debt (the "Refunded Bonds") for debt service savings as set forth in Schedule I - "SCHEDULE OF REFUNDED BONDS" attached hereto; (iii) to fund a debt service reserve fund; and (iv) to pay costs of issuance for the Bonds.

**REFUNDED BONDS** . . . The principal and interest due on the Refunded Bonds are to be paid on the interest payment dates and the redemption date of the Refunded Bonds from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the District and BOKF, NA, Dallas, Texas (the "Escrow Agent"). The Resolution provides that from the proceeds of the sale of the Bonds and other available funds of the District, if necessary, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on the redemption date. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase obligations permitted under the resolution authorizing the Refunded Bonds for defeasance deposits (the "Defeasance Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds.

Public Finance Partners LLC (the "Verification Agent") will verify at the time of delivery of the Bonds to the Initial Purchaser the mathematical accuracy of the schedules that demonstrate the Federal Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. Such maturing principal of and interest on the Federal Securities will not be available to pay the Bonds. See "VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS".

By the deposit of the Defeasance Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds in accordance with the law and the resolution authorizing the Refunded Bonds (hereinafter defined), and the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Federal Securities and any cash held for such purpose by the Escrow Agent and such Refunded Bonds will not be deemed as being outstanding obligations of the District payable from Pledged Revenues (as defined herein). The District will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Bonds, including insufficiency therein caused by the failure to receive payments when due on the Defeasance Securities.

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

**ESTIMATED SOURCES AND USES OF PROCEEDS . . .** The proceeds from the sale of the Bonds will originate and be applied as follows:

<u>Sources of Funds</u>	
Par Amount of Bonds	\$ -
Premium Bid	-
Transfer from Debt Service Fund	-
Total Sources of Funds	<u>\$ -</u>
<u>Uses of Funds</u>	
Deposit to Project Fund	\$ -
Deposit to Escrow Fund	-
Deposit to Debt Service Reserve Fund	-
Costs of Issuance	-
Total Uses of Funds	<u>\$ -</u>

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## THE BONDS

**DESCRIPTION OF THE BONDS** . . . The Bonds are dated March 15, 2026, and mature on March 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"), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on March 1 and September 1 of each year, commencing September 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 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 issued pursuant to the general laws of the State of Texas, including Chapters 49 and 51, Texas Water Code, as amended, and Chapters 1207 and 1371, Texas Government Code, as amended, pursuant to the provisions of the District Act, and pursuant to the Bond Resolution.

**SECURITY AND SOURCE OF PAYMENT** . . . The Bonds are and shall be secured by and payable from a first lien on and pledge of the Pledged Revenues of the District. Pledged Revenues consist of the Net Revenues (hereinafter defined) of the System (hereinafter defined), including amounts payable by the Contracting Parties (hereinafter defined) pursuant to the Contract (hereinafter defined) and by other customers, and any additional revenues, income, receipts, 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 (hereinafter defined) or the Additional Bonds (hereinafter defined) (see "SELECTED PROVISIONS OF THE RESOLUTION"). The District has outstanding bonds payable from Pledged Revenues (the "Outstanding Bonds") as follows:

Dated Date	Original Issue Amount	Outstanding Bonds <sup>(1)(2)</sup>	Issue Description
2/1/2015	\$ 156,470,000	\$ 45,155,000	Water Revenue Refunding Bonds, Series 2015
11/1/2015	300,000,000	220,665,000	Water Revenue Bonds, Series 2015A
2/1/2016	28,530,000	21,935,000	Water Revenue Bonds, Series 2016
4/1/2016	61,910,000	31,875,000	Water Revenue Refunding Bonds, Series 2016A
8/1/2017	52,765,000	46,915,000	Water Revenue Refunding Bonds, Series 2017
2/1/2020	129,570,000	71,365,000	Water Revenue Refunding Bonds, Taxable Series 2020
11/1/2020	386,680,000	175,155,000	Water Revenue Refunding Bonds, Taxable Series 2020B
11/1/2020	38,105,000	18,775,000	Water Revenue Refunding Bonds, Series 2020C
7/1/2022	46,510,000	43,620,000	Water Revenue Bonds, Series 2022
5/1/2024	288,885,000	277,570,000	Water Revenue Refunding and Improvement Bonds, Series 2024
		<u>\$ 953,030,000</u>	

(1) The Dallas Contract Revenue Bonds shown on the District's Financial Statement are not reflected herein because the District has no obligation to make payments thereof out of District funds.

(2) As of March 1, 2026.

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

**WATER CONTRACTS . . .** The principal source of Pledged Revenues are payments derived from contracts for the sale of raw water. The District has entered into raw water supply contracts with approximately 55 municipal and non-municipal entities. The major water supply contracts are with the Cities of Fort Worth, Arlington, and Mansfield, Texas, and Trinity River Authority of Texas ("TRA").

The Cities of Fort Worth, Arlington and Mansfield (the "Cities") and the TRA (collectively, the "Contracting Parties") and the District have entered into a Tarrant County Regional Water Supply Facilities Amendatory Contract (the "Contract"), effective September 1, 1982, which provides that such Contracting Parties will, with certain minor exceptions, take all their raw water requirements from the District's System. Such Contracting Parties are obligated thereunder to pay their share, as computed in accordance with the Contract, of the District's annual operation and maintenance expenses and debt service on the Parity Bonds and any Additional Bonds after application of amounts, if any, received by the District from its other customers. Such obligation is unconditional and such payments shall be made whether or not the District is actually delivering water from the System or whether or not such Contracting Parties actually receive or use water from the System. The Contract provides that payments by such Contracting Parties thereunder constitute operating expenses of each respective waterworks and sewer systems in the case of the Cities and its Tarrant County Water Project in the case of the TRA, payable prior to any obligation to make any payments from system or project revenues with respect to all bonds issued by such Contracting Parties. Under the Contract, the District is entitled to revise the payments from the Contracting Parties for a number of reasons, including receipt by the District of significantly more or significantly less revenues or other amounts than anticipated (see "THE CONTRACTS").

**RATE COVENANT . . .** The District has covenanted in the Resolution to charge rates sufficient, together with other available funds, to meet operation and maintenance expenses of the System and to produce Pledged Revenues adequate to provide for all payments and deposits required to be made into the Interest and Redemption Fund, the Reserve Fund and the Contingency Fund (hereinafter defined) established by the Resolution.

The District is subject to continuing supervision by the Texas Public Utility Commission ("TPUC"), which has power to fix reasonable rates for the furnishing of raw water. In fixing such rates, the TPUC may use any reasonable basis it determines to be appropriate under the circumstances, but may not fix a rate which is less than the amount required to meet debt service.

**CONTINGENCY FUND AND RESERVE FUND . . .** The District established the Contingency Fund and there is presently on deposit in such fund at least \$1,100,000. The moneys on deposit in such fund shall be used solely for the purpose of paying the costs of improvements, enlargements, extensions, additions or other capital expenditures relating to the System, extraordinary operation and maintenance expenses or for paying principal of and interest on any Parity Bonds and any Additional Bonds when and to the extent money in the Interest and Redemption Fund is insufficient. If and when such amount is reduced below \$1,100,000 then, subject and subordinate to making the required deposits to the credit of the Interest and Redemption Fund and the Reserve Fund, such reduction shall be restored from amounts provided in the District's annual budget, provided that the District is not required to budget more than \$100,000 for such purpose in any one fiscal year.

There has been created and established and there shall be maintained at an official depository bank of the District, a separate fund to be entitled the "Tarrant Regional Water District Water Revenue Bonds Reserve Fund" (hereinafter called the "Reserve Fund"), solely for the further security and benefit of the Parity Bonds and any Additional Bonds. The Reserve Fund shall be used solely for the purpose of (i) finally retiring the last of the Parity Bonds and any Additional Bonds, and (ii) paying principal of and interest on the Parity Bonds or any Additional Bonds when and to the extent the amounts in the Interest and Redemption Fund and Contingency Fund are insufficient for such purpose. When and so long as the money and investments in the Reserve Fund are not less than the "Required Amount," equal to the principal and interest requirements on the Parity Bonds and any Additional Bonds during the fiscal year in which such requirements are scheduled to be the greatest, no deposits shall be made to the credit of the Reserve Fund; but when and if the Reserve Fund at any time thereafter contains less than the "Required Amount," 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, semiannually on or before the 25th day of each February and each August of each year, a sum equal to 1/10th of the "Required Amount" 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 said "Required Amount," if any, shall, at least annually, on or before the 25th day of February of each year, be deposited to the credit of the Interest and Redemption Fund.

**ADDITIONAL BONDS . . .** The District may issue additional parity bonds ("Additional Bonds") payable from the Pledged Revenues which together with the Bonds and the Outstanding Bonds shall be equally and ratably secured by a parity lien on and pledge of the Pledged Revenues, subject to complying with certain conditions in the Resolution. See "SELECTED PROVISIONS OF THE RESOLUTION – Additional Bonds" and "Further Requirements for Additional Bonds" herein).

**OPTIONAL REDEMPTION . . .** The District reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 2036, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on March 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 shall select the maturities and amounts of Bonds to be redeemed. If less than a whole maturity is called, the Bonds to be redeemed (only in integral multiples of \$5,000) shall be selected by the Paying Agent/Registrar by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). 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.

**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, PROVIDED FUNDS FOR THE PAYMENT OF THE REDEMPTION PRICE AND ACCRUED INTEREST THEREON ARE HELD BY THE PAYING AGENT/REGISTRAR ON THE REDEMPTION DATE.

**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) Defeasance Securities 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 "Defeasance Securities" 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, 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 payment 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 payment arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

**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 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, the Municipal Advisor, and the Initial Purchaser (hereinafter defined) consider the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof and make no representation with respect thereto.*

*The District cannot and does 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 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](http://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.

**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 BOKF, NA, 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.

**REMEDIES . . .** The Resolution does not establish specific events of default with respect to the respective 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. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code. Texas law requires a conservation and reclamation district such as the District to obtain the approval of the Texas Commission on Environmental Quality as a condition to seeking relief under 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. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Resolution may not be redeemed to a judgment for money damages.

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## THE DISTRICT

**CREATION . . .** The Tarrant Regional Water District, formerly the Tarrant County Water Control and Improvement District Number One, is a water control and improvement district and political subdivision of the State of Texas created in October 1924 pursuant to Article 16, Section 59 of the Texas Constitution. The District is presently functioning under the general laws of the State of Texas, including Chapters 49 and 51, Texas Water Code, as amended and pursuant to the provisions of Chapter 268, Acts of 1957, 55th Legislature of Texas, as amended, Regular Session (the "District Act"), and is authorized by the District Act to issue bonds and finance public works projects.

The District was created for the purpose of providing water supply and flood control and developing and providing a sufficient supply of raw water for the City of Fort Worth. The District's functions have expanded and now encompass the development of a raw water supply system to meet the needs of major municipal and industrial users within and outside its boundaries, flood control protection, recreation and water conservation activities.

**TERRITORY SERVED BY THE DISTRICT . . .** The District is the primary supplier for raw water used by a total of approximately 55 municipal and non-municipal entities located both within and outside Tarrant County. Among the major municipal customers of the District are the Cities of Fort Worth, Arlington, Mansfield and the TRA. The total area serviced by the District through these four major municipal entities includes nearly all the populated regions within Tarrant County.

**POWERS . . .** For the purpose of carrying out any power or authority conferred upon it by law, the District is empowered, among other things, to impound the storm and flood waters and the flow of the West Fork of the Trinity River and the tributaries of the Trinity River by the construction of dams. The District is also empowered to construct and otherwise acquire all pipelines, pump stations and other facilities necessary for the purpose of transporting the raw water so impounded to its users.

In furtherance of its express public purpose, the District also has the right to acquire land and easements within and without its boundaries (including land above the probable high water line around the reservoirs) through the exercise of its power of eminent domain.

The District is authorized by law to finance its public works projects by the issuance of bonds payable from either revenues, ad valorem taxes or both revenues and ad valorem taxes of the District. However, in the Resolution, it is specifically provided that the District is not authorized to, and shall not levy, collect, or use any tax of any nature to pay the principal of or interest on any of the Parity Bonds or Additional Bonds.

**ANNEXATIONS . . .** Other territory may be annexed to the District by order of the Board of Directors under conditions specified in Texas Water Code Sections 49.301 – 49.302 either by petition of all landowners or by petition of less than all landowners. The Board of Directors shall hear the petition(s) and may add to the territory of the District all or part of the land described in such petition(s) if it is feasible, practicable and to the advantage of the District. If the annexation is by petition of less than all landowners, the Board shall order an election to be held in the District, as enlarged, on the question of the assumption of bonds, notes, obligations and taxes by the area to be annexed.

**BOUNDARIES . . .** The District consists of approximately 302 square miles comprising approximately one-half of Tarrant County and is nearly coterminous with the City of Fort Worth. Additionally, the District owns land, not within the boundaries of the District, in Tarrant, Wise, Jack, Henderson, Ellis, Navarro, Freestone, Anderson, Johnson and Kaufman Counties.

**OTHER ACTIVITIES OF THE DISTRICT . . .** The District engages in and receives certain revenues from non-water supply activities including the ownership of oil, gas and mineral rights, land sales and lease rentals, none of which is pledged to assist the District in meeting its obligations, including obligations relating to the Bonds.

**TRINITY RIVER VISION/CENTRAL CITY FLOOD CONTROL PROJECT . . .** The Trinity River Vision Master Plan (the "Master Plan") is the result of a process which commenced approximately 23 years ago through a collaboration of community volunteers, elected officials, administrators and urban planners. The Master Plan encompasses 88 miles of the Trinity River and its greenbelts and tributaries throughout the Fort Worth area. The purpose of the "vision" is to advocate for this natural resource, keeping the river beautiful, accessible, enjoyable and productive and to ensure that it remains a valuable asset for the entire community. The Master Plan addresses such issues as flood protection, the environment, ecosystems, recreational opportunities, access to the waterfront, preserving green space and revitalization based around the Trinity River at a cost of \$1.2 billion dollars. The Trinity River Vision Project will be financed with federal funds, captured property taxes on the development of property benefited by the Trinity River Vision Project and funds to be provided by the District (including proceeds from the Bonds), the City of Fort Worth and Tarrant County. On January 19, 2022, the Central City Flood Control Project received \$403 million in funding for the U.S. Army Corps of Engineers ("USACE") to complete the final design of all project components and construction of the bypass channel. The District and the other participants are continuing to complete the project components they are responsible for in order to stay ahead of the USACE. The District has committed to provide \$64.4 million for the Trinity River Vision Project, which it has provided in full. **The District's share of the costs of the Trinity River Vision Project is not secured by or payable from Pledged Revenues.** The District has used the production royalties it received from its mineral interests within the Barnett Shale to meet its financial obligations on the Trinity River Vision Project.

**TABLE 1 - RAW WATER SALES CONTRACT SUMMARY**

Customer and Source	2025/26	
	Budgeted Rate Per 1,000 Gallons <sup>(1)</sup>	Maximum Usage Acre Feet <sup>(2)</sup>
<b>LAKE BRIDGEPORT</b>		
City of Bridgeport	\$ 1.43092	1,700 A.F./Yr.
City of Runaway Bay	1.43092	1,456 A.F./Yr.
Martin Marietta Materials, Inc.	1.43092	600 A.F./Yr.
West Wise Special Utility District	1.43092	986 A.F./Yr.
Wise County Water Supply District	1.43092	4,000 A.F./Yr.
RB Golf	1.43092	124 A.F./Yr.
Jack County LLC	1.43092	5,429 A.F./Yr.
Vistra Energy/Wise County Power Co	1.43092	5,772 A.F./Yr.
Walnut Creek Water Supply Corp.	1.43092	3,600 A.F./Yr.
City of Jacksboro	1.43092	263 A.F./Yr.
Bridgeport Country Club	1.43092	40 A.F./Yr.
Burnco	1.43092	800 A.F./Yr.
Heidelberg Materials	1.43092	1,475 A.F./Yr.
<b>EAGLE MOUNTAIN LAKE</b>		
City of River Oaks	1.43092	1,344 A.F./Yr.
Community Water Supply	1.43092	1,851 A.F./Yr.
City of Springtown	1.43092	1,344 A.F./Yr.
City of Azle	1.43092	1,680 A.F./Yr.
Hawks Creek Golf Club	1.43092	550 A.F./Yr.
The Resort at Eagle Mountain Lake	1.43092	350 A.F./Yr.
Shady Oaks Country Club	1.43092	375 A.F./Yr.
<b>LAKE BENBROOK</b>		
Fort Worth Country Day	1.43092	153 A.F./Yr.
Mira Vista Golf Club	1.43092	568 A.F./Yr.
Ridglea Country Club	1.43092	476 A.F./Yr.
Benbrook Water Authority	1.43092	All Customer Requirements
City of Weatherford	1.43092	All Customer Requirements
Whitestone Golf Club	1.43092	400 A.F./Yr.
City of Benbrook-Dutch Branch Park	1.43092	77 A.F./Yr.
Cassco Development Company, Inc.	1.43092	60 A.F./Yr.
<b>CEDAR CREEK LAKE</b>		
East Cedar Creek FWS	1.43092	1,155 A.F./Yr.
Cedar Creek Country Club	1.43092	125 A.F./Yr.
City of Kemp	1.43092	600 A.F./Yr.
McNarosa Ranch	1.43092	55 A.F./Yr.
Long Cove Owners Association	1.43092	80 A.F./Yr.
City of Mabank	1.43092	1,870 A.F./Yr.
City of Malakoff	1.43092	560 A.F./Yr.
Pinnacle Golf Club	1.43092	30 A.F./Yr.
Texas Water Utilities	1.43092	1,656 A.F./Yr.
City of Star Harbor	1.43092	168 A.F./Yr.
West Cedar Creek MUD	1.43092	2,174 A.F./Yr.
Kemp Lakeside Investors	1.43092	10 A.F./Yr.
Ke'Ohana Properties	1.43092	30 A.F./Yr.
<b>RICHLAND CHAMBERS</b>		
Freestone Power (previously TRA - Freestone)	1.43092	6,722 A.F./Yr.
Winkler Water Supply Corp	1.43092	560 A.F./Yr.

(1) Rates effective October 1, 2025.

(2) Acre-Feet/Yr. = 325,851 gallons.

**TABLE 2 - MULTIPLE SOURCE CUSTOMERS**

Cedar Creek/Richland-Chambers/West Fork (combination through pipeline)

These customers are subject to making diversions from either pipeline(s) or Reservoirs.

	2025/26 Budgeted Rate (per 1,000 gallons)	
City of Fort Worth	\$1.43092	All City's Requirements
City of Mansfield	1.43092	All City's Requirements
City of Arlington	1.43092	All City's Requirements
Trinity River Authority	1.43092	All Requirements
City of Waxahachie (previously TRA Ellis County)	1.43092	5,489 A.F./Yr. <sup>(1)</sup>
City of Midlothian	1.43092	20,839 A.F./Yr. <sup>(1)</sup>
City of Ennis (previously Trinity River Authority - Ennis)	1.43092	3,988 A.F./Yr. <sup>(1)</sup>
Rocket Special Utility District	1.43092	13,773 A.F./Yr. <sup>(1)</sup>
Constellation - Handley	1.43092	Electrical Generation Requirements

<sup>(1)</sup> Acre-Feet/Yr. = 325,851 gallons**TABLE 3 - WATER CONSUMPTION AND SALES**

	Water Consumption		Water Payments	
	Gallons	% of Total	Amount	% of Total
Fort Worth, City of	79,055,160,846	59.45%	\$ 89,232,294	58.77%
Arlington, City of	19,672,958,000	14.79%	22,850,864	15.05%
Trinity River Authority	10,899,968,000	8.20%	14,441,013	9.51%
Mansfield, City of	6,610,849,100	4.97%	6,328,041	4.17%
Rockett Special Utility District	1,644,661,000	1.24%	1,922,832	1.27%
Freestone/Calpine	1,504,300,000	1.13%	2,286,212	1.51%
Midlothian, City of	2,731,125,000	2.05%	3,294,487	2.17%
Benbrook Water and Sewer (1)	1,118,743,000	0.84%	599,394	0.39%
Walnut Creek Special Utility District	1,415,241,000	1.06%	1,608,011	1.06%
Jack County LLC	1,517,497,000	1.14%	1,545,680	1.02%
Azle, City of	759,395,000	0.57%	854,120	0.56%
East Cedar Creek Fresh Water Supply District	515,137,000	0.39%	345,198	0.23%
West Cedar Creek MUD	716,252,892	0.54%	860,833	0.57%
Vistra Energy/Wise County Power Co	507,250,000	0.38%	727,973	0.48%
Other Customers	4,303,378,905	3.24%	4,945,225	3.27%
Total	<u>132,971,916,743</u>	100.00%	<u>\$ 151,842,177</u>	100.00%

Source: The District.

<sup>(1)</sup> The Cities of Weatherford and Benbrook have rights to a limited amount of water in Lake Benbrook and pay the District only for usage above that amount.**TABLE 4 - WATER RATES**

The District has budgeted usage and rates for the Contracting Parties for fiscal year 2025/26 as follows:

Contracting Party	Usage (000) gallons	Adjusted Rate (per 1,000 gallons)
City of Fort Worth	77,555,740	1.43092
Trinity River Authority	13,285,517	1.43092
City of Mansfield	6,789,304	1.43092
City of Arlington	20,761,976	1.43092
Other Customers	12,119,640	1.43092

## THE WATER RIGHTS OF THE DISTRICT

The District holds numerous water rights within its area of operation. The following is a brief description of the water rights presently held by the District.

**LAKE BRIDGEPORT** . . . The Texas Water Commission (now the TCEQ) issued to the District Certificate of Adjudication Number 08-3808, as amended, covering all rights to water in Lake Bridgeport. The District is allowed to impound up to 387,000 acre-feet of water. Under this water right, which was last amended August 16, 2018, the District is authorized to release up to 78,000 acre-feet of water per annum from Lake Bridgeport and transport the stored water to Eagle Mountain Lake for subsequent diversion for municipal, industrial, and irrigation purposes in the District's service area. An additional 15,000 acre-feet of water per annum, plus up to 12,000 acre-feet of the 78,000 acre-foot authorization, may be diverted by the District for municipal, industrial, and irrigation purposes in Jack and Wise Counties, Texas. Of the 12,000 acre-feet that may be either diverted for use in Jack and Wise Counties, or released downstream to Eagle Mountain, up to 8,000 acre-feet may be used for mining purposes. The time priority for the initial impoundment and the 93,000 acre-foot use is July 6, 1926. Recreation use was added July 12, 1937, and the priority date for the additional impoundment of 97,000 acre-feet is September 9, 1968.

**EAGLE MOUNTAIN LAKE** . . . Situated downstream from Lake Bridgeport, Eagle Mountain Lake is located principally in Tarrant County, Texas. The District holds Certificate of Adjudication Number 08-3809, as amended, covering all rights to water in Eagle Mountain Lake. The District is allowed to impound up to 210,000 acre-feet of water. Under this water right, which was last amended August 16, 2018, the District is authorized to divert and use up to 159,600 acre-feet of water per annum for municipal, industrial and irrigation purposes in the District's service area. Up to 4,000 acre-feet of the 159,600 acre feet may be used for mining purposes. The time priority of this water right is July 13, 1925. Water is released downstream for subsequent use by the Cities of Fort Worth and River Oaks. Diversions also are made by a number of municipal and private entities. In February, 2005, the District was granted the right to use Eagle Mountain Lake for terminal storage of water conveyed by the pipeline from Cedar Creek and Richland Chambers Reservoirs. It should be noted that Certificate of Adjudication Number 08-3808, as amended (Lake Bridgeport), authorizes release of water to Eagle Mountain Lake for diversion under the terms of Certificate of Adjudication Number 08-3809, as amended.

**CEDAR CREEK RESERVOIR** . . . The District holds Certificate of Adjudication Number 08-4976, as amended, covering all rights to water in Cedar Creek Reservoir located in Henderson and Kaufman Counties, Texas. The District is allowed to impound up to 678,900 acre-feet of water. Under this water right, which was last amended August 16, 2018, the District is authorized to divert and use up to 263,059 acre-feet of water per annum for municipal, industrial and irrigation purposes in the District's service area. This total volume includes up to 88,059 acre-feet of District Return Flows. Up to 4,000 acre-feet of the 263,059 acre-feet may be used for mining purposes. The time priority of this water right is May 28, 1956. While some diversions are made by District customers directly from the reservoir, the majority of this water is conveyed to Tarrant County, Texas, through the Cedar Creek, Richland Chambers and Integrated Pipelines and supplies water to the Cities of Fort Worth, Arlington, Mansfield, TRA, and others, through contractual agreements.

**RICHLAND-CHAMBERS RESERVOIR** . . . The District holds Certificate of Adjudication Number 08-5035, as amended, covering rights to water in Richland-Chambers Reservoir located in Freestone and Navarro Counties, Texas. The District is allowed to impound up to 1,135,000 acre-feet. Under this water right, which was last amended August 16, 2018, the District is authorized to divert and use up to 310,465 acre-feet of water per annum for municipal, industrial and irrigation purposes in the District's service area. This total volume includes up to 100,465 acre-feet of District Return Flows. Up to 4,000 acre-feet of the 263,059 acre-feet may be used for mining purposes. The time priority of this water right is October 18, 1954. While some diversions are made by District customers directly from the reservoir, the majority of this water is conveyed to Tarrant County, Texas, through the Cedar Creek, Richland-Chambers and Integrated Pipelines, and supplies water to the Cities of Fort Worth, Arlington, Mansfield, TRA, and others, through contractual agreements.

**BENBROOK RESERVOIR** . . . The District holds Permit Number 5157, as amended, authorizing impoundment of not to exceed 72,500 acre-feet of water in this U.S. Army Corps of Engineers (the "Corps of Engineers") constructed and maintained reservoir. Under this water right, which was last amended September 4, 1998, the District is allowed an annual diversion of up to 6,833 acre-feet of water on a priority basis for municipal and irrigation purposes.

The District also is authorized to use 72,500 acre-feet of Benbrook Reservoir storage space for terminal storage of water diverted from Cedar Creek and Richland-Chambers Reservoirs for subsequent storage and use by District customers in Tarrant County, Texas, and by Benbrook Water Authority and the City of Weatherford, Texas. The District is further authorized to overdraft Benbrook Reservoir on a non-priority basis for municipal purposes whether or not terminal storage operations have commenced. Combined total annual diversions from Benbrook Reservoir are not to exceed 72,500 acre-feet.

The District, the City of Fort Worth and Benbrook Water Authority each individually contract with the Corps of Engineers for storage rights in Benbrook Reservoir. A 90-inch pipeline and pump station connects the District's pipelines from Cedar Creek and Richland-Chambers to Benbrook Reservoir. The Benbrook connection allows the District to provide water from Cedar Creek and Richland-Chambers Reservoirs to the City of Fort Worth Rolling Hills Water Treatment Plant, Fort Worth's Holly Water Treatment Plant, as well as to Benbrook Water Authority and the City of Weatherford.

**WEST FORK OF THE TRINITY RIVER – NUTT DAM** . . . In August 2007, the District acquired Certificate of Adjudication Number 08-3375. This water right was previously owned by Texas Utilities. Certificate of adjudication Number 08-3375, as amended, allows an existing 673 acre-feet impoundment of the West Fork of the Trinity River and the diversion and use of 11,210 acre-feet of water per annum of which 1,121 acre-feet maybe consumptively used. The transferred Certificate of Adjudication is dated December 13, 2007 with a time priority of June 29, 1914.

**EAGLE MOUNTAIN LAKE EXFLO . . .** The District holds Permit Number 12806, which allows the diversion and use of up to 63,899 acre-feet of water per year from Eagle Mountain Lake for municipal, industrial, and irrigation purposes within the District's service area. Diversions are limited to times when the water surface elevation of Eagle Mountain Lake is above 649.1 ft-msl and when the water surface elevation of Lake Livingston is at or above 131.0 ft-msl. Permit Number 12806 also authorizes the District to use the bed and banks of a portion of the reach of the West Fork Trinity River to convey this water downstream for subsequent diversion and use. The time priority for this water right is February 20, 2014.

**LAKE BENBROOK EXFLO . . .** The District holds Permit Number 12805, which allows the diversion and use of up to 78,653 acre-feet of water per year from Lake Benbrook for municipal, industrial, and irrigation purposes within the District's service area. Diversions are limited to times when the water surface elevation of Lake Benbrook is above 694.0 ft-msl and when the water surface elevation of Lake Livingston is at or above 131.0 ft-msl. Permit Number 12805 also authorizes the District to use the bed and banks of a portion the reach of the Clear Fork Trinity River to convey this water downstream for subsequent diversion and use. The time priority for this water right is February 20, 2014.

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## DEBT INFORMATION

**TABLE 5 – PRO FORMA DEBT SERVICE REQUIREMENTS <sup>(1)</sup>**

Fiscal Year Ending 9/30	Outstanding Debt <sup>(1)</sup>			The Bonds <sup>(2)</sup>		Total Outstanding Debt	% of Principal Retired
	Principal	Interest	Total	Principal	Interest		
	2026	\$ 42,315,000	\$ 35,622,522	\$ 77,937,522	\$ -		
2027	21,170,000	32,302,546	53,472,546	26,365,000	16,033,375	95,870,921	
2028	21,905,000	31,474,263	53,379,263	27,710,000	14,681,500	95,770,763	
2029	22,745,000	30,590,526	53,335,526	29,120,000	13,260,750	95,716,276	
2030	42,065,000	29,220,990	71,285,990	7,870,000	12,336,000	91,491,990	19.35%
2031	41,660,000	27,394,384	69,054,384	4,945,000	12,015,625	86,015,009	
2032	39,590,000	25,607,492	65,197,492	8,715,000	11,674,125	85,586,617	
2033	45,555,000	23,735,766	69,290,766	5,065,000	11,329,625	85,685,391	
2034	47,360,000	21,700,636	69,060,636	5,320,000	11,070,000	85,450,636	
2035	35,375,000	19,926,881	55,301,881	5,595,000	10,797,125	71,694,006	38.52%
2036	36,885,000	18,412,084	55,297,084	5,880,000	10,510,250	71,687,334	
2037	42,275,000	16,965,819	59,240,819	6,185,000	10,208,625	75,634,444	
2038	34,965,000	15,688,293	50,653,293	6,500,000	9,891,500	67,044,793	
2039	35,870,000	14,410,349	50,280,349	6,835,000	9,558,125	66,673,474	
2040	37,640,000	13,068,079	50,708,079	7,185,000	9,207,625	67,100,704	56.18%
2041	37,015,000	11,778,663	48,793,663	7,555,000	8,839,125	65,187,788	
2042	38,300,000	10,520,527	48,820,527	7,940,000	8,451,750	65,212,277	
2043	39,640,000	9,208,555	48,848,555	8,350,000	8,044,500	65,243,055	
2044	41,030,000	7,847,610	48,877,610	8,775,000	7,616,375	65,268,985	
2045	42,445,000	6,458,815	48,903,815	9,225,000	7,166,375	65,295,190	75.45%
2046	28,105,000	5,293,062	33,398,062	9,700,000	6,693,250	49,791,312	
2047	27,490,000	4,363,955	31,853,955	10,195,000	6,195,875	48,244,830	
2048	28,425,000	3,428,765	31,853,765	10,720,000	5,673,000	48,246,765	
2049	29,395,000	2,473,318	31,868,318	11,270,000	5,123,250	48,261,568	
2050	13,545,000	1,749,960	15,294,960	11,845,000	4,545,375	31,685,335	89.94%
2051	14,045,000	1,253,640	15,298,640	12,455,000	3,937,875	31,691,515	
2052	14,565,000	738,654	15,303,654	13,095,000	3,299,125	31,697,779	
2053	5,835,000	359,700	6,194,700	13,765,000	2,627,625	22,587,325	
2054	6,075,000	121,500	6,196,500	14,470,000	1,921,750	22,588,250	
2055	-	-	-	15,210,000	1,179,750	16,389,750	98.72%
2056	-	-	-	15,990,000	399,750	16,389,750	100.00%
	<u>\$ 913,285,000</u>	<u>\$ 421,717,354</u>	<u>\$ 1,335,002,354</u>	<u>\$ 333,850,000</u>	<u>\$ 249,992,271</u>	<u>\$ 1,918,844,625</u>	

(1) "Outstanding Debt" does not include lease/purchase obligations. Excludes the Refunded Bonds. Preliminary, subject to change.

(2) Average life of the issue – 14.976 years. Interest on the Bonds has been calculated at the rate of 4.51% for purposes of illustration. Preliminary, subject to change.

**CAPITAL IMPROVEMENT PROGRAM . . .** The District maintains a multi-year capital improvement program that includes needs estimated at \$410,000,000 in 2027 and \$450,000,000 in 2028. The projects include the replacement of aged sections of the Cedar Creek Pipeline, design, construction of the Cedar Creek Wetlands, a new operations facility, and construction of the District’s portion of the Integrated Pipeline Project. The amounts and actual projects are subject to change.

**ANTICIPATED ISSUANCE OF REVENUE BONDS . . .** The District anticipates the issuance of approximately \$200,000,000 in additional bonds payable from the Pledged Revenues in fiscal year 2027.

**POST-EMPLOYMENT BENEFITS . . .** The District provides other post employment benefits (OPEB) through the Post Employment Health Care Benefit Plan as established and administered by the District (a single-employer plan) under its Retiree Health Benefits Policy effective January 1, 2006, revised October 1, 2016, to full time status employees who retire from the District and meet the Rule of 80 or Rule of 90 (see following paragraphs for specifics). Plan participation is restricted to employees hired on or before September 30, 2016.

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

If at the time of retirement, the employee meets the “Rule of 80” and elects to continue group health insurance coverage, the District will pay 100% for the premiums for the employee/retiree, and their eligible spouse at the date of retirement. After the initial election, coverage for individuals may be dropped at the time designated by the plan, but no one may be added. Upon reaching age 65, the employee/retiree and their eligible spouse will be transferred from group health insurance to a Medicare Supplement Plan F or Plan G, in accordance with Medicare eligibility rules. The District will also provide a monthly allowance of \$187 (Plan F participants) or \$205 (Plan G participants) to offset the cost of Medicare Part B and Part D. Upon the death of the employee/retiree, the spouse will be covered for an additional five (5) years or until their death, whichever occurs first.

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

If at the time of retirement, the employee meets the “Rule of 90” and elects to continue group health insurance coverage the District will pay 100% of the premiums for the employee/retiree, and their eligible spouse at the date of retirement. Upon reaching age 65, the employee/retiree and their eligible spouse will be transferred from group health insurance to a Medicare Supplement Plan F or Plan G, in accordance with Medicare eligibility rules. The District will also provide a monthly allowance of \$187 (Plan F participants) or \$205 (Plan G Participants) to offset the cost of Medicare Part B and Part D. The employee/retiree will be covered until his/her death and the spouse until his/her death.

The Plan does not issue separate financial statements; however, the Trust's financials are included in this financial report as a Fiduciary Fund of the District starting on page 47. The OPEB Plan is governed by the District's Board of Directors, and changes to the Plan must be approved by the Board.

**PLAN MEMBERSHIP**

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	42
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	<u>171</u>
Total Plan Members	213

**FUNDING POLICIES . . .** For other post employment benefits, contractual requirements for the District are established by the Board of Directors. In fiscal year 2014, the District established a trust to fund OPEB costs through the Public Agency Retirement Fund (PARS). In fiscal year 2025, \$2.6 million was contributed to the trust. The District has funded 94% of the total OPEB liability as of fiscal year 2025 and does not foresee additional contributions.

The District does not require any member contributions for the post-employment health care benefits Plan.

**OPEB PLAN INVESTMENT POLICY . . .** The goal of the Plan’s investment program is to generate adequate long-term returns that, when combined with contributions, will result in sufficient assets to pay the present and future obligations of the Plan. The Plan has a Moderate Risk Tolerance with a Strategic Asset Allocation of the following:

Strategic Asset Allocation Ranges			
Asset Class	Cash	Fixed Income	Equity
Allocation Range	0-20%	40%-60%	40%-60%
Target Allocation	Policy: 5%	Policy: 45%	Policy: 50%
Long-term Expected Real Rate of Return	0.2%	2.2%	3.6%

The long-term expected real rate of return, presented as geometric means, is the combination of the asset return rates taken from the Horizon Actuarial Service Survey of Capital Market Assumptions 2016 and the target allocation of the Plan.

**SINGLE DISCOUNT RATE . . .** Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan’s fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

A Single Discount Rate of 6.00% was used to measure the total OPEB liability. This Single Discount Rate was based on the expected rate of return on OPEB plan investments of 6.00%. The funding policy of the District is to pay the recommended actuarially determined contribution or higher based on the policy, which is based on a closed amortization period. As a result, the OPEB plan’s fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The annual money-weighted rate of return for the OPEB Trust was 9.65% for fiscal year 2025. A money-weighted return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

**CHANGES IN THE NET OPEB LIABILITY . . .** The total OPEB liability shown below is based on an actuarial valuation performed as of December 31, 2023 and a measurement date of September 30, 2025.

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at September 30, 2024	\$ 28,438,104	\$ 23,236,756	\$ 5,201,348
Changes for the year:			
Service cost	521,605	-	\$ 521,605
Interest	1,705,678	-	1,705,678
Difference between expected and actual experience	(283,297)	-	(283,297)
Changes in assumptions	-	-	-
Benefit Payments	(541,887)	(541,887)	-
Contributions - employer	-	3,135,630	(3,135,630)
Net investment income	-	2,423,255	(2,423,255)
Administrative expense	-	(105,458)	105,458
Net changes	1,402,099	4,911,540	(3,509,441)
Balance at September 30, 2025	\$ 29,840,203	\$ 28,148,296	\$ 1,691,907

Plan Fiduciary Net Position as a percentage of the total OPEB liability 94%

**SENSITIVITY OF NET OPEB LIABILITY . . .** Regarding the sensitivity of the net OPEB liability to changes in the Single Discount Rate, the following presents the plan's net OPEB liability, calculated using a Single Discount Rate of 6.00%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

Current Single Discount Rate		
1% Decrease	Assumption	1% Increase
5.0%	6.0%	7.0%
\$ 5,784,787	\$ 1,691,907	\$ (1,708,161)

Regarding the sensitivity of the net OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher. Refer to page 78 for further detail about healthcare trend rates.

1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
\$ (2,447,391)	\$ 1,691,907	\$ (6,795,741)

**OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB . .** For the year ended September 30, 2025, the District recognized OPEB expenses of \$417,686 which included amortization of deferred inflows and outflows of \$446,201. At September 30, 2025, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 241,986	\$ 1,731,257
Assumption Changes	712,431	223,180
Net difference between projected and actual earnings on OPEB plan investments	-	2,046,628
Total	\$ 954,417	\$ 4,001,065

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

Year Ended <u>9/30</u>	Net Deferred Outflows (Inflows) of Resources
2026	\$ (282,130)
2027	(970,958)
2028	(955,137)
2029	(437,613)
2030	(238,953)
Thereafter	(161,857)
Total	<u>\$ (3,046,648)</u>

**ACTUARIAL METHODS AND ASSUMPTIONS**

Actuarial cost method	Individual entry age normal cost method
Amortization method	Level dollar, Closed
Remaining amortization period	21 years as of September 30, 2025
Asset valuation method	Market Value
Investment rate	6.00% per annum, net of expenses
Inflation rate	2.50%
Salary increases	3.50% to 11.50%, including inflation
Demographic assumptions	Due to the size of this plan, the demographic assumptions are not based on formal experience studies. However, gains and losses are monitored and adjustments are made to the retirement and withdrawal assumptions as needed. Mortality and disability rates are based on assumptions used to value the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables published through 2019 to account for future mortality improvements.
Healthcare trend rates	Pre-65: Initial rate of 7.00% declining to an ultimate rate of 4.15% after 13 years Post-65: Initial rate of 5.30% declining to an ultimate rate of 4.15% after 12 years
Participation rates	100% of eligible retirees are assumed to elect coverage

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**FINANCIAL INFORMATION**

**TABLE 6 - CONDENSED STATEMENT OF OPERATIONS**

Revenues	Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
Sale of Water	\$ 156,347,960	\$ 148,984,917	\$ 148,599,782	\$ 138,836,740	\$ 138,108,606
Land Lease Rentals <sup>(1)</sup>	622,506	111,543	138,346	154,186	152,743
Investment Income / (Investment Loss) <sup>(2)</sup>	9,723,765	7,672,444	5,888,392	1,521,745	(105,662)
Sale of System Capacity	9,138,331	8,024,644	7,023,519	1,808,574	1,307,381
Contributions <sup>(3)</sup>	1,123,521	2,553,378	1,336,146	1,102,988	1,142,129
Gain on Disposal of Capital Assets	1,419	82,425	69,850	95,050	80,100
Gain on Extinguishment of Debt	-	7,061,189	-	-	-
Other	1,322,362	349,871	522,542	626,872	907,506
<b>Total Revenues</b>	<b>\$ 178,279,864</b>	<b>\$ 174,840,411</b>	<b>\$ 163,578,577</b>	<b>\$ 144,146,155</b>	<b>\$ 141,592,803</b>
<b>Expenditures</b>					
General and Administrative	\$ 30,327,258	\$ 27,439,938	\$ 23,698,662	\$ 18,719,022	\$ 17,927,398
Personnel Services	32,725,157	30,980,811	28,948,894	17,303,507	17,943,288
Utilities	13,222,580	16,455,177	21,010,817	21,587,282	15,045,877
Pension Plan Contribution	2,985,872	2,738,343	2,524,698	1,564,066	1,543,096
<b>Total Expenditures</b>	<b>\$ 79,260,867</b>	<b>\$ 77,614,269</b>	<b>\$ 76,183,071</b>	<b>\$ 59,173,877</b>	<b>\$ 52,459,659</b>
<b>Net Available for Debt Service</b>	<b>\$ 99,018,997</b>	<b>\$ 97,226,142</b>	<b>\$ 87,395,506</b>	<b>\$ 84,972,278</b>	<b>\$ 89,133,144</b>

(1) Includes a \$500,000 payment from the General Fund for its portion of the New Operations Facility.

(2) Investment Income excludes interest earned in Dallas funds and FMV adjustments (FY2021: (\$121,359), FY2022 (\$14,487,456), FY2023: \$20,085,206, FY2024: \$24,160,879 and FY2025: \$24,011,687).

(3) Contributions excludes buy-in premiums ( FY2021: \$8,983,974).

**TABLE 7 - COVERAGE AND FUND BALANCES <sup>(1)(2)(3)</sup>**

Average Annual Principal and Interest Requirements, 2026-2056 . . . . .	\$	61,898,214
Coverage of Average Requirements by 9/30/25 Net Available . . . . .		1.6 times
Maximum Principal and Interest Requirements, 2027 . . . . .	\$	95,870,921
Coverage of Maximum Requirements by 9/30/25 Net Available . . . . .		1.03 times
Actual Principal and Interest Requirements, 2026 . . . . .	\$	83,640,793
Coverage of Maximum Requirements by 9/30/25 Net Available . . . . .		1.18 times
Revenue Bonds Outstanding as of 12/31/2025 <sup>(3)</sup> . . . . .	\$	1,247,135,000
Interest and Sinking Fund as of 9/30/2025 . . . . .	\$	14,156
Reserve Fund as of 9/30/2025 . . . . .	\$	81,231,222

(1) The Dallas Contract Revenue Bonds shown on the District's Financial Statements are not reflected herein because the District has no obligation to make payments thereof out of District funds.

(2) The Contracting Parties share the cost of the system on the basis of proportional usage. Charges are based on current budgeted expenditures and are allocated to each Contracting Party at the beginning of the year based on estimated usage. At the end of the year, the actual cost of each Contracting Party is determined based on actual usage and final billing adjustments are applied accordingly.

(3) See Table 5 – Pro Forma Debt Service Requirements. Includes the Bonds and excludes the Refunded Bonds. Preliminary, subject to change.

## BRIEF DESCRIPTION OF THE SYSTEM

The District's existing sources provide raw water service to more than 50 customers, including the Cities of Fort Worth, Arlington, Mansfield, and the Trinity River Authority. The District's water supply system is currently permitted to meet an annual demand of 719 MGD (as explained in footnote 1 to Table 8).

**TABLE 8 - WATER REQUIREMENTS**

The Region C Water Planning Group, in association with Freese & Nichols, Inc., Plummer Associates, Inc., CPY, Inc., and Cooksey Communications, Inc., prepared the *2026 Region C Regional Water Plan* and filed it with the Texas Water Development Board in October 2025. Population, water supply, and water demand data used in this section have been obtained from that report.

The available supply is based on the safe yield of the District's reservoirs, rather than the firm yield. Safe yield is defined as the water that could have been supplied annually from a reservoir or reservoir system during a repeat of drought-of-record conditions, leaving some amount (in this case, one year's supply) in reserve at the minimum content (the peak of the drought, the point when the reservoir has its lowest volume of water and afterwards begins to fill). Supply numbers shown below in Table 8 are based on the safe yield of the TRWD System, which is a more conservative estimate of the District's supply than firm yield. Numbers are provided in both acre-feet per year (AFY) and million gallons per day (MGD).

Calendar Year	District Service Area Population Projection	Water Supply Demand		Available Supply			
		Acre Feet Per Year	Average Daily Flow Rate (MGD)	Existing Supplies AFY <sup>(1)(2)</sup>	Additional Supply AFY	Total Supply AFY <sup>(3)</sup>	Total Supply (MGD)
		2030	2,828,185	574,095	513	484,330	111,428 <sup>(4)</sup>
2040	3,294,346	644,127	575	483,697	185,708 <sup>(5)</sup>	669,405	598
2050	3,648,801	729,484	651	481,173	260,739 <sup>(6)</sup>	741,912	662
2060	4,082,939	811,496	724	478,795	291,319 <sup>(7)</sup>	770,114	688
2070	4,504,594	886,139	791	476,414	559,916 <sup>(8)</sup>	1,036,330	925
2080	4,897,283	957,604	855	474,036	641,847 <sup>(9)</sup>	1,115,883	996

- (1) Cumulative connected safe yield from the West Fork Trinity River System (Lake Bridgeport and Eagle Mountain Lake), Benbrook Lake, Lake Arlington, Cedar Creek Reservoir, Richland-Chambers Reservoir, and the constructed wetlands at Richland-Chambers (a water reuse project). Permitted yield for these sources is greater than the safe yield. Permitted annual diversions from each water source are: 175,000 acre-feet/year (AFY) from Cedar Creek Reservoir; 210,000 AFY from Richland - Chambers Reservoir; 100,465 AFY from Richland-Chambers Constructed Wetlands (supply limited due to transmission constraints); 72,500 AFY from Lake Benbrook; and 159,600 AFY from the West Fork of the Trinity River (Lake Bridgeport and Eagle Mountain Lake). A permit for 88,059 AFY has already been secured for the Cedar Creek Constructed Wetlands, but this project is still under development.
- (2) Availability of existing supplies changes over time due primarily to two factors: sedimentation decreases the amount available from TRWD reservoirs; and the availability of reuse water to the constructed wetlands increases over time as more water is used by District customers and therefore returned to the river.
- (3) Total Supply includes conservation, because conservation is accounted for as a supply in the 2026 Region C Water Plan.
- (4) Additional Supply - Increase in supply due to: 23,920 AFY conservation, 2,500 AFY ASR Pilot, 64,436 AFY Additional Richland Chambers Reuse, 10,167 AFY Marty Leonard Wetlands (Cedar Creek Reuse), and 10,405 AFY in Reuse from Mary's Creek WRF.
- (5) Additional Supply - Increase in supply due to: 43,885 AFY conservation, 2,500 AFY ASR Pilot, 66,691 AFY Additional Richland Chambers Reuse, 18,085 AFY Marty Leonard Wetlands (Cedar Creek Reuse), 17,547 AFY in Reuse from Mary's Creek WRF, and 37,000 AFY in Reuse from TRA Central RWS.
- (6) Additional Supply - Increase in supply due to: 54,897 AFY conservation, 5,000 AFY ASR Pilot, 64,955 AFY Additional Richland Chambers Reuse, 20,969 AFY Marty Leonard Wetlands (Cedar Creek Reuse), 17,288 AFY in Reuse from Mary's Creek WRF, 48,500 AFY in Reuse from TRA Central RWS, 22,330 from Tehuacana Reservoir, and 26,800 from Carrizo-Wilcox Groundwater.
- (7) Additional Supply - Increase in supply due to: 64,780 AFY conservation, 5,000 AFY ASR Pilot, 63,204 AFY Additional Richland Chambers Reuse, 29,037 AFY Marty Leonard Wetlands (Cedar Creek Reuse), 20,168 AFY in Reuse from Mary's Creek WRF, 60,000 AFY in Reuse from TRA Central RWS, 22,330 from Tehuacana Reservoir, and 26,800 from Carrizo-Wilcox Groundwater.
- (8) Additional Supply - Increase in supply due to: 73,775 AFY conservation, 5,000 AFY ASR Pilot, 61,452 AFY Additional Richland Chambers Reuse, 38,956 AFY Marty Leonard Wetlands (Cedar Creek Reuse), 23,048 AFY in Reuse from Mary's Creek WRF, 60,000 AFY in Reuse from TRA Central RWS, 22,330 from Tehuacana Reservoir, 26,800 from Carrizo-Wilcox Groundwater, 100,000 from Toledo Bend Reservoir, and 148,555 AFY from Marvin Nichols Reservoir.
- (9) Additional Supply - Increase in supply due to: 82,528 AFY conservation, 5,000 AFY ASR Pilot, 59,701 AFY Additional Richland Chambers Reuse, 48,455 AFY Marty Leonard Wetlands (Cedar Creek Reuse), 25,928 AFY in Reuse from Mary's Creek WRF, 60,000 AFY in Reuse from TRA Central RWS, 22,330 from Tehuacana Reservoir, 26,800 from Carrizo-Wilcox Groundwater, 100,000 from Toledo Bend Reservoir, 148,555 AFY from Marvin Nichols Reservoir, and 62,550 from Wright Patman.

**EXISTING WATER SOURCES** . . . The District's existing water supply system consists of two geographically separate components. The first is the West Fork of the Trinity River (the "West Fork Source") which consists of the reservoirs situated northwest of the City of Fort Worth. The second component consists of the Cedar Creek Reservoir and pipeline and the Richland-Chambers Reservoir and pipeline. Raw water from these two reservoirs is transported to Tarrant County via their corresponding pipelines. A third pipeline, developed in partnership with the City of Dallas, allows delivery of additional supply from Cedar Creek Reservoir. In the future, this additional line will allow deliveries from Richland-Chambers and Dallas Supply from Lake Palestine. The District supplies, either directly or indirectly, water to approximately 95% of Tarrant County and to approximately 2.5 million people in its overall service area.

#### West Fork Source

Lake Bridgeport in Wise and Jack Counties is the uppermost of the West Fork lakes and is located about 45 miles northwest of Fort Worth. Lake Bridgeport, constructed by the District between 1930-32, has a storage capacity of approximately 366,000 acre-feet.

Eagle Mountain Lake, is in Tarrant and Wise Counties, and located approximately ten miles northwest of Fort Worth. Eagle Mountain Lake, also constructed by the District during 1930-32, has a storage capacity of approximately 182,000 acre-feet. Eagle Mountain Lake is highly developed and widely used for recreational activities.

Lake Worth is the lowest lake in the West Fork Source. Lake Worth was built by the City of Fort Worth between 1911-14 and is owned, maintained and operated by the City. The District releases water from Eagle Mountain to Lake Worth for use primarily by the City of Fort Worth.

The West Fork Source is a gravity-feed system. No pumping facilities are required to deliver the raw water to the District's customers served by this source. Safe water yield of the West Fork Source is 70 MGD. The City of Fort Worth withdraws West Fork water from both Lake Worth and Eagle Mountain Lake.

#### Eagle Mountain Connection

Due to increasing demands in the western and northern portions of the District's service area, the Eagle Mountain Connection Project was constructed in far western Tarrant County. This 20 mile pipeline connects to the existing East Texas Pipeline (near Lake Benbrook) and serves to supplement the West Fork Source by allowing the District to store water from Cedar Creek and Richland Chambers Reservoirs in Eagle Mountain Lake for later delivery to its customers. This pipeline has the delivery capacity of 280 MGD.

#### East Texas Source

Cedar Creek Reservoir, located southeast of the City of Fort Worth in Henderson and Kaufman Counties, was constructed by the District between 1960 and 1967. The Cedar Creek Reservoir has a storage capacity of approximately 638,000 acre-feet. Raw water is transmitted to various customers through a 74-mile pipeline which was placed in operation in October 1973. The existing transmission facilities consist of a 72-inch underground pipeline from the Cedar Creek Reservoir to the balancing reservoirs east of the City of Fort Worth and an 84-inch underground pipeline from the balancing reservoirs to the Rolling Hills Water Treatment Plant in the City of Fort Worth. This pipeline has a capacity of 117 MGD.

Richland-Chambers Reservoir is located some 100 miles southeast of Fort Worth in Navarro and Freestone Counties and was constructed by the District between 1982 and 1987. The lake filled in 1989, and has a storage capacity of approximately 1,135,000 acre-feet. Raw water is transmitted to District customers through a 74.5-mile pipeline to Fort Worth. This pipeline utilizes a 90-inch underground pipe, joining the Cedar Creek pipeline at the Ennis Booster Station and sharing the same right-of-way and expanded facilities on its way into Fort Worth's Rolling Hills Treatment Plant. The Reservoir has a permitted yield of approximately 210,000 AFY, and the pipeline system is capable of delivering 249 MGD.

The District, the City of Fort Worth and Benbrook Water and Sewer Authority each individually contract with the Corps of Engineers for storage rights in Benbrook Reservoir. The construction of a 90-inch pipeline and pump station that ties the District's pipelines from Cedar Creek and Richland-Chambers to Benbrook Reservoir is complete. The Benbrook connection allows the District to store water from Cedar Creek and Richland-Chambers Reservoirs in Benbrook Reservoir for later delivery to the City of Fort Worth Rolling Hills Water Treatment Plant, Fort Worth's Holly Water Treatment Plant, as well as to Benbrook Water Authority and the City of Weatherford. This pipeline has a capacity of 200 MGD.

The final phase of the Richland-Chambers Wetlands Reuse Supply was completed in 2014, with the amount of supply available from the East Texas Source increasing by 100,465 AFY.

**INTEGRATED PIPELINE PROJECT** . . . The Integrated Pipeline Project ("IPL Project") is an integrated water delivery system benefiting the District and the City of Dallas ("Dallas"). The District's interest in the IPL is a part of the District's System. Dallas's interest in the IPL is **not** part of the District's System. The IPL Project will run from Lake Palestine to Lake Benbrook, with connections to Cedar Creek and Richland-Chambers Reservoirs and interconnection to the existing District system. The IPL Project is expected to provide a maximum total pumping capacity of 347 MGD per day and to produce significant savings and efficiencies in capital construction and operation and maintenance costs for both Dallas and the District. In addition, the IPL Project is expected to enhance regional cooperation, including water supply reliability and water sharing between the two entities. The joint section of the IPL project, which runs from the Cedar Creek Reservoir to the Kennedale Balancing Reservoir, is complete and operational.

The District has entered into a Water Transmission Facilities Financing Agreement, dated November 16, 2010 (the "IPL Project Contract") with Dallas to enable the District to acquire and construct the IPL Project. The IPL Project Contract establishes that the District will own, operate and finance the transmission facilities and that Dallas will own "Reserved Capacity Rights" of 150 MGD and will pay its share of the design and construction based on "Reserved Capacity Rights". The District will own 197 MGD of Reserved Capacity Rights. There is also a "Delivery Contract" that establishes the cost allocation of operation and maintenance costs and the operation guidelines for the transmission system.

The District's share of the total capital cost of the IPL Project is currently estimated at \$1.6 billion. To date, the District has funded approximately \$815.7 million for its share of the IPL Project. It is anticipated that the District will issue additional bonds over the next 5 to 7 years to finance its remaining share of the total capital cost of the IPL Project.

Dallas's share of the IPL Project is currently estimated at \$1.5 billion. Under the IPL Project Contract, Dallas has requested and authorized the District to issue contract revenue bonds (the "Dallas Contract Revenue Bonds") secured solely by payments from Dallas to the District under the IPL Project Contract. Such Dallas Contract Revenue Bonds shall be in such amounts and issued at such times as determined by the District, in consultation with Dallas, to finance Dallas's share of the design and construction of the IPL Project. All such payments by Dallas to the District will constitute operating expenses of the Dallas Water Utilities System. The District has issued and will continue to issue Dallas Contract Revenue Bonds to pay the City of Dallas's share of the total capital cost of the IPL Project. To date, Dallas has funded, through contract Revenue Bonds, approximately \$1.4 billion for its share of the IPL Project. Future Dallas Contract Revenue Bonds will be issued as determined by the District in consultation with Dallas; provided, however, the IPL Project Contract gives the District specific authority to issue Dallas Contract Revenue Bonds without any additional City approval in the event Dallas fails to take certain actions. **Dallas's interest in the IPL is not part of the District's System and none of the payments from Dallas to the District under the IPL Project Contract are pledged to the payment of the Bonds.**

**QUALITY OF DISTRICT WATER . . .** The District delivers only raw water to its municipal and non-municipal customers. The raw water used for domestic purposes, from all sources, will meet or exceed all existing State and Federal standards during a normal year. During periods when drought conditions are present, total dissolved solids in the water may exceed such standards. The District's contracts do not guarantee water quality nor do they in any way obligate the District to treat such water.

The District has established an Environmental Division whose responsibility is to oversee the quality of the reservoirs. This is accomplished through the District's Watershed Management Plan which includes reservoir water quality monitoring, State and Federal discharge permits review, and non-point source sampling program.

**WATER CONSERVATION AND DROUGHT CONTINGENCY PLAN . . .** The District has adopted a Water Conservation and Drought Contingency Plan (the "Conservation and Drought Plan") meeting the guidelines and requirements issued by the TCEQ for the development of such plans for wholesale water suppliers such as the District. The water conservation section of the Conservation and Drought Plan is intended to result in ongoing, long-term water savings. The Conservation and Drought Plan outlines water conservation measures the District pursues as a water supply strategy to: (i) extend the life of existing supplies to meet new water demands; (ii) slow the withdrawals on District reservoirs to make more water available during times of drought; (iii) reduce peak supply requirements, which reduces wear and tear on existing infrastructure; (iv) defer increases in capital and operating costs for existing systems, and (v) delay the need for developing new water supplies.

The drought contingency and emergency response sections of the Conservation and Drought Plan address strategies designed to temporarily reduce water usage in response to specific conditions. The objectives of the Conservation and Drought Plan include (i) to reduce water consumption from the levels that would prevail without conservation efforts; (ii) to reduce loss and waste of water; (iii) to improve efficiency in the use of water; (iv) to document the level of recycling and reuse in the water supply; and (v) to extend the life of current supplies by reducing the growth rate on demand.

The drought contingency portion of the Conservation and Drought Plan identifies three Drought stages: (i) Stage 1, Water Watch; (ii) Stage 2, Water Warning; and (iii) Stage 3, Water Emergency. Each of the Contracting Parties has also adopted a water conservation and drought contingency plan. The drought stages in the Conservation and Drought Plan are triggered when total combined raw water supply in the District's western and eastern division reservoirs drops below a certain percentage of conservation storage capacity. The triggers levels are 75% (25% depleted), 60% (40% depleted), and 45% (55% depleted) for Stages 1, 2, and 3, respectively. The District continues to run computer models for forecasting our system storage and working with our customers to determine the appropriate timing for implementation of any drought stage, should it be needed.

## THE CONTRACTS

The District presently has outstanding and in force water purchase contracts with the Cities of Fort Worth, Arlington, Mansfield and the TRA, acting on behalf of itself, and other municipal and non-municipal customers. Certain provisions of these contracts are summarized below. This summary does not purport to be complete and reference is made to the respective contracts for full and complete statements of such provisions and such other provisions as are not summarized herein.

Effective September 1, 1982, the District entered into a Tarrant County Regional Water Supply Facilities Amendatory Contract (the "Contract") with the Cities of Fort Worth, Arlington, Mansfield, and the TRA (collectively, the "Initial Contracting Parties") which adopted by reference the provisions of a contract dated August 29, 1979, between the District and the Cities of Fort Worth and Mansfield (the "Base Contract") with the same effect as if the Base Contract had been set forth in its entirety. The Base Contract provided that the District is authorized to enter into similar contracts with additional contracting parties (collectively with the Initial Contracting Parties, the "Contracting Parties" or individually, the "Contracting Party") and recognized that the TRA and the City of Arlington expected to become Contracting Parties and execute similar contracts.

The Contract, with certain modifications to the Base Contract as to billing procedures, is in substance essentially the same as the Base Contract and does not affect the unconditional Bonds of the Contracting Parties with respect to the System and the Bonds.

**DELIVERY OF WATER . . .** The District agrees to deliver raw water from the System to the Contracting Parties, and will use its best efforts (i) to remain in position to furnish raw water sufficient for the reasonable demands of each Contracting Party, but the District's obligation is limited to the amount of water available to it from the System; and (ii) to issue its bonds in amounts necessary to acquire, construct, maintain, improve, and extend the System so as to enable the District to furnish such water.

The District may sell raw water from the System to parties other than Contracting Parties (including parties renewing existing contracts), provided such sales shall in all respects be subordinate to prior rights of the Contracting Parties to draw water from the System.

The Contract provides that it is the intention of the parties thereto that the System shall be the sole and exclusive source of raw water supply for each Contracting Party, with certain agreed exceptions, except that in respect to TRA, it so obligates itself only with respect to its Tarrant County Water Project serving the Cities of Bedford, Euless, Grapevine, North Richland Hills, Colleyville and others.

The Contracting Parties agree to take, with certain agreed exceptions, from the District all raw water required for such Contracting Party's own use and for the use of certain customers served by such Contracting Party's system.

In the event it becomes necessary to ration water from the System, such rationing shall, within the limits permitted by law, be done by the District on the basis of the relative actual total amount of all water from the entire System taken by each Contracting Party during the last preceding Annual Payment Period (October 1 through the last day of the next following September) in which rationing among said parties was not necessary.

If the District at any time during the term of the Contract is unable to supply all the raw water requirements of the Contracting Parties for any reason, or if it should become apparent that the District will become unable to supply the Contracting Parties with their raw water requirements, and any Contracting Party determines that it is necessary to procure or use raw water from sources other than the District, then, subject to certain specified notices and determinations, such Contracting Party may proceed to procure such raw water from other sources at its sole cost, and without any liability for damages accruing in favor of or against the District by reason thereof. If such Contracting Party procures water additional to that supplied by the District under the Contract, then such Contracting Party shall nevertheless continue to take from the District and pay for all raw water thereafter available to such Contracting Party from the System up to the full raw water requirements of such Contracting Party; provided, however, that all Contracting Parties shall at all times have the right to secure water from any possible source in any emergency when the District is unable to deliver water from the System.

All water delivered by the District shall be raw, untreated water from the System. Each Contracting Party has satisfied itself that such water will be suitable for its needs.

*Payments by Contracting Parties.* The Contract acknowledges, and the District and the Contracting Parties agree, that payments to be made under the Contract will be the primary source available to the District to provide moneys to pay the Annual Requirement, hereinafter defined, and further that 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 the Contracting Parties so that the payments to be made shall at all times be not 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 Expenses of the System and (b) a "Bond Service Component" equal to (i) the principal of, redemption premium, if any, and interest on, the District's bonds issued for the System, including the Parity Bonds and any Additional Bonds payable from Pledged Revenues (hereinafter in this summary referred to as the "Bonds"), as such principal, redemption premium, if any, and interest become due, less interest to be paid out of Bond proceeds or from other sources if permitted by any Bond Resolution, and all amounts required to redeem any Bonds prior to maturity when and as provided in any Bond Resolution, (ii) the proportionate amount of any special or reserve funds required to be accumulated and maintained by the provisions of any Bond Resolution, and (iii) any 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. The Operation and Maintenance Component plus the Bond Service Component is referred to in the Contract as the "Annual Requirement".

Each Contracting Party agrees to pay to the District for the water supply provided under the Contract its proportionate share of the Annual Requirement, such proportionate share payable by each Contracting Party being termed the "Annual Payment". Each Contracting Party's Annual Payment is to be estimated prior to the commencement of each "Annual Payment Period", shall be paid to the District in monthly installments and is to be finally determined, paid or adjusted immediately following the end of each Annual Payment Period.

The Annual Payment to be paid by each Contracting Party as finally determined shall be that percentage of the Annual Requirement, subject to certain adjustments, as is obtained by dividing such Contracting Party's actual raw water use by the total actual raw water use of all Contracting Parties. The District shall revise the Annual Payment of each Contracting Party if: (i) there should be additional Contracting Parties to the Contract; (ii) unusual, extraordinary, or unexpected expenditures for Operation and Maintenance Expenses are required which are not provided for in the District's annual budget for the System or in any Bond Resolution; (iii) Operation and Maintenance Expenses are substantially less than estimated; (iv) the District issues Bonds which require an increase in the Bond Service Component of the Annual Payment; or (v) the District receives either significantly more or significantly less revenues or other amounts than those anticipated.

Each Contracting Party shall have the obligation to pay each year, without offset or counterclaim, its proportionate share of the Annual Requirement regardless of whether or not the District actually acquires, constructs or completes the facilities contemplated by the Contract (the "Project") or is actually delivering water from the System to the Contracting Party, or whether or not any Contracting Party actually receives or uses water from the System, regardless of any other provisions of the Contract or any other contract or agreement between the parties. For the purpose of determining each Contracting Party's proportionate share of each year's Annual Requirement, each Contracting Party shall be deemed responsible for a minimum amount of water usage (the "Minimum Allocation"). Should a Contracting Party actually take or use less than its Minimum Allocation, then such Contracting Party shall be deemed to have taken its Minimum Allocation for the purpose of determining its proportionate share of the Annual Requirement, but should a Contracting Party actually take or use an amount equal to or greater than its Minimum Allocation, then such Contracting Party's proportionate share of the Annual Requirement shall be based upon the estimated and actual amount of water taken or used. For the Annual Payment Periods commencing October 1, 1984, and thereafter, the Minimum Allocation for each Contracting Party shall be an amount, expressed in MGD, equal to the greater of the initial Minimum Allocation fixed for such Contracting Party or average annual MGD actually taken from the System by such Contracting Party during the five immediately preceding Annual Payment Periods. Fort Worth's reserved waters of 61.6 MGD are not counted as part of waters actually taken from the System for the purposes of determining Fort Worth's average use of water, but its minimum allocation is not affected by such reserved water.

*Delinquencies.* If any Contracting Party should remain delinquent in any payments due under the Contract for a period of one hundred twenty days, and if such delinquency continues during any period thereafter, such Contracting Party's Minimum Allocation shall be deemed to have been zero MGD during all periods of such delinquency for the purpose of calculating and redetermining the percentage of the Annual Payment to be paid by each of the non-delinquent Contracting Parties. However, the District shall pursue all legal remedies against delinquent Contracting Parties to enforce and protect the rights of the District, the other Contracting Parties and the holders of the Bonds, and delinquent Contracting Parties shall not be relieved of the liability for the payment of all amounts which would have been due under the Contract were it not delinquent.

*Sources of Payments.* The District shall never have the right to demand payment by any Contracting Party from funds raised by taxes, and the Bonds under the contract shall never be construed to be a debt of such kind as to require any Contracting Party to levy and collect a tax to discharge such obligation. The Contracting Parties will each represent and covenant that all payments to be made by it under the Contract shall constitute reasonable and necessary operating expenses of its combined waterworks and sewer system (or, in the case of the TRA, its Tarrant County Water Project), and that all such payments will be made from the revenues of such system or project, as the case may be, with the effect that the obligation to make such payments shall have priority over any obligation to make any payments with respect to all bonds issued by such Contracting Party.

Each Contracting Party agrees to continuously operate and maintain its combined waterworks and sewer system or water system, as the case may be, and to fix and collect such rates and charges for services to be supplied thereby as will produce revenues in an amount equal to at least all of its payments under the Contract and all other amounts required by the provisions of the ordinances or resolutions authorizing its revenue bonds or other Bonds.

*Unconditional Obligation to Pay.* Each Contracting Party is unconditionally obligated to pay, without offset or counterclaim, its proportionate share of the Annual Requirement with respect to the Bonds regardless of whether or not the District actually acquires, constructs or completes the Project or is actually delivering water from the System to any Contracting Party or whether any Contracting Party actually uses water from the System, whether due to *force majeure* or otherwise, regardless of any other provisions of the Contract or any other agreement between any of the parties thereto.

*Advisory Committee.* The governing body of each of the District and the Contracting Parties annually shall appoint a member of its governing body or one of its officers as a voting member of an Advisory Committee for the System. The Advisory Committee shall consult with and advise the District with regard to the following matters pertaining to the System: (i) the issuance of Bonds, (ii) the operation and maintenance of the System, (iii) additional Contracting Parties and the terms and conditions of the contracts therewith, consistent with the provisions of the Contract, (iv) sales of water to entities other than Contracting Parties and the prices, terms and conditions of such sales, consistent with the provisions of the Contract, (v) the District's annual budget, prior to its submission to the Board of Directors of the District, (vi) review of the District's annual audit, (vii) all other pertinent matters relating to the management of the System and (viii) improvements and extensions of the System and the providing of any additional source of water supply. The committee shall have access to and may inspect at any reasonable times all physical elements of the System and all records and accounts of the District pertaining to the System.

**OTHER CONTRACTS . . .** The District's contracts with its other customers generally provide for the delivery of specified amounts of water, from a specified source, at a specified rate, and for a specified term. Certain of the contracts also require the District to maintain specified water levels. Certain of the contracts provide that the obligation of the District to supply water thereunder is subject to certain prior and superior rights with respect thereto.

Payment by the customer of all amounts due under certain of the contracts with municipalities is to be made from water revenues received by the customer, and its bonds under the contract will not be construed to be or to create a debt of such kind as to require it, under the laws of Texas, to levy and collect a tax to discharge such bonds. However, the customer agrees to maintain water rates adequate to enable it to pay all sums due to the District as and when payable, and such payments will constitute reasonable and necessary operating expenses of the customer's waterworks system with the effect that its bonds to make payments from its waterworks revenues will have priority over its bonds to make payments of the principal and interest on its own revenue bonds.

The contracts generally provide that the customer will, at its sole cost, install, maintain and operate intake facilities at the water source and provide, operate and maintain facilities which will accurately meter water sold under the contract, and that the District has the right to inspect and verify the records and measurements so taken. The District is not obligated to treat the water taken and used under the contracts, except that, prior to the development of sources of water other than those specified in the contract, and unless waived by the customer, the District must satisfy the customer with acceptable data that the quality of water from each such proposed additional water source will meet the chemical standards for a public water supply of the U.S. Public Health Service.

The District's obligation under several of the contracts can be relieved as can those of the customer (other than the obligation to make payments under the contract) if, by reason of "force majeure", either party is unable in whole or in part to perform under the contract. "Force Majeure" is defined to include, among other things, acts of God, strikes, orders of any civil or military authority, riots, floods, droughts, breakage of or accidents to machinery, pipelines or canals, partial or entire failure of water supply and any other causes not reasonably within the control of the party claiming such inability.

The contracts vary in terms of the parties' bonds upon termination thereof. They generally provide for renegotiation of terms and conditions; one contract, however, provides that the District will thereafter supply water upon the same price basis and for the same term as it is then supplied by the District to the City of Fort Worth.

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## SELECTED PROVISIONS OF THE RESOLUTION

The Board of Directors has adopted a resolution authorizing the issuance, sale and delivery of Tarrant Regional Water District, A Water Control and Improvement District, Water System Revenue Refunding and Improvement Bonds, Series 2026 and approving and authorizing instruments and procedures relating thereto. There follow certain provisions of the Resolution which do not purport to be complete. For a full statement of all matters of fact relating to the Bonds reference should be made to the Resolution. As used in this Section, the term "Bonds" has the same meaning as the term "Parity Bonds" as used elsewhere in this Official Statement and the term "Series 2026 Bonds" has the same meaning as the term "Bonds" as used elsewhere in this Official Statement.

**ADDITIONAL DEFINITIONS.** In addition to the definitions heretofore provided for, the following terms as used in the Bond Resolution 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 on a parity with the Bonds, as hereinafter provided in the Bond Resolution.

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

The terms "Bond Resolution" and "Resolution" shall mean the Bond Resolution authorizing the Series 2026 Bonds; and it is hereby resolved and provided that Sections 8 through 24 of this Bond Resolution are applicable to all of the Bonds, as hereinafter defined, and substantially restate and are supplemental to and cumulative of Sections 8 through 24 of each of the Series 2015 Bond Resolution, the Series 2015A Bond Resolution, the Series 2016 Bond Resolution, the Series 2016A Bond Resolution, the Series 2017 Bond Resolution, the Taxable Series 2020 Bond Resolution, the Taxable Series 2020B Bond Resolution, the Series 2020C Bond Resolution, the Series 2022 Bond Resolution, and the Series 2024 Bond Resolution, with the appropriate changes and additions which are required with respect to the issuance of the Series 2026 Bonds.

The term "Bonds" shall mean collectively (i) the unpaid and unrefunded Series 2015 Bonds, Series 2015A Bonds, Series 2016 Bonds, Series 2016A Bonds, Series 2017 Bonds, Taxable Series 2020 Bonds, Taxable Series 2020B Bonds, Series 2020C Bonds, the Series 2022 Bonds, and the 2024 Bonds, to be outstanding at any time after the delivery of the Initial Bond, and (ii) the Series 2026 Bonds.

The term "Contracts" shall mean collectively: (a) the "Tarrant County Regional Water Supply Facilities Contract", dated as of August 29, 1979, among the District and the Cities of Fort Worth and Mansfield, Texas, the "Tarrant County Regional Water Supply Facilities Supplemental Contract For Trinity River Authority of Texas", dated as of March 12, 1979, between the District and Trinity River Authority of Texas, and the "Tarrant County Regional Water Supply Facilities Amendatory Contract", dated September 1, 1982, among the District, the Cities of Fort Worth, Arlington, and Mansfield, Texas, and Trinity River Authority of Texas, which last named amendatory contract consolidates the previous contracts between such parties with respect to the System into one instrument and sets forth the entire agreement between such parties with respect to the System; and (b) all water supply contracts heretofore or hereafter executed between the District and other cities and customers in connection with the District's Water System.

The terms "District" and "Issuer" shall mean Tarrant Regional Water District, a Water Control and Improvement District.

The term "District's Water System," "Issuer's Water System," or "System" shall mean all of the District's existing water storage, treatment, transportation, distribution, and supply facilities, including all dams, reservoirs, and other properties, wherever located, (a) which are currently being used for water supply purposes and, to the extent were, or are to be, financed with the proceeds from the sale of all bonds or obligations ever issued by the Issuer which have been payable from or secured by a lien on or pledge of any part of the "Net Revenues of the System," or with revenues from said System, together with all future improvements, enlargements, extensions, and additions to any of the foregoing, and all future new facilities, which are acquired or constructed with the proceeds from the sale of Bonds and any Additional Bonds or moneys from the Contingency Fund (hereinafter described), and (b) all other facilities in the future which are deliberately and specifically, at the option of the Board, made a part of the System by resolution of the Board, and all repairs to, improvements, and replacements of the System, but such term does not include any oil, gas, and other mineral properties owned by the District or property disposed of from time to time in accordance with the provisions of Section 23(g) hereof, provided that any property acquired in substitution therefor shall be included in the System, along with all repairs to and other replacements of the System. In particular such term includes and shall include all of the District's existing Cedar Creek Project, a dam and reservoir on Cedar Creek in Henderson and Kaufman Counties, Texas, and Eagle Mountain Dam and Reservoir and Bridgeport Dam and Reservoir, which are water supply facilities of the District on the West Fork of the Trinity River, Richland-Chambers Reservoir in Navarro and Freestone Counties, Texas, and all transportation, storage, and other facilities related to all of the foregoing. Unless deliberately added to the System by the Board, at its option, in the manner prescribed above, said term does not include any District flood control facilities or facilities which provide waste treatment or other wastewater services of any kind. Said term does not include any facilities acquired or constructed by the District with the proceeds from the issuance of "Special Facilities Bonds," which are hereby defined as being revenue obligations of the District, which are not issued as Additional Bonds, and which are payable from any source, contract, or revenues whatsoever other than the Pledged Revenues; and Special Facilities Bonds may be issued for any lawful purpose and made payable from any source, contract, or revenues whatsoever other than the Pledged Revenues.

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 District from the operation and/or ownership of the System (except as hereinafter provided), including specifically all payments and amounts received by the Board or the District from Contracts, and any interest income from the investment of money in any Funds created or maintained pursuant to any resolution authorizing the issuance of Bonds or Additional Bonds, excepting only any Construction Fund created pursuant to any resolution authorizing any Bonds or Additional Bonds. There is excepted from such term, and

such term does not include (i) revenues derived by the District from the production of oil, gas, and other minerals owned by the District, or the revenues derived from the granting, sale, or lease of the right to explore for and produce same, or (ii) the royalties, rentals, license fees, and other income (other than from water sales) derived by the District from (a) lands and assets owned by the District as flood control facilities or (b) property of the District at Eagle Mountain Dam and Reservoir and Bridgeport Dam and Reservoir on the West Fork of the Trinity River.

The term "Operation and Maintenance Expenses of the System" or "Current Expenses" shall mean all reasonable and necessary current costs of operation and maintenance of the System including, but not limited to, repairs and replacements, operating personnel, utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, paying agents fees, and any other supplies and services, administration of the System, and equipment necessary for proper operation and maintenance of the System, as well as payments made for the use or operation of any property, and payments made by the District in satisfaction of judgments or other liabilities resulting from claims not covered by the District's insurance. Neither depreciation nor any other expense which does not represent a cash expenditure shall be considered an item of Operation and Maintenance Expense.

The terms "Net Revenues of the District's Water System", "Net Revenues of the System", and "Net Revenues" shall mean the Gross Revenues of the System less the Operation and Maintenance Expenses of the System.

The term "Pledged Revenues" shall mean: (a) the Net Revenues of the System and (b) any additional revenues, income, receipts, grants, donations, or other resources, received or to be received from any public or private source, whether pursuant to an agreement or otherwise, which in the future may, at the option of the District, be pledged to the payment of the Bonds or the Additional Bonds.

The term "Refunded Bonds" has the meaning set forth in the recitals in the Bond Resolution.

The term "Series 2015 Bond Resolution" shall mean the Resolution adopted by the Board of Directors of the District on January 20, 2015, authorizing Tarrant Regional Water District, a Water Control and Improvement District, Water Revenue Refunding and Improvement Bonds, Series 2015.

The term "Series 2015 Bonds" shall mean all unpaid and unrefunded Series 2015 Bonds authorized by the Series 2015 Bond Resolution

The term "Series 2015A Bond Resolution" shall mean the Resolution adopted by the Board of Directors of the District on October 20, 2015, authorizing Tarrant Regional Water District, a Water Control and Improvement District, Water Revenue Bonds, Series 2015A.

The term "Series 2015A Bonds" shall mean all unpaid and unrefunded Series 2015A Bonds authorized by the Series 2015A Bond Resolution.

The term "Series 2016 Bond Resolution" shall mean the Resolution adopted by the Board of Directors of the District on January 19, 2016, authorizing Tarrant Regional Water District, a Water Control and Improvement District, Water Revenue Bonds, Series 2016.

The term "Series 2016 Bonds" shall mean all unpaid and unrefunded Series 2016 Bonds authorized by the Series 2016 Bond Resolution.

The term "Series 2016A Bond Resolution" shall mean the Resolution adopted by the Board of Directors of the District on March 15, 2016, authorizing Tarrant Regional Water District, a Water Control and Improvement District, Water Revenue Refunding Bonds, Series 2016A.

The term "Series 2016A Bonds" shall mean all unpaid and unrefunded Series 2016A Bonds authorized by the Series 2016A Bond Resolution.

The term "Series 2017 Bond Resolution" shall mean the Resolution adopted by the Board of Directors of the District on July 18, 2017, authorizing Tarrant Regional Water District, a Water Control and Improvement District, Water Revenue Refunding Bonds, Series 2017.

The term "Series 2017 Bonds" shall mean all unpaid and unrefunded Series 2017 Bonds authorized by the Series 2017 Bond Resolution. The term "Series 2020C Bond Resolution" shall mean the Resolution adopted by the Board of Directors of the District on October 20, 2020, authorizing Tarrant Regional Water District, a Water Control and Improvement District, Water Revenue Refunding Bonds, Series 2020C.

The term "Series 2020C Bonds" shall mean all unpaid and unrefunded Series 2020C Bonds authorized by the Series 2020C Bond Resolution.

The term "Series 2022 Bond Resolution" shall mean the Resolution adopted by the Board of Directors of the District on July 21, 2022, authorizing Tarrant Regional Water District, a Water Control and Improvement District, Water Revenue Bonds, Series 2022.

The term "Series 2022 Bonds" shall mean all unpaid and unrefunded Series 2022 Bonds authorized by the Series 2022 Bond Resolution.

The term "Series 2024 Bond Resolution" shall mean the Resolution adopted by the Board of Directors of the District on May 14, 2024, authorizing Tarrant Regional Water District, a Water Control and Improvement District, Water Revenue Refunding and Improvement Bonds, Series 2024.

The term "Series 2024 Bonds" shall mean all unpaid and unrefunded Series 2024 Bonds authorized by the Series 2024 Bond Resolution.

The term "Series 2026 Bonds" shall mean collectively the Initial Bond as described and defined in Sections 1, 2, and 3 of this Bond Resolution, and all substitute bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant to this Bond Resolution, all as provided for herein; and the Series 2026 Bonds are Additional Bonds issued to be payable from and secured by a first lien on and pledge of the Pledged Revenues equally and ratably on a parity with all of the other Bonds, as permitted by Sections 20 and 21 of the Series 2015 Bond Resolution, the Series 2015A Bond Resolution, the Series 2016 Bond Resolution, the Series 2016A Bond Resolution, the Series 2017 Bond Resolution, the Series 2015 Bond Resolution, the Series 2016 Bond Resolution, the Taxable Series 2020 Bond Resolution, the Taxable Series 2020B Bond Resolution, the Series 2020C Bond Resolution, the Series 2022 Bond Resolution, and the Series 2024 Bond Resolution.

The term " Taxable Series 2020 Bond Resolution" shall mean the Resolution adopted by the Board of Directors of the District on January 21, 2020, authorizing Tarrant Regional Water District, a Water Control and Improvement District, Water Revenue Refunding Bonds, Series 2015.

The term " Taxable Series 2020 Bonds" shall mean all unpaid and unrefunded Taxable Series 2020 Bonds authorized by the Taxable Series 2020 Bond Resolution.

The term "Taxable Series 2020B Bond Resolution" shall mean the Resolution adopted by the Board of Directors of the District on October 20, 2020, authorizing Tarrant Regional Water District, a Water Control and Improvement District, Water Revenue Refunding Bonds, Taxable Series 2020B.

The term "Taxable Series 2020B Bonds" shall mean all unpaid and unrefunded Taxable Series 2020B Bonds authorized by the Taxable Series 2020B Bond Resolution.

The terms "year" and "fiscal year" shall mean the District's fiscal year, which currently ends on September 30, but which subsequently may be any other 12 month period hereafter established by the District as a fiscal year for the purposes of the System and any resolution authorizing the Bonds or any Additional Bonds.

Section 9. PLEDGE. (a) That the Bonds, as defined above, and any Additional Bonds, and the interest thereon, are and shall be secured equally and ratably on a parity by and payable from a first lien on and pledge of the Pledged Revenues; and the Series 2026 Bonds are Additional Bonds payable from and secured by a first lien on and pledge of the Pledged Revenues, as permitted by Sections 21 and 22 of the Series 2015 Bond Resolution, the Series 2015A Bond Resolution, the Series 2016 Bond Resolution, the Series 2016A Bond Resolution, the Series 2017 Bond Resolution, the Taxable Series 2020 Bond Resolution, the Taxable Series 2020B Bond Resolution, the Series 2020C Bond Resolution, the Series 2022 Bond Resolution, and the Series 2024 Bond Resolution.

(b) That Chapter 1208, Government Code, applies to the issuance of the Series 2026 Bonds and the pledge of the revenues granted by the Issuer under this Section, and is therefore valid, effective, and perfected. Should Texas law be amended at any time while the Series 2026 Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the revenues granted by the Issuer under this Section is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, in order to preserve to the registered owners of the Series 2026 Bonds a security interest in said pledge, the Issuer agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing of a security interest in said pledge to occur.

Section 10. REVENUE FUND. That there has been created and established, and there shall be maintained on the books of the District, and accounted for separate and apart from all other funds of the District, a special fund to be entitled the "Tarrant Regional Water District Water Revenue Bonds Revenue Fund" (hereinafter called the "Revenue Fund"). All Gross Revenues of the System (except investment interest and income from the other Funds hereinafter described and maintained) shall be credited to the Revenue Fund immediately upon receipt. All Operation and Maintenance Expenses of the System shall be paid from such Gross Revenues credited to the Revenue Fund, as a first charge against same.

INTEREST AND REDEMPTION FUND. That for the sole purpose of paying the principal of and interest on all Bonds and any Additional Bonds, as the same come due, either upon redemption or at maturity, there has been created and established, and there shall be maintained, at an official depository bank of the District, a separate fund to be entitled the "Tarrant Regional Water District Revenue Bonds Interest and Redemption Fund" (hereinafter called the "Interest and Redemption Fund").

THE CONTINGENCY AND IMPROVEMENT FUND AND THE RESERVE FUND. (a) That there has been created and established and there shall be maintained, at an official depository bank of the District, a separate fund to be entitled the "Tarrant Regional Water District Water Revenue Bonds Contingency and Improvement Fund" (hereinafter called the "Contingency Fund"). The Contingency Fund shall be used solely for the purpose of paying the costs of improvements, enlargements, extensions, additions, or other capital expenditures relating to the System, and unexpected or extraordinary replacements of the System, for which System funds are not otherwise available, or for paying unexpected or extraordinary Operation and Maintenance Expenses of the System for which System Funds are not otherwise available, or for paying principal of and interest on any Bonds or Additional Bonds, when and to the extent the amount in the Interest and Redemption Fund is insufficient for such purpose.

(b) That there has been created and established and there shall be maintained at an official depository bank of the District, a separate fund to be entitled the "Tarrant Regional Water District Water Revenue Bonds Reserve Fund" (hereinafter called the "Reserve Fund"), solely for the further security and benefit of the Bonds and any Additional Bonds. The Reserve Fund shall be used solely for the purpose of (i) finally retiring the last of the Bonds and any Additional Bonds, and (ii) paying principal of and interest on the Bonds or any Additional Bonds when and to the extent the amounts in the Interest and Redemption Fund and Contingency Fund are insufficient for such purpose. There is now on deposit in the Reserve Fund, an amount of money sufficient to cause the Reserve Fund to contain the Required Amount

(hereinafter defined). When and so long as the money and investments in the Reserve Fund are not less in market value than a "Required Amount" equal to the principal and interest requirements of the Bonds during the fiscal year in which such requirements are scheduled to be the greatest, no deposits shall be made to the credit of the Reserve Fund; but when and if the Reserve Fund at any time thereafter 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, semiannually on or before the 25th days of each February and each August of each year, a sum equal to no less than 1/10th of the deficiency in the "Required Amount" until the Reserve Fund is restored to said "Required Amount." So long as the Reserve Fund contains said "Required Amount" in market value, all amounts in excess of said "Required Amount," if any, shall, at least annually, on or before the 25th day of February of each year, be deposited to the credit of the Interest and Redemption Fund.

**DEPOSITS OF PLEDGED REVENUES; INVESTMENTS.** (a) That the Pledged Revenues shall be deposited into the Interest and Redemption Fund, the Reserve Fund, and the Contingency Fund, when and as required by this Bond Resolution, Sections 8 through 24 of the Series 2015 Bond Resolution, the Series 2015A Bond Resolution, the Series 2016 Bond Resolution, the Series 2016A Bond Resolution, the Series 2017 Bond Resolution, the Taxable Series 2020 Bond Resolution, the Taxable Series 2020B Bond Resolution, the Series 2020C Bond Resolution, the Series 2022 Bond Resolution, and the Series 2024 Bond Resolution, and Sections 8 through 24 of this Bond Resolution shall be applicable to all of the Bonds.

(b) That money in any Fund maintained pursuant to this Bond Resolution may, at the option of the District, be placed in time deposits or certificates of deposit secured by obligations of the type hereinafter described, 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, or invested in indirect obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed by such governmental agencies as the Federal Land Banks, 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 by the District in terms of current market value as of the 20th day of February of each year. All interest and income derived from such deposits and investments immediately shall be credited to, and any losses debited to, the Fund from which the deposit or investment was made, and surpluses in any Fund shall be disposed of as herein provided. Such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds or Additional Bonds.

**FUNDS SECURED.** That money in all Funds described in this Bond Resolution shall be secured in the manner prescribed by law for securing funds of the District.

**DEBT SERVICE REQUIREMENTS.** (a) That promptly after the delivery of the Initial Bond the District shall cause to be deposited to the credit of the Interest and Redemption Fund all accrued interest, if any, received from the sale and delivery of the Initial Bond, and any such deposit shall be used to pay part of the interest coming due on the Series 2026 Bonds.

(b) That the District 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 semiannually on or before the 25th day of each February and each August of each year, 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 all Bonds and Additional Bonds on the next succeeding interest payment date; and

(2) such amounts, deposited annually, on or before the 25th day of each February, 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 all principal scheduled to mature and come due on all Bonds on the next succeeding March 1, and to pay all principal of all Bonds and Additional Bonds, if any, scheduled to be redeemed prior to maturity on the next succeeding March 1 in accordance with the mandatory redemption provisions and schedules set forth in any applicable Bond Resolution.

**CONTINGENCY REQUIREMENTS.** That there is now on deposit to the credit of the Contingency Fund an amount equal to at least \$1,100,000. No additional deposits are required to be made to the credit of the Contingency Fund unless and until such amount therein is reduced or depleted. If and when such amount in the Contingency Fund is reduced or depleted then, subject and subordinate to making the required deposits to the credit of the Interest and Redemption Fund and the Reserve Fund, such reduction or depletion shall be restored from amounts which shall be provided for such purpose in the District's Annual Budget for the next ensuing fiscal year or years; provided that the District is not required to budget more than \$100,000 for such purpose during any one fiscal year; but the District shall have the right to budget additional amounts for such purpose if it is deemed necessary or advisable by the Board. So long as the Contingency Fund contains money and investments not less than the amount of \$1,100,000 in market value, any surplus in the Contingency Fund over said amount shall, semiannually on or before February 15 and August 15 of each year, be withdrawn, deposited to the credit of the Revenue Fund, commingled with other revenues from the operation of the System, and used for any lawful purpose for which Gross Revenues of the System may be used.

**DEFICIENCIES; EXCESS PLEDGED REVENUES.** (a) That if on any occasion there shall not be sufficient Pledged Revenues to make the required deposits into the Interest and Redemption Fund, the Reserve Fund, and the Contingency 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.

(b) That, subject to making the required deposits to the credit of the Interest and Redemption Fund, the Reserve Fund, and the Contingency Fund, when and as required by this Bond Resolution, or any resolution authorizing the issuance of Additional Bonds, the excess Pledged Revenues may be used for any lawful purpose.

**BONDS AND ADDITIONAL BONDS NOT PAYABLE FROM TAXES.** It is specifically provided that the District is not authorized to, and shall not, levy, collect, or use any tax of any nature to pay the principal of or interest on any of the Bonds or Additional Bonds.

**PAYMENT OF BONDS AND ADDITIONAL BONDS.** Semiannually on or before each March 1 and September 1 while any of the Bonds or Additional Bonds are outstanding and unpaid, the District shall make available to the paying agents therefor, ratably and on a parity out of the Interest and Redemption Fund, and/or the Contingency Fund, or, from the Reserve Fund, money sufficient to pay such interest on and such principal of the Bonds or Additional Bonds as will accrue or mature, or which is scheduled to be redeemed prior to maturity, on each such March 1 and September 1, respectively. The paying agents shall destroy all paid Bonds or Additional Bonds, and the coupons, if any, appertaining thereto, and furnish the District with an appropriate certificate of cancellation or destruction.

**DEFEASANCE OF BONDS.** (a) Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Bond") within the meaning of the Bond 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, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof 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 in accordance with an escrow agreement or other instrument (the "Future Escrow Agreement") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that 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 revenues herein pledged as provided in the Bond Resolution, and such principal and interest shall be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of the Bond Resolution to the contrary, it is hereby provided that any determination not to redeem Defeased Bonds that is made in conjunction with the payment arrangements specified in subsection 20(a)(i) or (ii) shall not be irrevocable, provided that: (1) in the proceedings providing for such payment arrangements, the Issuer expressly reserves the right to call the Defeased Bonds for redemption; (2) the Issuer gives notice of the reservation of that right to the owners of the Defeased Bonds immediately following the making of the payment arrangements, and (3) the Issuer directs that notice of the reservation be included in any redemption notices that it authorizes.

(b) Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Issuer also be invested in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent/Registrar that 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. Any Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in subsection 20(a)(i) or (ii). All income from such Defeasance Securities received by the Paying Agent/Registrar which is not required for the payment of the Defeased Bonds, with respect to which such money has been so deposited, shall be remitted to the Issuer or deposited as directed in writing by the Issuer.

(c) The term "Defeasance Securities" means (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 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 the Bond Resolution.

(e) In the event that the Issuer elects to defease less than all of the principal amount of Bonds of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Bonds by such random method as it deems fair and appropriate.

**ADDITIONAL BONDS.** (a) That the District 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 bonds (herein called "Additional Bonds"), which may be payable from and secured by a first lien on and pledge of the Pledged Revenues. No Additional Bonds shall be payable from or secured by ad valorem or other taxes.

(b) Additional Bonds, if and when authorized, issued, and delivered in accordance with the provisions hereof, shall be payable from the Interest and Redemption Fund, and shall be payable from and secured by a first lien on and pledge of the Pledged Revenues, equally and ratably on a parity with the Bonds and all other outstanding Additional Bonds.

(c) That the principal of all Additional Bonds must be scheduled to be paid or mature on March 1 of the years in which such principal is scheduled to be paid or mature; and all interest thereon must be payable on March 1 and September 1.

FURTHER REQUIREMENTS FOR ADDITIONAL BONDS. (a) That Additional Bonds shall be issued only in accordance with the provisions hereof, and then applicable laws, and may be issued in any amounts, for any lawful purpose relating to the System, including the refunding of any Bonds or Additional Bonds. 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 (i) that the District is not in default as to any covenant, condition, or obligation in connection with all outstanding Bonds and Additional Bonds, and the resolutions authorizing the same, (ii) that the Interest and Redemption Fund and the Reserve Fund contain the amount then required to be therein, and (iii) that either (1) the Pledged Revenues in each fiscal year, commencing (A) with the third complete fiscal year following the execution of such certificate or report, or (B) with the fiscal year following the estimated completion date of any project for which the then proposed Additional Bonds are being issued (whichever of (A) or (B) is later) are estimated, based on a report of an independent engineer or firm of engineers, to be at least equal to 1.25 times the average annual principal and interest requirements of all Bonds and Additional Bonds to be outstanding after delivery of the then proposed Additional Bonds, or (2) based upon an opinion of legal counsel to the District, there are Contracts then in effect pursuant to which parties to such Contracts are obligated to make minimum payments to the District on a "take or pay" basis at such times and in such amounts as shall be necessary to provide to the District Pledged Revenues sufficient to pay when due all principal of and interest on all Bonds and Additional Bonds.

(b) That each resolution authorizing the issuance of Additional Bonds shall confirm the Reserve Fund as additional security for all such Additional Bonds, and the Reserve Fund shall be increased to the extent required to cause the Reserve Fund to be maintained in an amount not less than the principal and interest requirements, during the fiscal year in which such requirements are scheduled to be the greatest, of all Bonds and Additional Bonds to be outstanding after the issuance of such then proposed Additional Bonds (or any greater amount as may, at the option of the District, be provided for in any resolution authorizing the issuance of any Additional Bonds), and shall make provision for funding such Reserve Fund from Pledged Revenues, or, at the option of the District, from bond proceeds or other available sources. Such Reserve Fund may be funded in whole or in part initially, or may be funded in whole or in part from Pledged Revenues by approximately equal periodic payments, not less than annual, and within not more than five years from the date of such then proposed Additional Bonds.

(c) That all calculations of principal and interest requirements of any bonds made in connection with the issuance of any then proposed Additional Bonds shall be made as of the date of such Additional Bonds; and also in making calculations for such purpose, or for any other purpose under any resolution authorizing any Bonds or Additional Bonds, the principal amounts of any Bonds or Additional Bonds which must be redeemed prior to maturity pursuant to any applicable mandatory redemption requirements shall be deemed to be maturing amounts of principal.

#### GENERAL COVENANTS, REPRESENTATIONS, AND WARRANTIES

That the District further covenants, represents, warrants, and agrees that:

(a) **PERFORMANCE.** It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in each resolution authorizing the issuance of the Bonds and any Additional Bonds, and in each and every 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 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 any holder of the Bonds or Additional Bonds may require the District, its Board, and its officials and employees, to carry out, respect, or enforce the covenants and obligations of each resolution authorizing the issuance of the Bonds and any 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 District, its Board, and its officials and employees.

(b) **DISTRICT'S LEGAL AUTHORITY.** It 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 the laws of the State of Texas, and is duly authorized under the laws of the State of Texas to create and issue the Bonds; that all action on its part for the creation and issuance of the Bonds has been duly and effectively taken, and that the Bonds in the hands of the holders and owners thereof are and will be valid and enforceable obligations of the District in accordance with their terms.

(c) **TITLE.** It has acquired and constructed, and will operate and maintain the System, and 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 of the aforesaid lands, buildings, and facilities, and every part thereof, for the benefit of the holders and owners of the Bonds and Additional Bonds against the claims and demands of all persons whomsoever, and is lawfully qualified to pledge the Pledged Revenues to the payment of the 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 District.

(e) OPERATION OF THE SYSTEM. While the 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 Bonds or any Additional Bonds are outstanding and unpaid, it will not additionally encumber the Pledged Revenues in any manner, except as permitted hereby in connection with Additional Bonds, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of each resolution authorizing the issuance of the Bonds and any Additional Bonds; but the right of the District and the Board to issue revenue bonds for any lawful purpose payable from a subordinate lien on the Pledged Revenues is specifically recognized and retained. The Bond Resolution does not and is not intended to affect, limit, or prohibit the issuance of bonds payable solely from ad valorem taxes.

(g) SALE OF PROPERTY. While the Bonds or any Additional Bonds, are outstanding and unpaid, it will maintain its current legal corporate status as a conservation and reclamation district, and it will 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 District deems it necessary to dispose of any real or personal property, machinery, fixtures, or equipment, it may sell or otherwise dispose of such real or personal property, machinery, fixtures, or equipment when it has made arrangements to replace the same or provide substitutes therefor, unless it is determined by resolution of the Board that no such replacement or substitute is necessary; and all proceeds from the sale thereof shall be credited to the Revenue Fund. In all events counsel to the Issuer shall opine as to the validity of the Resolution, as supplemented and amended and counsel to the Contracting Parties shall opine on the validity of the obligation of the Contracting Parties under the Contract.

(h) INSURANCE. (1) It will carry or cause to be carried such insurance as usually would be carried by corporations or other business entities operating like properties and engaged in similar activities, with a responsible insurance company or companies; provided that no insurance shall be required to the extent that the Board determines, based on the advice of legal counsel, that no substantial liability can or will arise under a particular hazard. At any time while any contractor engaged in construction work shall be fully responsible therefor, the District shall not be required to carry insurance on the works being constructed, if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the owners or holders of the Bonds and Additional Bonds 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 District 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 District. The proceeds of insurance covering such property, together with any other funds necessary and available for such purpose, shall be used forthwith by the District 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 Bonds and Additional Bonds, if any, ratably in the proportion that the outstanding principal of each Series or issue of Bonds or Additional Bonds bears to the total outstanding principal of all 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 Bonds or Additional Bonds is subject to redemption, then for the purchase on the open market and retirement of said 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 Bond or Additional Bonds shall not exceed the redemption price of such 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 District, 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, revise (if and when necessary), and collect such rates, charges, and fees for the sale of water from the System and 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 and any taxes as may be levied by the District for such purpose, (1) to pay all Operation and Maintenance Expenses of the System, and (2) to produce Pledged Revenues adequate to provide for all payments and deposits required to be made into the Interest and Redemption Fund, the Reserve Fund, and the Contingency Fund, when and as required by the resolutions authorizing all Bonds and Additional Bonds.

(j) RECORDS. It will keep proper books of records and accounts 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 created pursuant to each resolution authorizing the issuance of the Bonds and Additional Bonds; 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 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 District, 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 owners or holders of the Bonds and Additional Bonds 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 franchises, permits, and agreements applicable to the System and the Bonds or Additional Bonds entered into between the District and any governmental agency, and the District will take all action necessary to enforce said terms and conditions; and the District 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. It will comply with the terms and conditions of the Contracts and will cause the other parties to the Contracts to comply with all of their obligations thereunder by all lawful means; and the Contracts will not be rescinded, modified, or amended in any way which would have a materially adverse effect on the operation of the System or the rights of the owners of the Bonds and Additional Bonds.

(n) ANNUAL BUDGET. On or before August 1 of each calendar year, it will prepare the preliminary Annual Budget of Operation and Maintenance Expenses of the System for the ensuing fiscal year, and such budget shall include a showing as to the proposed expenditures for such ensuing fiscal year, and shall show the estimated amount of Net Revenues of the System for such year. If the owners or holders of 25% in aggregate principal amount of the Bonds and Additional Bonds then outstanding shall so request on or before the 15th day of the aforesaid month, the Board shall hold a public hearing on or before the 15th day of the following month, at which any bondholder may appear in person or by agent or attorney and present any objections he may have to the final adoption of such budget. Notice of the time and place of such hearing shall be published twice, once in each of two successive weeks, in a newspaper of general circulation published in the District, with the date of the first publication to be at least fourteen days before the date fixed for the hearing; and copies of such notice shall be mailed at least ten days before the hearing to each bondholder who shall have filed his name and address with the Secretary of the Board for such purpose. The District further covenants that on or before October 1 of each calendar year it will finally adopt the Annual Budget of Operation and Maintenance Expenses of the System for such fiscal year (hereinafter sometimes called the "Annual Budget"). If for any reason the Board shall not have adopted the Annual Budget before the first day of any fiscal year, the budget for the preceding fiscal year shall be deemed to be in force until the adoption of the Annual Budget. The Operation and Maintenance Expenses of the System incurred in any fiscal year will not exceed the reasonable and necessary amount thereof. The District may, at any time deemed necessary by the Board, adopt an Amended or Supplemental Budget for the remainder of the then current fiscal year.

AMENDMENT OF RESOLUTION. (a) The holders and registered owners of Bonds and Additional Bonds (hereinafter collectively called "holders") aggregating 51% in principal amount of the aggregate principal amount of then outstanding Bonds and Additional Bonds shall have the right from time to time to approve any amendment to any resolution authorizing the issuance of any Bonds or Additional Bonds, which may be deemed necessary or desirable by the District, 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 Bonds or Additional Bonds so as to:

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

(b) If at any time the District shall desire to amend a resolution under this Section, the District 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, 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/Registrar for the Bonds and Additional Bonds, for inspection by all holders of Bonds and Additional Bonds. Such publication is not required, however, if notice in writing is given to each holder of 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 said notice or other service of written notice the District shall receive an instrument or instruments executed by the holders of at least 51% in aggregate principal amount of all 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 District 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 District and all the holders of then outstanding 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 of a Bond or Additional Bonds 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 of the same 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 who gave such consent, or by a successor in title, by filing notice thereof with each Paying Agent/Registrar for the Bonds and Additional Bonds, and the District, but such revocation shall not be effective if the holders of 51% in aggregate principal amount of the then outstanding 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 Bonds or Additional Bonds by any holder of Bonds or Additional Bonds which are not registered and which are payable to bearer, and the amount and numbers of such registered 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 Bonds or Additional Bonds described in such certificate. The District may conclusively assume that such ownership continues until written notice to the contrary is served upon the District. All matters relating to the ownership of registered Bonds and Additional Bonds shall be determined from the bond registration books kept by the registrar therefor.

DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED SERIES 2026 BONDS. (a) Replacement Bonds. In the event any outstanding Series 2026 Bond 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 Series 2026 Bond, in replacement for such Series 2026 Bond in the manner hereinafter provided.

(b) Application for Replacement Bonds. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Series 2026 Bonds shall be made by the registered owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Series 2026 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 Series 2026 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 Series 2026 Bond, as the case may be. In every case of damage or mutilation of a Series 2026 Bond, the registered owner shall surrender to the Paying Agent/Registrar for cancellation the Series 2026 Bond so damaged or mutilated.

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such Series 2026 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 Series 2026 Bond, the Issuer may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Series 2026 Bond) instead of issuing a replacement Series 2026 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 Series 2026 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 Series 2026 Bond is lost, stolen, or destroyed shall constitute a contractual obligation of the Issuer whether or not the lost, stolen, or destroyed Series 2026 Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of the Bond Resolution equally and proportionately with any and all other Series 2026 Bonds duly issued under the Bond Resolution.

(e) Authority for Issuing Replacement Bonds. In accordance with Chapter 1201, Texas Government Code, this Section of the Bond 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 Series 2026 Bonds in the form and manner and with the effect, as provided in the Bond Resolution for Series 2026 Bonds issued in conversion and exchange for other Series 2026 Bonds.

CUSTODY, APPROVAL, AND REGISTRATION OF SERIES 2026 BONDS; BOND COUNSEL'S OPINION, CUSIP NUMBERS, PREAMBLE, AND INSURANCE. The President of the Board of Directors of the Issuer is hereby authorized to have control of the Initial Bond issued hereunder and all necessary records and proceedings pertaining to said Initial Bond pending its delivery and its investigation, examination, and approval by the Attorney General of the State of Texas, and its registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of said Initial Bond said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate on said Initial Bond, and the seal of said Comptroller shall be impressed, or placed in facsimile, on said Initial Bond. The approving legal opinion of the Issuer's Bond Counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on said Initial Bond or on any Series 2026 Bonds issued and delivered in conversion of and exchange or replacement of any Series 2026 Bond, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Series 2026 Bonds. The preamble to the Bond Resolution is hereby adopted and made a part hereof for all purposes. If insurance is obtained by the Underwriters (as defined in Section 31 hereof) on any of the Series 2026 Bonds, the Initial Bond and all the Series 2026 Bonds so insured shall bear an appropriate legend concerning insurance as provided by the insurer.

COVENANTS REGARDING TAX EXEMPTION. (a) Covenants. The Issuer covenants to take any action necessary to assure, or refrain from any action that would adversely affect, the treatment of the Series 2026 Bonds as obligations described in section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on which is not includable in the "gross income" of the Series 2026 Bonds 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 Series 2026 Bonds (less amounts deposited to 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 the Bond 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 Series 2026 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 (1) hereof exceeds 5 percent of the proceeds of the Series 2026 Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" that 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 that is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Series 2026 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 Series 2026 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 Series 2026 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 Series 2026 Bonds, directly or indirectly, to acquire or to replace funds that were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) that produces a materially higher yield over the term of the Series 2026 Bonds, other than investment property acquired with –
  - (A) proceeds of the Series 2026 Bonds invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 90 days or less until such proceeds are needed for the purpose for which the Series 2026 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 proceeds of the Series 2026 Bonds;
- (7) to otherwise restrict the use of the proceeds of the Series 2026 Bonds or amounts treated as proceeds of the Series 2026 Bonds, as may be necessary, so that the Series 2026 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 Series 2026 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 Series 2026 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 Series 2026 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; and

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.

Compliance with Code. For purposes of the foregoing covenants (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 Series 2026 Bonds. 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 that modify or expand provisions of the Code, as applicable to the Series 2026 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 Series 2026 Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated that impose additional requirements applicable to the Series 2026 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 Series 2026 Bonds under section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs the President of the Board of Directors, the General Manager, or the Chief Financial Officer to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, that may be permitted by the Code as are consistent with the purpose for the issuance of the Series 2026 Bonds.

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 in the Bond Resolution as Exhibit A as their written procedures applicable to the Bonds and any Additional Bonds.

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## 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 365 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 365 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 investment 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 procedures 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.

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**TABLE 9 - CURRENT INVESTMENTS**

As of December 31, 2025, the following percentage of the District's investable funds were invested in the following categories of investments:

<u>Description</u>	<u>Percent</u>	<u>Par Value</u>	<u>Market Value</u>
Agencies	30.53%	\$ 80,889,444	\$ 78,403,704
Pools	69.47%	184,066,038	184,066,038
	<u>100.00%</u>	<u>\$264,955,482</u>	<u>\$ 262,469,742</u>

The Pools that the District invests in are TexPool and LOGIC. Each investment pool is a governmental investment pool that operates as a money market equivalent. Each of such pools currently maintains an "AAA" rating from S&P Global Ratings, a business unit of Standard and Poor's Financial Services LLP ("S&P") or Fitch Ratings ("Fitch") and has an investment objective of achieving and maintaining a stable net asset value of \$1.00 per share. Daily investments or redemptions of funds are allowed by the participants.

The Texas State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool ("TexPool"). Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed both of participants in TexPool and of the other persons who do not have a business relationship with TexPool. The advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAA by S&P. TexPool operates in a manner consistent with the Security and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value.

LOGIC is a local government investment pool for whom HilltopSecurities Asset Management, Inc., provides customer service and marketing for the pool. Ms. Sandra Newby, the District's Chief Financial Officer, also serves as President on the Board of LOGIC. LOGIC currently maintains a "AAAm" rating from S&P and has an investment objective of achieving and maintaining a stable net asset value of \$1.00 per share. Daily investments or redemptions of funds is allowed by the participants.

No funds of the District are invested in derivative securities, i.e., securities whose rate of return is determined by reference to another instrument, index, or commodity.

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## 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 respective opinions 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 Code. Except as stated herein, 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 C - Form of Bond Counsel's Opinion.

In rendering their opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate and, (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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 are conditioned on compliance by the District with such requirements, 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 their legal judgments based upon their review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. 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 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 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 Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District 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 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 (the "Original Issue Discount Bonds"). 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 following 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, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, 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.

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

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.

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.

**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.

**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.

## OTHER INFORMATION

### RATINGS

The Bonds and the Outstanding Bonds are rated "AAA" by S&P and "AA+" by Fitch. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. A securities rating is not a recommendation to buy or hold securities. 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 not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the District, could have a material adverse effect on the financial statements or operations of the District. Based on information provided to the District by the Contracting Parties, none of the Contracting Parties is a party to any litigation or other proceeding pending or, to its knowledge, threatened, in any court, agency or other administrative body (state or federal) which, if decided adversely to such Contracting Party, could have a material adverse effect on the financial statements or operations of the Contracting Party, and the District is not aware of any such litigation or other proceeding pending or threatened against any of the Contracting Parties.

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.

## **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.

## **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 and investment securities 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 at least "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 approving the Bonds and 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. 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, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. Except as noted below, Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in their capacity as Bond Counsel, such firm has reviewed the information appearing under the captions or subcaptions "Plan of Financing" (excluding "Estimated Sources and Uses of Proceeds"), "The Bonds" (excluding the table relating to the Outstanding Bonds and except under the subcaptions "Book-Entry-Only System" and "Remedies"), "The Contracts", "Selected Provisions of the Resolution", "Tax Matters", "Other Information – Registration and Qualification of Bonds for Sale", " - Legal Investments and Eligibility to Secure Public Funds in Texas", " - Legal Matters" (except the last sentence therein) and " - Continuing Disclosure of Information" (except the information under "Compliance with Prior Undertakings") and such firms are of the opinion that such information fairly reflects the provisions of the Bonds, the Bond Resolution, and with respect to the Bonds such information conforms to the provisions of the Resolution. In connection with the transactions described herein, Bond Counsel represents only the District. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC.

## **VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS**

Public Finance Partners LLC will deliver to the Issuer, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash, if any, and the maturing principal of and interest on the Federal Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds.

Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the Issuer. In addition, Public Finance Partners LLC has relied on any information provided to it by the Issuer's retained advisors, consultants or legal counsel.

## **AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION**

The financial data and other information contained herein have been obtained from the District and the Contracting Parties 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**

### **ANNUAL REPORTS**

#### ***THE DISTRICT***

In the Resolution, the District has made the following agreements for the benefit of the holders and beneficial owners of the Bonds (see "Selected Provisions of the Resolution"). 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 its Electronic Municipal Market Access ("EMMA") system.

The District will provide certain updated financial information and operating data to the MSRB annually. 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 contained in Tables numbered 1 through 9, inclusive, and in Appendix B. The District will update and provide this information within six months after the end of each fiscal year ending in or after 2026.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial information within the required time and audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

#### ***THE OBLIGATED PERSONS***

In Continuing Disclosure Agreements entered into between the District and the Cities of Fort Worth, Arlington, Mansfield (the "Cities"), and the TRA (the Cities and TRA, together, the "Obligated Persons"), the Obligated Persons have made the following respective agreements for the benefit of the holders and beneficial owners of the Bonds. The Obligated Persons are required to observe the agreements for so long as the Obligated Persons remain obligated to advance funds to pay the Bonds. Under the agreement, the Obligated Persons will be obligated to provide certain updated financial information and operating data annually to the MSRB, and the Obligated Persons will be obligated to provide timely notice of specified events to the District. The Obligated Persons' filings can be found under the following CUSIP prefixes: for Arlington, 04184K; for Fort Worth, 349515; for Mansfield, 564395; and for TRA, 89657P.

The Obligated Persons will provide certain information to the MSRB annually. The information to be updated, includes all quantitative financial information and operating data with respect to the respective Obligated Persons of the general type included in Appendix A of this Official Statement. The Obligated Persons will update and provide this information as to such entity within six months after the end of each fiscal year of the Obligated Persons.

The Obligated Persons may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the Obligated Persons commission an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Obligated Persons will provide unaudited financial information within the required time and audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in such filings or such other accounting principles as the Obligated Persons may be required to employ from time to time pursuant to state law or regulation.

Each of the Cities' current fiscal year end is September 30, and TRA's fiscal year end is November 30. Accordingly, they must provide updated information by March 31 and May 31, respectively, in each year, unless the Cities or the TRA change their fiscal years. If the Cities or the TRA change their fiscal years, they will notify the MSRB of the change.

**NOTICE OF CERTAIN EVENTS** . . . The District will also provide timely notices of certain events to the MSRB. The District will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (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) in the case of the Bonds, 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 Bonds, or other material events affecting

the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of 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 the District or an Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District or an Obligated Person, any of which affect security holders, 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 the District or an Obligated Person, any of which reflect financial difficulties. Neither the Bonds nor the Resolution make any provision for credit enhancement or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports".

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. The term "Financial Obligation" shall mean, for purposes of the events in clauses (15) and (16), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing, or planned debt obligation; or (iii) guarantee of (i) or (ii); provided that Financial Obligation shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

**AVAILABILITY OF INFORMATION** . . . The District and the Obligated Persons 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](http://www.emma.msrb.org).

**LIMITATIONS AND AMENDMENTS** . . . The District and the Obligated Persons have agreed to update information and to provide notices of material events only as described above. The District and the Obligated Persons have not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. Neither the District nor the Obligated Persons makes any 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 and the Obligated Persons disclaim any contractual or tort liability for damages resulting in whole or in part from any breach their continuing disclosure agreements or from any statement made pursuant to their agreements.

The District and any Obligated Person may amend its continuing disclosure agreement 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 District or such Obligated Person, if (1) the agreement, as amended, would have permitted the Purchaser to purchase or sell Bonds in the offering described herein in compliance with the SEC Rule 15c2-12, taking into account any amendments or interpretations of such Rule to the date of such amendment, as well as changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District or such 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 or any Obligated Person so amends its agreement, it has agreed 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 has complied in all material respects with all continuing disclosure agreements made in accordance with SEC Rule 15c2-12. The District has been made aware that the City of Fort Worth, one of the Obligated Persons, did not timely file a notice pursuant to the Rule. On November 21, 2023, the City of Fort Worth defeased its then outstanding Water and Sewer System Revenue Refunding and Improvement Bonds, Series 2014. Notice of this defeasance was filed on December 21, 2023. On September 29, 2022, the City put into effect its 2022 General Purpose Commercial Paper Notes, Series ECP and filed a Financial Obligation event notice with the MSRB's EMMA system on February 24, 2023. The City closed on its Water and Sewer System Revenue Bonds, Series 2024B CWSRF (Village Creek) and its Water and Sewer Revenue Bonds, Series 2024C SWIFT (Eagle Mountain) on September 19, 2024 and November 21, 2024, respectively. Financial Obligation event notices were filed for both series of bonds with MSRB's EMMA system on March 3, 2025. The aforementioned event notices were filed after the applicable deadline prescribed by certain outstanding continuing disclosure agreements entered into by the City in accordance with the Rule.

#### **MUNICIPAL ADVISOR**

Hilltop Securities, Inc. ("HilltopSecurities") is employed as Municipal Advisor to the District. HilltopSecurities has relied on the opinion of Bond Counsel and has not verified and do 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.

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 responsibilities 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.

## USE OF AUDITED FINANCIAL STATEMENTS

The financial statements of the District as of September 30, 2025, and for the year then ended, included in this *Preliminary Official Statement*, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein.

## 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 \_\_\_\_\_ % of par. 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 of the Bonds.

## CYBERSECURITY

Computer networks and data transmission and collection are vital to the operations of the District. Information technology and infrastructure of the District may be subject to attacks by outside or internal hackers and may be subject to breach by employee error, negligence or malfeasance. An attack or breach could compromise systems and the information stored thereon, result in the loss of confidential or proprietary data and disrupt the operations of the District. To mitigate these risks, the District continuously endeavors to improve the range of control for digital information operations, enhancements to the authentication process, and additional measures toward improving system protection/security posture, including required training for District staff and administration.

## CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the District will furnish to the Initial Purchaser a certificate, executed by a proper District officer, acting in such officer's official capacity, to the effect that to the best of such officer's knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in the Official Statement, and any addenda, supplement, or amendment thereto, on the date of the Official Statement, on the date of sale of the 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, the 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 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 the 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.

## 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 Resolution authorizing the issuance of the Bonds will 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.

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AUTHORIZED OFFICER  
Tarrant Regional Water District,  
A Water Control and Improvement District

**SCHEDULE OF REFUNDED BONDS\***

Schedule I

**Water Revenue Refunding Bonds, Series 2015**

<u>Original Dated Date</u>	<u>Original Maturity</u>	<u>Interest Rate</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount Refunded</u>
2/1/2015	3/1/2027	5.000%	\$ 14,305,000	\$ 14,305,000
	3/1/2028	5.000%	15,040,000	15,040,000
	3/1/2029	5.000%	<u>15,810,000</u>	<u>15,810,000</u>
			<u>\$ 45,155,000</u>	<u>\$ 45,155,000</u>

**The 2027 – 2029 maturities will be redeemed prior to original maturity on June 16, 2026.**

**Water Revenue Bonds, Series 2016**

<u>Original Dated Date</u>	<u>Original Maturity</u>	<u>Interest Rate</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount Refunded</u>
2/1/2016	3/1/2027	5.000%	\$ 775,000	\$ 775,000
	3/1/2028	4.000%	800,000	800,000
	3/1/2029	4.000%	825,000	825,000
	3/1/2030	4.000%	850,000	850,000
	3/1/2031	4.000%	875,000	875,000
	3/1/2032	4.000%	<u>905,000</u>	<u>905,000</u>
			<u>\$ 5,030,000</u>	<u>\$ 5,030,000</u>

**The 2027 – 2032 maturities will be redeemed prior to original maturity on June 16, 2026.**

**Water Revenue Refunding Bonds, Series 2016A**

<u>Original Dated Date</u>	<u>Original Maturity</u>	<u>Interest Rate</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount Refunded</u>
4/1/2016	3/1/2027	5.000%	\$ 7,980,000	\$ 7,980,000
	3/1/2028	5.000%	8,390,000	8,390,000
	3/1/2029	5.000%	8,820,000	8,820,000
	3/1/2030	5.000%	3,160,000	3,160,000
	3/1/2032	5.000%	<u>3,525,000</u>	<u>3,525,000</u>
			<u>\$ 31,875,000</u>	<u>\$ 31,875,000</u>

**The 2027 – 2032 maturities will be redeemed prior to original maturity on June 16, 2026.**

\* Preliminary, subject to change.

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**APPENDIX A**

GENERAL INFORMATION ON CONTRACTING PARTIES OF THE DISTRICT

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**CITY OF FORT WORTH, TEXAS**  
**ALL OF THE FOLLOWING INFORMATION PROVIDED BY THE CITY OF FORT WORTH**

**TEN LARGEST WATER CUSTOMERS (BASED ON GALLONS CONSUMED)**

Customer	Total 2025 Consumption (Gallons)	Revenue	% of Total Water Usage
Miller Brewing Company	679,697,028	\$ 2,528,361	0.97%
Tarrant County	379,848,824	1,708,814	0.54%
Alcon Laboratories	373,334,218	1,549,283	0.53%
Texas Christian University	276,946,022	1,426,691	0.39%
FWISD	245,989,944	1,520,070	0.35%
Lockheed Martin Tactical A S	238,202,596	890,553	0.34%
Texas Health Resources	203,263,333	1,004,681	0.29%
Carolina Beverage Group LLV	190,188,490	709,818	0.27%
Zoological ASSN	187,530,342	744,799	0.27%
Refresco Beverages US Inc (COTT)	164,526,042	619,359	0.23%
	<u>2,939,526,839</u>	<u>\$ 12,702,429</u>	<u>4.18%</u>

Source: City's Water Department.

**MONTHLY WATER RATES (EFFECTIVE JANUARY 1, 2026)**

Monthly Service Charge: Based on the size of meter serving the customer.

A monthly service charge in the following amount shall be charged based on the size of the meter serving the customers <sup>(1)</sup>:

<u>Inside City Limits</u>		<u>Outside City Limits</u>	
Meter Size	Monthly Service Charge	Meter Size	Monthly Service Charge
5/8" x 3/4"	\$ 13.75	5/8" x 3/4"	\$ 17.19
3/4" x 3/4"	14.00	3/4" x 3/4"	17.50
1"	29.05	1"	36.31
1 1/2"	57.25	1 1/2"	71.56
2"	89.35	2"	111.69
3"	236.35	3"	295.44
4"	404.85	4"	506.06
6"	859.35	6"	1,074.19
8"	1,501.15	8"	1,876.44
10"	2,249.95	10"	2,812.44

Source: City's Water Department.

(1) Rates for outside-the-city-limit customers have a 1.25x multiplier.

**MONTHLY WATER RATES (VOLUME CHARGE ONLY)**

Volume Charge: Based on volume of water used<sup>(1)</sup>

*Inside City Limits*

Residential Customers Rate		Irrigation Rate		Gas Well Driller Rate	
Cubic Feet	Rate	Cubic Feet	Rate	Cubic Feet	Rate
First 600	\$2.28 per 100 Cu. Ft.	First 10,000	\$3.08 per 100 Cu. Ft.	All	\$5.85 per 100 Cu. Ft.
Next 1,200	3.19 per 100 Cu. Ft.	Over 10,000	4.13 per 100 Cu. Ft.		
Next 1,200	4.29 per 100 Cu. Ft.				
Over 3,000	5.37 per 100 Cu. Ft.				

  

Commercial Rate		Industrial Rate	
Cubic Feet	Rate	Cubic Feet	Rate
All	\$2.78 per 100 Cu. Ft.	All	\$2.80 per 100 Cu. Ft.

*Outside City Limits*

Residential Customers Rate		Irrigation Rate		Gas Well Driller Rate	
Cubic Feet	Rate	Cubic Feet	Rate	Cubic Feet	Rate
First 600	\$2.85 per 100 Cu. Ft.	First 10,000	\$3.85 per 100 Cu. Ft.	All	\$7.31 per 100 Cu. Ft.
Next 1,200	3.99 per 100 Cu. Ft.	Over 10,000	5.16 per 100 Cu. Ft.		
Next 1,200	5.36 per 100 Cu. Ft.				
Over 3,000	6.71 per 100 Cu. Ft.				

  

Commercial Rate		Industrial Rate	
Cubic Feet	Rate	Cubic Feet	Rate
All	\$3.48 per 100 Cu. Ft.	All	\$3.50 per 100 Cu. Ft.

Raw Water Service  
(Effective October 1, 2025)

All use per month      \$1.55970 per 1,000 gallons for Tarrant Regional Water District

Source: City's Water Department and the City Code, as amended.  
(1) Rates for outside-the-city-limit customers have a 1.25x multiplier.

Rates for Wholesale Water Service  
(Effective October 1, 2025)

The City has a contract for raw water supply with Tarrant Regional Water District (the "District").

Prior to October 1 of each year, the District will establish its operating budget and will advise the City of the charge for raw water. This amount can vary each year, and if the revenue does not equal the expenditures, the rate can and will be adjusted to recover additional costs.

Charges to the City for water sold to customers inside the District include a raw water component, plus a street rental charge of 5% and a system loss charge of 4% which increases the raw water cost to wholesale customers inside the District to \$1.55970 per 1,000 gallons. The Volume Charge is made up of two components: (1) the total raw water cost to the wholesale customer of \$1.55970 per 1,000 gallons; and (2) the cost of treatment and pumping, and other services required, to deliver water to the wholesale customer's meter at \$0.9278 per 1,000 gallons. The total volume charge will be \$2.48750 per 1,000 gallons.

1. Monthly charges are based on the greater of either \$1,000 or a sum equal to the Volume Charge for the actual volume of water taken plus 1/12 of the sum of the estimated Rate of Use Charges and a \$25 per meter charge. For purposes of estimating the rate of use payments, the current rate of use charges will be derived from the prior Fiscal Year's Maximum Day Demand, Maximum Hour Demand and Average Daily Use.

Computations for the monthly charge based on the water used and for the Rate of Use Charge shall be made in accordance with the following rates:

	All Wholesale
Volume Charge, per 1,000 Gallons	\$ 2.48750
Excess Maximum Day Demand (per MGD of daily demand in excess of average day demand)	\$ 123,326
Excess Maximum Hour Demand (annual charge per MGD of hourly demand in excess of maximum day demand)	\$ 21,546
Service Charge per Meter per Month	\$ 25

2. Annual payments will be the greater of the following:
  - a. The charges calculated by applying the current Volume Charge to annual consumption, the appropriate meter reading and billing charge, and the Rate of Use Charge for the current fiscal year; or
  - b. The current fiscal year volume charge, the appropriate meter reading and billing charge, and the current Fiscal Year Rate of Use Charge applied to the average of the Maximum Day Demand above Average Daily Use and the average of the Maximum Hour Demand above Maximum Day Demand for the most recently completed three Fiscal Years, which include the current Fiscal Year; or
  - c. If no water is taken during the year, a stand-by charge applies.

**CONDENSED STATEMENT OF OPERATIONS (000s OMITTED) <sup>(1)</sup>**

	Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
<u>Revenues</u>					
Charges for Services	\$ 593,893	\$ 584,702	\$ 572,126	\$ 558,595	\$ 486,106
Other Operating Revenue	8,908	2,851	1,455	1,248	1,144
Interest on Investments	58,473	55,564	42,025	8,843	6,924
Total Revenues	\$ 661,274	\$ 643,117	\$ 615,606	\$ 568,686	\$ 494,174
<u>Expenses</u> <sup>(2)</sup>					
Personnel Services <sup>(3)</sup>	\$ 102,006	\$ 95,319	\$ 88,040	\$ 82,886	\$ 84,027
Supplies and Materials	54,182	47,884	46,606	37,569	25,746
Contractual Services	224,715	210,390	184,602	178,617	165,418
Total Expenses	\$ 380,903	\$ 353,593	\$ 319,248	\$ 299,072	\$ 275,191
Net Available for Debt Service	\$ 280,371	\$ 289,524	\$ 296,358	\$ 269,614	\$ 218,983
Water Accounts <sup>(4)</sup>	302,600	296,965	291,412	284,057	277,027
Sewer Accounts <sup>(4)</sup>	288,884	283,943	278,851	272,052	265,264

(1) Sources for 2021-2025 are Annual Comprehensive Financial Reports (ACFR) for the corresponding fiscal year, City of Fort Worth.

(2) Expenses exclude depreciation (a non-cash expense).

(3) Personnel Services excludes Net Pension Obligation.

(4) Actual number of accounts, not in thousands.

**COVERAGE <sup>(1)</sup>**

Average Annual Principal and Interest Requirements, 2026 - 2055 <sup>(1)</sup>	\$ 87,821,449
Coverage of Average Annual Requirements by 9/30/25 Net Available for Debt Service	3.30x
Maximum Principal and Interest Requirements, 2026 <sup>(1)</sup>	\$ 134,041,916
Coverage of Maximum Requirements by 9/30/25 Net Available for Debt Service	2.16x
Water and Sewer System Revenue Bonds Outstanding as of 1/1/26	\$ 1,708,855,000

(1) Includes all Outstanding Parity Obligations.

**CITY OF ARLINGTON, TEXAS**  
**ALL OF THE FOLLOWING INFORMATION PROVIDED BY THE CITY OF ARLINGTON**

**TEN LARGEST WATER CUSTOMERS (BASED ON GALLONS CONSUMED) AS OF SEPTEMBER 30, 2025 <sup>(1)</sup>**

Customer	Total Consumption (1,000 Gallons)	Billing
EUSB/General Motors	332,100	\$ 1,571,370
University Texas Arlington	295,199	1,917,163
Arlington ISD	184,630	2,348,494
City of Arlington	164,530	1,932,994
Six Flags Over Texas	87,439	514,487
Texas Rangers	85,985	527,896
Cowboy Stadium	65,591	467,348
Arlington Memorial Hospital	59,453	344,142
Harmony Apartments	53,820	280,344
Spanish Park Apartments	53,044	248,983
	1,381,791	\$ 10,153,221

(1) Source: Water Utilities Department.

Note: Wholesale customers not included in top ten.

**WATER RATES (EFFECTIVE OCTOBER 1, 2025)**

Fixed Monthly Fee	
Meter Size	Monthly Charge
5/8 x 3/4" ( $\leq$ 2,000 gal)	\$ 7.76
5/8 x 3/4" ( $\geq$ 3,000 gal)	11.26
3/4" x 3/4"	17.89
1"	25.85
1 1/2"	61.88
2"	108.02
3"	254.70
4"	405.39
6"	944.15
8"	1,476.23
10"	2,219.01

Residential		Commercial		Irrigation	
First 2,000 Gallons	\$ 2.38	First 15,000 Gallons	\$ 4.62	0 Gallon - 29,000 Gallons	\$ 8.23
3,000 Gallons - 10,000 Gallons	3.44	Over 15,000 Gallons	4.88	Over 30,000 Gallons	9.91
11,000 Gallons - 15,000 Gallons	5.49				
16,000 Gallon - 29,000 Gallons	8.23				
Over 30,000 Gallons	9.91				
				Construction	
				First 99,000 Gallons	\$ 7.95
				Over 100,000 Gallons	10.00

Source: Water Utilities Department

**HISTORICAL NET REVENUES AVAILABLE FOR DEBT SERVICE (AMOUNTS IN THOUSANDS)**

<u>Revenues</u>	Fiscal Year Ended September 30,				
	2025 <sup>(1)</sup>	2024	2023	2022	2021
Water Sales	\$ 106,887	\$ 97,257	\$ 96,066	\$ 95,998	\$ 80,695
Wastewater Sales	91,276	86,105	82,517	81,667	74,934
Interest Income	12,955	18,617	12,786	(5,754)	891
Other Income	17,548	13,228	13,053	15,212	14,272
Total Revenues	\$ 228,666	\$ 215,207	\$ 204,422	\$ 187,123	\$ 170,792
<u>Expenses</u>					
Labor Costs	\$ 24,869	\$ 23,313	\$ 19,932	\$ 15,045	\$ 16,788
Supplies	-	-	-	-	2,727
Maintenance	20,641	19,922	17,776	18,596	3,959
Water Supply (the District)	22,989	22,686	22,112	20,305	24,289
Wastewater Treatment Contracts	50,955	46,377	41,886	38,599	39,310
Utilities	-	-	-	-	2,454
Other Expenses	346	451	392	1,418	10,157
Total Operating Expenses Before Depreciation	\$ 119,800	\$ 112,749	\$ 102,098	\$ 93,963	\$ 99,684
Net Revenues of the System	\$ 108,866	\$ 102,458	\$ 102,324	\$ 93,160	\$ 71,108
Net Available for Debt Service	\$ 108,866	\$ 102,458	\$ 102,324	\$ 93,160	\$ 71,108
Debt Service Paid <sup>(2)</sup>	\$ 33,609	\$ 32,223	\$ 33,020	\$ 31,526	\$ 29,243
Debt Service Coverage (times)	3.24x	3.18x	3.10x	2.96x	2.43x

Source: City Finance Department (Unaudited Statements)

(1) Preliminary information provided by City Staff.

(2) Excludes Trinity River Authority Revenue Bonds, accrued interest from bond sales, and refunding or cash defeasances.

**THE TRINITY RIVER AUTHORITY OF TEXAS (THE "AUTHORITY")**  
**ALL OF THE FOLLOWING INFORMATION PROVIDED BY THE AUTHORITY**

**THE AUTHORITY'S ACTIVITIES**

1. Master Planning. After a series of public hearings, the Authority adopted the original master plan in April 1958. The purpose of the Master Plan is to define and provide a course of action for the Authority to achieve water and soil conservation goals for which purpose the Authority was established by the State of Texas Legislature. The Master Plan goals can generally be described as: to improve the quality of water within the Trinity River Basin in order to provide supplies of good quality water for all beneficial purposes, conserve water and soil resources, reduce flooding, promote water oriented recreation, preserve natural areas, promote the diversity and productivity of aquatic life, and foster an understanding of the complex interrelationships among people, resources, economy and the environment in the basin. The Authority's Board of Directors reviews the status of the master plan annually and amends the master plan periodically when it is deemed necessary.
2. Federal Projects. By various resolutions, the Authority has agreed to serve as the local sponsor of the Navarro Mills Reservoir, Bardwell Reservoir, Joe Pool Lake and the Wallisville Salt Water Barrier Project in cooperation with local municipalities or districts that benefit from these projects.
3. Revenue Based Projects. The Authority, without collecting any property taxes, has implemented service projects serving cities, communities and other special districts throughout the Trinity River Basin. The majority of these funds for these projects have come from the sale of tax exempt contract service revenue bonds, service payments from customers, federal grants and long term federal loans. The Authority has responsibility for operating certain of these projects (referred to below as "Operating"). Projects referred to below as "Non-Operating" require a limited amount of Authority personnel involvement and are primarily financing arrangements with the entities. These projects and those served include:

**THE AUTHORITY'S REVENUE-BASED PROJECTS**

<u>Project Name (Operating)</u>	<u>Cities and Entities Served</u>
Central Regional Wastewater System	Addison, Arlington, Bedford, Carrollton, Cedar Hill, Colleyville, Coppell, Dallas, Dallas/Fort Worth International Airport Board, Duncanville, Euless, Farmers Branch, Fort Worth, Grand Prairie, Grapevine, Hurst, Irving, Keller, Mansfield, North Richland Hills, and Southlake
Ten Mile Creek Regional Wastewater System	Cedar Hill, DeSoto, Duncanville, Ferris, and Lancaster
Denton Creek Regional Wastewater Treatment System	Argyle, Circle T Municipal Utility District No. 1, Circle T Municipal Utility District No. 3, Flower Mound, Fort Worth, Haslet, Keller, Northlake, Roanoke, Southlake and Westlake.
Red Oak Creek Regional Wastewater Project	Cedar Hill, DeSoto, Glenn Heights, Lancaster, Ovilla, and Red Oak
Mountain Creek Regional Wastewater System	Grand Prairie, Mansfield, Midlothian and Venus
Tarrant County Water Supply Project	Bedford, Colleyville, Euless, Grapevine, and North Richland Hills
Huntsville Regional Water Supply System	Huntsville
Livingston Regional Water Supply System	Livingston
Trinity County Regional Water Supply System	Glendale Water Supply Corp, Groveton, Riverside Water Supply Corp, Trinity, Trinity Rural Water Supply Corp and Westwood Shores MUD.
Lake Livingston—Wallisville Project	Houston, 21 lakeside communities (and two industries)
Livingston Recreation Facilities	Serving the General Public

<b>Project Name (Non-Operating)</b>	<b>Cities and Entities Served</b>
Walker-Calloway Branches Outfall Line	Hurst and North Richland Hills
Northeast Lakeview Project	Cedar Hill, Grand Prairie
Lakeview Regional Water Supply Project	Cedar Hill, Duncanville, and Grand Prairie
Navarro Mills Reservoir	Corsicana
Bardwell Reservoir	Ennis and Ellis County WCID #1
Joe Pool Lake Project	Cedar Hill, Duncanville, Grand Prairie, and Midlothian
Ellis County Regional Water Supply Project	Cities of Ferris, Italy, Maypearl, Midlothian, Palmer and Red Oak; Ellis County WC&ID No. 1, Avalon Water and Sewer Service Corporation, Nash-Forrester, and Buena Vista-Bethel Water Supply Corporations.
Freestone Raw Water Supply Project	Freestone Power Generation LP
Ennis Raw Water Supply Project	Ennis
Denton Creek Wastewater Interceptor System	Fort Worth
Fort Worth Sendera Ranch Project	Fort Worth
Pollution Control Facilities	Community Waste Disposal, Inc and Texas Utilities Electric Co.
Denton Creek Wastewater Transportation Project	Argyle, Flower Mound and Northlake

#### **THE FUTURE ROLE OF THE AUTHORITY**

In recognition of the fact that the Authority does not exercise control over all facets of water resource management within the Trinity River watershed, the goals of the Authority's Basin Master Plan are objectives for the Trinity River Basin, regardless of the implementing agency.

##### **1. Master Planning.**

- a. The Authority will carefully monitor the progress being made as to each master plan goal.
- b. The Authority will support the accomplishments of all institutional and financial arrangements necessary to the achievement of the goals.
- c. The Authority will amend the master plan as needed.
- d. The Authority will continue its leadership in water quality planning in the basin.

2. Revenue-based Services. When desired by others and when an adequate revenue base and other finances are available, the Authority will exercise its powers to provide needed services in the areas of water supply, wastewater treatment, parks and recreational facilities, pollution control facilities and solid waste disposal.

3. Federal Projects. The Authority will continue to serve as local sponsor of the Navarro Mills Reservoir, Bardwell Reservoir, the Wallisville Salt Water Barrier Project and Joe Pool Lake.

4. Public Information. The Authority will continue to encourage the public's understanding of the complex interrelationships among the people, resources, economy and environment of the Trinity River Basin.

5. Tax based Services. If there is public support, the Authority will seek to obtain some form of tax-based support for specific programs which should be implemented for comprehensive management of the basin's soil and water resources: conservation of the use of water, soil conservation, water oriented recreation and adequate public access to the river and basin lakes, greenbelts, preservation of natural areas, fish and wildlife mitigation, coordination of floodwater reservoir releases, and full dissemination of flood plain information under the Flood Insurance Act throughout the Authority's territory. At this time the Authority has no plans to pursue any form of tax based support for these programs.

6. The Authority's Territory. In order to provide services on a truly basin wide basis, the Authority will support legislation to add to its territory those parts of the basin not presently within the Authority's defined territory if this is desired by any of the involved counties.

7. Financing of Flood Control and Navigation Projects. Implementation of flood control (by whatever means) and navigation projects should be through a combination of revenues, locally provided taxes and federal funds. The Authority's support of any navigation project is based on three conditions: public support, environmental soundness and economic feasibility.

**OTHER OUTSTANDING INDEBTEDNESS OF THE AUTHORITY**

The Authority has other indebtedness outstanding which is listed below. The other outstanding indebtedness is not payable from the Net Revenues which provide payment for the Bonds and are not Parity Bonds as defined in the Resolution.

Bond Issues	Principal Outstanding 3/13/2026
Central Regional Wastewater System	\$ 927,415,000 <sup>(1)</sup>
Denton Creek Regional Wastewater Treatment System	211,475,000 <sup>(2)</sup>
Trinity River Authority of Texas (General Improvement Project of the Authority)	765,000
Huntsville Regional Water Supply System	10,285,000
Denton Creek Justin-Northlake Interceptor System	15,085,000 <sup>(6)</sup>
Livingston Regional Water Supply Project	13,635,000
Mountain Creek Regional Wastewater System	116,630,000 <sup>(5)</sup>
Northeast Lakeview Wastewater Transportation Project	1,230,000
Red Oak Creek Regional Wastewater System	87,175,000 <sup>(3)</sup>
Tarrant County Water Project	256,525,280 <sup>(7)</sup>
Ten Mile Creek Regional Wastewater System	102,230,000 <sup>(4)</sup>
Town of Flower Mound Wastewater Transportation Project	1,380,000
Walker Calloway System	13,350,000
<b>TOTAL</b>	<b><u>\$1,757,180,280</u></b>

(1) Does not include debt service on the \$500,000,000 Extendable Commercial Paper Bonds (“ECP Bonds”) program for the Authority’s Central Regional Wastewater System (“CRWS”). The ECP Bonds are secured by and payable from a first lien on the Net Revenues of CRWS created in the resolution authorizing their issuance; provided that the pledge of Net Revenues securing the ECP Bonds is expressly made junior and subordinate to the pledge of Net Revenues securing First Lien Bonds of CRWS as described herein. The ECP Bonds are and shall be secured by and payable only from the Net Revenues of CRWS, from the proceeds from the sale of ECP Bonds to refinance maturing ECP Bonds (i.e., “roll”) and the proceeds of Refunding Bonds to be issued by the Authority. The Authority issued \$8,500,000 in taxable ECP Bonds on September 16, 2025 that are scheduled to be refunded. Includes the Refunded Bonds.

(2) Does not include debt service on the \$400,000,000 Extendable Commercial Paper Bonds (“ECP Bonds”) program for the Authority’s Denton Creek Regional Wastewater System (“DCRWS”). The ECP Bonds are secured by and payable from a first lien on the Net Revenues of DCRWS created in the resolution authorizing their issuance; provided that the pledge of Net Revenues securing the ECP Bonds is expressly made junior and subordinate to the pledge of Net Revenues securing First Lien Bonds of DCRWS as described herein. The ECP Bonds are and shall be secured by and payable only from the Net Revenues of DCRWS, from the proceeds from the sale of ECP Bonds to refinance maturing ECP Bonds (i.e., “roll”) and the proceeds of Refunding Bonds to be issued by the Authority.

(3) Does not include debt service on the \$250,000,000 Extendable Commercial Paper Bonds (“ECP Bonds”) program for the Authority’s Red Oak Creek System (“ROCS”). The ECP Bonds are secured by and payable from a first lien on the Net Revenues of ROCS created in the resolution authorizing their issuance; provided that the pledge of Net Revenues securing the ECP Bonds is expressly made junior and subordinate to the pledge of Net Revenues securing First Lien Bonds of ROCS as described herein. The ECP Bonds are and shall be secured by and payable only from the Net Revenues of ROCS, from the proceeds from the sale of ECP Bonds to refinance maturing ECP Bonds (i.e., “roll”) and the proceeds of Refunding Bonds to be issued by the Authority.

(4) Does not include debt service on the \$250,000,000 Extendable Commercial Paper Bonds (“ECP Bonds”) program for the Authority’s Ten Mile Creek Regional Wastewater System (“TMCRWS”). The ECP Bonds are secured by and payable from a first lien on the Net Revenues of TMCRWS created in the resolution authorizing their issuance; provided that the pledge of Net Revenues securing the ECP Bonds is expressly made junior and subordinate to the pledge of Net Revenues securing First Lien Bonds of TMCRWS as described herein. The ECP Bonds are and shall be secured by and payable only from the Net Revenues of TMCRWS, from the proceeds from the sale of ECP Bonds to refinance maturing ECP Bonds (i.e., “roll”) and the proceeds of Refunding Bonds to be issued by the Authority.

(5) Does not include debt service on the \$250,000,000 Extendable Commercial Paper Bonds (“ECP Bonds”) program for the Authority’s Mountain Creek Regional Wastewater System (“MCRWS”). The ECP Bonds are secured by and payable from a first lien on the Net Revenues of MCRWS created in the resolution authorizing their issuance; provided that the pledge of Net Revenues securing the ECP Bonds is expressly made junior and subordinate to the pledge of Net Revenues securing First Lien Bonds of MCRWS as described herein. The ECP Bonds are and shall be secured by and payable only from the Net Revenues of MCRWS, from the proceeds from the sale of ECP Bonds to refinance maturing ECP Bonds (i.e., “roll”) and the proceeds of Refunding Bonds to be issued by the Authority.

(6) The Authority is scheduled to issue Denton Creek Regional Wastewater Treatment System Revenue Refunding Bonds, Series 2026 on March 26, 2026, which are scheduled to be delivered on April 16, 2026.

(7) Includes the Authority’s portion of common capital costs owed to the City of Arlington through an Interlocal Agreement to use the Lake Arlington Raw Water Pump Station. The obligation will fully mature in 2041.

**CONDENSED STATEMENT OF OPERATIONS/TARRANT COUNTY WATER PROJECT ENTERPRISE FUND**

<u>Operating Revenues</u>	Fiscal Year Ended November 30,				
	<u>2025 <sup>(1)</sup></u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Water Sales Contract Charges	\$ 55,763,290	\$ 54,571,926	\$ 46,797,701	\$ 39,623,212	\$ 36,722,214
Miscellaneous/Other Income	224,804	45,714	54,933	46,551	(2,749)
Investment Income	<u>7,299,595</u>	<u>7,615,307</u>	<u>4,277,396</u>	<u>(31,050)</u>	<u>27,772</u>
Total Revenues	\$ 63,287,689	\$ 62,232,947	\$ 51,130,030	\$ 39,638,713	\$ 36,747,237
Operating Expenses	\$ 30,259,859	\$ 30,109,619	\$ 27,324,346	\$ 24,113,248	\$ 21,976,305
Net Revenue Available	\$ 33,027,830	\$ 32,123,328	\$ 23,805,684	\$ 15,525,465	\$ 14,770,932

(1) Preliminary, subject to change.

**CITY OF MANSFIELD, TEXAS**  
**ALL OF THE FOLLOWING INFORMATION PROVIDED BY THE CITY OF MANSFIELD**

**TEN LARGEST WATER CUSTOMERS (BASED ON GALLONS CONSUMED) <sup>(1)</sup>**

Customer	2025 Water Usage	% of Total Water Usage	Water Revenue	Percent of Water Revenues
Johnson County	1,652,857,000	41.94%	\$ 6,048,543	22.27%
City of Mansfield	151,169,870	3.84%	714,118	2.63%
City of Grand Prairie	140,905,000	3.58%	372,626	1.37%
Mansfield ISD	110,599,390	2.81%	976,785	3.60%
Walnut Creek Country Club	77,744,431	1.97%	125,877	0.46%
Mansfield National Golf Club	62,312,710	1.58%	86,892	0.32%
Southwest-Dallas	46,879,060	1.19%	222,836	0.82%
Mid America Apts LP	41,387,780	1.05%	189,931	0.70%
Breezy Oaks Mobile Home Community	23,851,000	0.61%	117,211	0.43%
Evolv AL LP	23,481,970	0.60%	116,417	0.43%
Total	<u>2,331,188,211</u>	<u>59.15%</u>	<u>\$ 8,971,236</u>	<u>33.03%</u>

(1) Golf courses and gas companies purchase non-potable water and they pay a discounted rate for non-potable water. As of September 30, 2025.

**MONTHLY WATER RATES**

Meter Size	Current Rates Effective as of October 2025	
Residential < 2,000 gallons	\$7.68	
3/4" & 5/8"	\$22.92	
1"	\$56.78	
1 1/2"	\$113.20	
2"	\$180.91	
3"	\$361.47	
4"	\$621.03	
6"	\$1,264.27	
Volumetric Rate per 1,000 Gallons Water (Effective October 2025)		
	Industrial	Residential / Commercial
First 2,000 Gallons	\$0.00	\$0.00
Next 30,000 Gallons	\$2.79	\$3.47
Over 32,000 Gallons	\$3.44	\$4.33

**CONDENSED STATEMENT OF OPERATIONS**

	Fiscal Year Ended September 30,				
	2025 <sup>(1)</sup>	2024	2023	2022	2021
<u>Revenues</u>					
Water Service	\$ 29,538,085	\$ 29,301,428	\$ 29,013,694	\$ 27,321,655	\$ 21,938,151
Sewer Service	18,954,283	18,251,610	16,536,685	15,180,682	13,364,600
Charges for Services	390,666	780,824	843,633	1,510,957	1,014,403
Interest Earnings	4,009,430	3,867,097	1,704,805	197,490	9,818
Impact Fees	4,820,460	5,458,800	3,126,972	5,817,750	5,881,597
Total Revenues	\$ 57,712,924	\$ 57,659,759	\$ 51,225,789	\$ 50,028,534	\$ 42,208,569
<u>Expenses</u>					
Costs of Sales and services	\$ 30,711,418	\$ 31,457,326	\$ 27,637,321	\$ 23,742,785	\$ 21,323,874
Administration	431,342	256,271	2,812,115	1,849,963	2,792,112
Total Expenses	\$ 31,142,760	\$ 31,713,597	\$ 30,449,436	\$ 25,592,748	\$ 24,115,986
Net Available for Debt Service	\$ 26,570,164	\$ 25,946,162	\$ 20,776,353	\$ 24,435,786	\$ 18,092,583
Water Customers	28,012	27,364	26,057	25,421	24,346
Sewer Customers	24,507	25,597	23,145	22,006	21,278

(1) Preliminary information provided by City Staff.

**COVERAGE AND FUND BALANCES**

Average Annual Principal and Interest Requirements, 2026-2044	\$ 4,608,384
Coverage of Average Requirements by 9/30/25 Net Available	5.77x
Maximum Principal and Interest Requirements, 2027	\$ 7,311,200
Coverage of Maximum Requirements by 9/30/25 Net Available	3.63x
Waterworks and Sewer System Bonds Outstanding, 2/1/26	\$ 59,820,000
Water and Sewer Sinking and Reserve Fund, 2/1/26	\$ 3,751,932

**APPENDIX B**

TARRANT REGIONAL WATER DISTRICT,  
A WATER CONTROL AND IMPROVEMENT DISTRICT

AUDITED FINANCIAL STATEMENTS

For the Year Ended September 30, 2025

The information contained in this Appendix consists of the Tarrant Regional Water District, A Water Control and Improvement District Audited Financial Statements for the Year Ended September 30, 2025.

Deloitte & Touche LLP, the District's Independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Deloitte & Touche LLP also has not performed any procedures relating to this Official Statement.

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Independent Auditor's Report

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

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Tarrant Regional Water District (the "District"), as of and for the year ended September 30, 2025, 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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of September 30, 2025, 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). 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 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, 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 Revenues, Expenditures and Changes in Fund Balance – Budget to Actual - General Fund, Schedule of Changes in Net Other Post-Employment Benefits Liability and Related Ratios, Schedule of Investment Returns in Other Post Employment Benefits, and Schedule of Contributions in Other Post Employment Benefits 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.

*Deloitte & Touche LLP*

January 6, 2026

# **TARRANT REGIONAL WATER DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2025**

This section of the District's annual comprehensive financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended September 30, 2025. Please read this analysis in conjunction with the District's audited financial statements, which follow this discussion.

### **FINANCIAL HIGHLIGHTS**

#### **NET POSITION**

The assets and deferred outflows of the District exceed its liabilities and deferred inflows at the close of the most recent fiscal year by \$1.7 billion (net position). Of this amount, \$384.7 million (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.

At the end of the current fiscal year: Governmental activities total net position increased by \$21.1 million mainly due to oil and gas revenues and investment income, as well as lower than budgeted expenses. Business-Type Activities total net position increased by \$58.5 million mainly due to revenues from customer water sales used to pay down debt as well as payments for non-debt related capital.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, presented in a manner similar to that of a private-sector business. Both the Statement of Net Position and the Statement of Activities distinguish between the two functions of the District. The government-wide financial statements can be found beginning on page 34 of this report.

## **Statement of Net Position**

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

## **Statement of Activities**

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

Property taxes, oil and gas royalties, and inter-governmental revenues support the governmental activities. These activities include flood control, floodway maintenance and improvements, recreation, and general government administration. The business-type activities of the District are intended to recover all or a significant portion of their costs through user fees and charges. The District's business-type activity is supplying raw water to municipalities.

## **Fund Financial Statements**

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

## **Governmental Funds**

Governmental funds are used to account for the same functions shown in the governmental activities on the Statement of Activities mentioned above. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows and the expending of available resources, as well as on balances of resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliations to facilitate this comparison between governmental funds and governmental activities. The District maintains three governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Capital Projects Fund which are considered to be major funds. The General

Fund accounts for the flood protection and recreation activities, and the Capital Projects Fund accounts for the activities for the Central City Flood Control Capital Project. The third fund, Debt Service Fund, is considered to be a nonmajor fund.

### **Proprietary Funds**

Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District has only one proprietary fund which accounts for the raw water system, its repairs, and its improvements.

### **Fiduciary Funds**

Fiduciary Funds account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. Fiduciary Funds meet all of the following criteria:

- 1) The assets associated with the fiduciary activity are controlled by the government.
- 2) The assets associated with the fiduciary activity are not derived either solely from the government's own-source revenues or from government mandated non-exchange transactions or voluntary non-exchange transactions.
- 3) The assets associated with the fiduciary activity are either:
  - a) administered through a trust in which the government itself is not a beneficiary, dedicated to providing benefits to recipients in accordance with the benefit terms, and legally protected from the creditors of the government
  - b) for the benefit of individuals and the government does not have administration involvement with the assets or direct financial involvement with the assets and the assets are not derived from the government's provision of goods or services to those individuals
  - c) for the benefit of organizations or other governments that are not part of the financial reporting entity and the assets are not derived from the government's provision of goods or services to those organizations or other governments

The District's only Fiduciary Fund is the Other Post Employee Benefits Trust Fund which holds assets to be used for the future payments of benefits offered through the District's post-employment healthcare benefit plan.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 47 of this report.

## FINANCIAL ANALYSIS: GOVERNMENT-WIDE STATEMENTS

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets and deferred outflows exceed liabilities and deferred inflows, creating a positive net position of \$1.7 billion at the close of fiscal year 2025, an increase of \$79.6 million. A majority of the net position balance is in net investment in capital assets of \$1.2 billion. The District uses these assets to support the public it serves, but these assets are not available to use towards future costs.

### CONDENSED SCHEDULE OF NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2024	2025	2024	2025	2024	2025
Current and other assets	\$ 416,430,445	\$ 470,040,365	\$ 632,605,190	\$ 950,533,157	\$1,049,035,635	\$1,420,573,522
Capital assets	387,785,104	391,375,203	2,319,115,179	2,429,493,861	2,706,900,283	2,820,869,064
<b>Total Assets</b>	<b>804,215,549</b>	<b>861,415,568</b>	<b>2,951,720,369</b>	<b>3,380,027,018</b>	<b>3,755,935,918</b>	<b>4,241,442,586</b>
Total Deferred Outflows of Resources	141,898	46,280	37,117,720	33,681,069	37,259,618	33,727,349
Current liabilities	22,889,835	9,564,662	177,033,315	204,122,793	199,923,150	213,687,455
Long-term liabilities	62,524,568	111,038,158	1,889,823,928	2,229,107,516	1,952,348,496	2,340,145,674
<b>Total Liabilities</b>	<b>85,414,403</b>	<b>120,602,820</b>	<b>2,066,857,243</b>	<b>2,433,230,309</b>	<b>2,152,271,646</b>	<b>2,553,833,129</b>
Total Deferred Inflows of Resources	3,086,745	3,904,081	8,611,799	8,561,571	11,698,544	12,465,652
Net position						
Net investment in capital assets	384,963,535	390,540,299	746,035,763	792,833,258	1,130,999,298	1,183,373,557
Restricted	130,793	247,552	126,723,165	140,548,592	126,853,958	140,796,144
Unrestricted	330,761,971	346,167,096	40,610,119	38,534,357	371,372,090	384,701,453
<b>Total Net Position</b>	<b><u>\$ 715,856,299</u></b>	<b><u>\$ 736,954,947</u></b>	<b><u>\$ 913,369,047</u></b>	<b><u>\$ 971,916,207</u></b>	<b><u>\$1,629,225,346</u></b>	<b><u>\$1,708,871,154</u></b>

The increase in unrestricted net position for governmental activities is primarily due to revenues received from property taxes, interest income, oil and gas, and the District's recreation programs, combined with lower-than-budgeted expenses. Assets and liabilities, increased mainly due to the issuance of \$50 million in general obligation (GO) bonds. This is the second GO issuance, bringing the total issued to \$100 million of the \$250 million approved by voters for the Central City Flood Control Project.

For business-type activities, both the current and other assets and long-term liabilities increased largely due to the 2025 bond issuance of \$400 million. The increase in capital assets is primarily due to the continued construction on the IPL Project.

## CONDENSED SCHEDULE OF ACTIVITIES

	Governmental Activities		Business-Type Activities		Total	
	2024	2025	2024	2025	2024	2025
Revenues:						
Program Revenues						
Charges for services	\$ 7,697,243	\$ 7,155,189	\$ 185,547,364	\$ 213,882,101	\$ 193,244,607	\$ 221,037,290
Operating Grants and Contributions	38,456,021	29,537,830	2,303,378	1,123,521	40,759,399	30,661,351
Capital Grants and Contributions	2,593,742	3,688,444	250,000	1,419	2,843,742	3,689,863
Total Program Revenues	48,747,006	40,381,463	188,100,742	215,007,041	236,847,748	255,388,504
General Revenues						
Property tax revenues	29,117,031	30,688,775			29,117,031	30,688,775
Investment income	8,396,448	8,462,057	31,833,323	33,735,452	40,229,771	42,197,509
Gain on extinguishment of debt			7,061,189		7,061,189	—
Other income	151,025	140,246	93,549	276,134	244,574	416,380
Total Revenues	86,411,510	79,672,541	227,088,803	249,018,627	313,500,313	328,691,168
Expenses						
Flood protection	63,699,185	58,573,893			63,699,185	58,573,893
Water supply			175,148,889	190,471,467	175,148,889	190,471,467
Total Expenses	63,699,185	58,573,893	175,148,889	190,471,467	238,848,074	249,045,360
Changes in Net Position	22,712,325	21,098,648	51,939,914	58,547,160	74,652,239	79,645,808
Net Position - Beginning of year	693,143,974	715,856,299	861,429,133	913,369,047	1,554,573,107	1,629,225,346
Net Position - Ending of year	\$ 715,856,299	\$ 736,954,947	\$ 913,369,047	\$ 971,916,207	\$ 1,629,225,346	\$ 1,708,871,154

The District's had a positive change in net position of \$79.6 million, split between \$21.1 million in governmental activities, and \$58.5 million in business-type activities.

For governmental activities the operating grants and contributions, consists primarily of repayment of City of Fort Worth (COFW) actuals for the Central City Flood Control Project. In fiscal year 2025, COFW spent less than they did in fiscal year 2024 (\$29.4 million in fiscal year 2025 compared to \$38.4 million in fiscal year 2024).

The increase in net position for business-type activities is mainly due to the increased water sales (charges for services) which funds the business-type activities.

## FINANCIAL ANALYSIS: CAPITAL ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2024	2025	2024	2025	2024	2025
Nondepreciable						
Land	\$ 279,972,869	\$ 280,675,541	\$ 198,822,862	\$ 198,930,528	\$ 478,795,731	\$ 479,606,069
Construction in progress	79,664,417	83,812,539	408,128,130	555,100,449	487,792,547	638,912,988
<b>Total nondepreciable assets</b>	<b>359,637,286</b>	<b>364,488,080</b>	<b>606,950,992</b>	<b>754,030,977</b>	<b>966,588,278</b>	<b>1,118,519,057</b>
Depreciable/Amortizable						
Dams and spillways	3,070,461	3,070,461	234,543,120	234,543,120	237,613,581	237,613,581
Pipeline			1,739,664,692	1,741,211,313	1,739,664,692	1,741,211,313
Wetlands			56,160,860	56,160,860	56,160,860	56,160,860
Buildings	50,328,983	51,301,935	7,854,201	9,452,005	58,183,184	60,753,940
Technology Infrastructure			3,865,282	3,865,282	3,865,282	3,865,282
Machinery and equipment	13,182,569	14,019,013	14,588,066	17,706,477	27,770,635	31,725,490
Flood control	10,569,192	10,569,192			10,569,192	10,569,192
Other project costs			193,072,352	193,072,352	193,072,352	193,072,352
Intangibles			3,935,906	3,935,906	3,935,906	3,935,906
Right-to-use leases	740,774	656,840			740,774	656,840
Right-to-use subscriptions		753,299		3,211,434	—	3,964,733
<b>Total depreciable &amp; amortizable assets</b>	<b>77,891,979</b>	<b>80,370,740</b>	<b>2,253,684,479</b>	<b>2,263,158,749</b>	<b>2,331,576,458</b>	<b>2,343,529,489</b>
Less						
Accumulated depreciation/amortization	(49,744,161)	(53,483,617)	(541,520,292)	(587,695,865)	(591,264,453)	(641,179,482)
<b>Total depreciable/amortizable assets</b>	<b>28,147,818</b>	<b>26,887,123</b>	<b>1,712,164,187</b>	<b>1,675,462,884</b>	<b>1,740,312,005</b>	<b>1,702,350,007</b>
<b>Total</b>	<b>\$ 387,785,104</b>	<b>\$ 391,375,203</b>	<b>\$ 2,319,115,179</b>	<b>\$ 2,429,493,861</b>	<b>\$ 2,706,900,283</b>	<b>\$ 2,820,869,064</b>

The District's capital assets for its governmental and business-type activities as of September 30, 2025 were \$2.8 billion. Capital assets include: dams, spillways and water transmission facilities, as well as land, roads, buildings, technology infrastructure, machinery, equipment, construction costs, intangibles, and right-to-use assets. More information on capital assets can be found in Note 5 in the Notes to the Financial Statements.

The majority of the governmental activity was in construction-in-progress (CIP), \$4.3 million was spent related to the Central City Flood Control Project. The Ten Mile Trailhead project was completed during the fiscal year with a cost of \$827 thousand. Other depreciable and amortizable capital assets increased by a total of \$1.7 million, primarily driven by the purchase of trucks, heavy equipment, and servers. This increase also includes \$753 thousand in recognized assets for right-to-use leases and right-to-use subscriptions.

The increase in business-type capital assets was mainly due to CIP costs, alongside additions to facilities, equipment, and right-to-use subscription assets. CIP costs totaling \$149.1 million were primarily for the Integrated Pipeline Project (Phase 3), Kennedale Balancing Reservoir, Marty Leonard Wetlands, and Cedar Creek pipeline replacement. Pump station and building upgrades totaling \$2.9 million were also completed and moved during the fiscal year. The machinery and equipment purchases of \$3.1 million were primarily made up of IT infrastructure, 16 trucks, and fuel system upgrades. Additionally, \$3.2 million right-to-use subscriptions were recognized.

## FINANCIAL ANALYSIS: LONG-TERM LIABILITIES OUTSTANDING

	Governmental Activities		Business-Type Activities		Total	
	2024	2025	2024	2025	2024	2025
Other liabilities	\$	\$	\$	\$ 4,128,206	\$	\$ 4,128,206
Note payable	2,450,000	2,100,000			2,450,000	2,100,000
General obligation bond payable	50,608,429	100,812,951			50,608,429	100,812,951
Revenue bonds payable			1,883,406,244	2,220,395,419	1,883,406,244	2,220,395,419
Leases/subscriptions payable	165,739	156,396		630,134	165,739	786,530
Compensated absences	1,095,417	983,977	3,468,819	3,294,184	4,564,236	4,278,161
Pollution remediation obligations	5,952,500	5,952,500			5,952,500	5,952,500
Post employment benefits payable	2,252,483	1,032,334	2,948,865	659,573	5,201,348	1,691,907
	<u>\$ 62,524,568</u>	<u>\$ 111,038,158</u>	<u>\$ 1,889,823,928</u>	<u>\$ 2,229,107,516</u>	<u>\$ 1,952,348,496</u>	<u>\$ 2,340,145,674</u>

The overall increase in long-term liabilities by \$387.8 million was primarily driven by bond issuances in both governmental and business-type activities. In the governmental activities, the District issued the 2025 Unlimited Tax Bond for \$50 million in proceeds for the Central City Flood Control Project. In the business-type activities, the District issued the 2025 Contract Revenue Bonds (City of Dallas Project) for \$400 million for the Dallas Project Component of the Integrated Pipeline Project.

## **FINANCIAL ANALYSIS: FUND STATEMENTS**

### **General Fund**

As of the end of the 2025 fiscal year, the District's General Fund reported an ending fund balance of \$179.8 million. This total includes nonspendable fund balance in the amount of \$2.0 million (which includes prepaid items, inventory of supplies and inventory held for sale), \$6.2 million restricted for environmental cleanup on a District property, \$28.0 million assigned for the Reserve Policy, \$133.5 million assigned for the Contingency Fund for future board designated projects, and \$10.1 million in an unassigned fund balance.

The General Fund includes floodway support and maintenance, flood control efforts, recreation, and general administrative costs. Tax revenues, oil and gas royalties, and investment income are the major sources of revenue. General Fund revenues cannot be used to support Enterprise Fund functions.

### **Capital Projects Fund**

As of the end of the 2025 fiscal year, the District's Capital Projects Fund reported an ending fund balance of \$30.2 million. This total includes nonspendable fund balance in the amount of \$9 thousand (which includes prepaid items), and \$30.2 million restricted for the Central City Flood Control Project.

The Capital Project Fund includes public improvements of floodway protection and related infrastructure. Investment income and general obligation bond proceeds are the major sources of revenue. Capital Projects Fund revenues cannot be used to support Enterprise Fund functions.

### **Debt Service Fund**

As of the end of the 2025 fiscal year, the District's Debt Service Fund reported an ending assigned fund balance of \$9 thousand.

The Debt Service Fund includes issuance of debt as needed for the Central City Flood Control Project. Proceeds from the general obligation bonds to pay bond issuance expenses are the major source of financing in fiscal year 2025. Debt Service revenues cannot be used to support Enterprise Fund functions.

**Enterprise Fund**

The District's Enterprise Fund provides the same type of information found in the government-wide financial statements for business type activities (found on page 34) and has an end of year net position of \$971.9 million. This includes a net investment in capital assets of \$792.8 million, restricted net position for debt service of \$140.5 million, and an unrestricted net position of \$38.6 million. The Enterprise fund includes the current water supply infrastructure, support and maintenance for the existing system, as well as water conservation efforts. Enterprise Fund revenues cannot be used to support governmental fund functions.

**Fiduciary Fund**

The District's Fiduciary Fund is the Other Post Employee Benefit Trust Fund which holds assets to be used for the future payments of benefits offered through the District's post-employment healthcare benefit plan. The Fiduciary Fund is not included in the government-wide financial statements, and has an end of year net position of \$28.1 million.

## **BUDGETARY HIGHLIGHTS**

### **GENERAL FUND**

The 2025 budgeted revenues for the General Fund were \$48.0 million and the year ended with actual revenues of \$52.8 million. The increase in revenues was mostly due to higher interest rates than expected.

The 2025 budgeted expenditures for the General Fund were \$75.1 million and the year ended with actual expenditures of \$30.3 million. The deficiency in expenditures was due in large part to the ongoing flood control project to construct canals that will function as flood control and stormwater transmission. These large projects generally cannot be completed in an annual operating budget and can span multiple years.

The District approved \$46.9 million in expenditures for fiscal year 2026.

The approved property tax rate is \$0.0265 per \$100 valuation. This is a slight decrease from tax year 2024, fiscal year 2025.

### **ENTERPRISE FUND**

The 2025 budgeted expenses for the Revenue Fund were \$186.6 million and the year ended with actual expenses of \$174.5 million. The deficiency in expenses was mainly due to lower than budgeted support services costs including personnel and professional services.

The fiscal year 2026 Revenue Fund Budget, prepared in accordance with the Tarrant Regional Water Supply Facilities Amendatory Contract, totals \$199.7 million. The total budget includes administrative expenses, operating and maintenance expenses, capital expenditures, and debt service that provides for principal and interest payments to retire outstanding bonds.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Tarrant Regional Water District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed as follows:

Sandra Newby  
Chief Financial Officer  
800 East Northside Drive  
Fort Worth, Texas 76102

TARRANT REGIONAL WATER DISTRICT

STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 124,071,037	\$ 534,464,004	\$ 658,535,041
Investments	74,978,806	395,706,945	470,685,751
Receivables			
Accounts, oil and gas royalties, and other	611,826	4,303,812	4,915,638
Taxes-net of allowance	238,011		238,011
Accrued interest	615,542	3,678,215	4,293,757
Long-term receivable	249,231,971	19,300,300	268,532,271
Internal balances	9,553,764	(9,553,764)	
Prepaid items	1,607,167	2,612,860	4,220,027
Inventory-at cost	48,817		48,817
Inventory held for sale	349,494		349,494
Lease receivable			
Due within one year	252,042	20,647	272,689
Accrued interest	38,393	138	38,531
Due in more than one year	2,252,127		2,252,127
Deposits held by others	6,191,368		6,191,368
Land	280,675,541	198,930,528	479,606,069
Construction in progress	83,812,539	555,100,449	638,912,988
Depreciable capital assets, net of accumulated depreciation	26,182,889	1,670,934,758	1,697,117,647
Intangible assets, net of accumulated amortization		1,967,953	1,967,953
Right-to-use leases/subscriptions, net of accumulated amortization	704,234	2,560,173	3,264,407
<b>Total Assets</b>	<b>861,415,568</b>	<b>3,380,027,018</b>	<b>4,241,442,586</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred bond refunding -loss		32,772,932	32,772,932
Deferred outflow from OPEB	46,280	908,137	954,417
<b>Total Deferred Outflows of Resources</b>	<b>46,280</b>	<b>33,681,069</b>	<b>33,727,349</b>
<b>LIABILITIES</b>			
Accounts payable	6,311,237	87,772,934	94,084,171
Other liabilities			
Due within one year	1,600,146	30,327,487	31,927,633
Due in more than one year		4,128,206	4,128,206
Note payable			
Due within one year	350,000		350,000
Due in more than one year	2,100,000		2,100,000
General obligation bonds payable, net of premium			
Due within one year	130,000		130,000
Accrued interest	367,413		367,413
Due in more than one year	100,812,951		100,812,951
Revenue bonds payable, net of premium			
Due within one year		76,980,000	76,980,000
Payable from restricted assets - accrued bond interest payable		6,529,661	6,529,661
Due in more than one year		2,220,395,419	2,220,395,419
Leases, subscriptions payable			
Due within one year	266,717	700,242	966,959
Accrued interest	8,618	36,342	44,960
Due in more than one year	156,396	630,134	786,530
Compensated absences			
Due within one year	530,531	1,776,127	2,306,658
Due in more than one year	983,977	3,294,184	4,278,161
Long-term payables-due in more than one year			
Pollution remediation obligations	5,952,500		5,952,500
Post employment benefits payable	1,032,334	659,573	1,691,907
<b>Total Liabilities</b>	<b>120,602,820</b>	<b>2,433,230,309</b>	<b>2,553,833,129</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred bond refunding -gain		5,948,950	5,948,950
Deferred inflow from OPEB	1,430,604	2,570,461	4,001,065
Deferred inflow from leases	2,473,477	42,160	2,515,637
<b>Total Deferred Inflows of Resources</b>	<b>3,904,081</b>	<b>8,561,571</b>	<b>12,465,652</b>
<b>NET POSITION</b>			
Net investment in capital assets	390,540,299	792,833,258	1,183,373,557
Restricted for			
Capital projects	238,868		238,868
Debt service	8,684	140,548,592	140,557,276
Unrestricted	346,167,096	38,534,357	384,701,453
<b>Total Net Position</b>	<b>\$ 736,954,947</b>	<b>\$ 971,916,207</b>	<b>\$ 1,708,871,154</b>

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

TARRANT REGIONAL WATER DISTRICT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business Type Activities	Total
<b>PRIMARY GOVERNMENT</b>							
Governmental activities							
Flood protection	\$ 58,573,893	\$ 7,155,189	\$ 29,537,830	\$ 3,688,444	\$ (18,192,430)		\$ (18,192,430)
Total governmental activities	<u>58,573,893</u>	<u>7,155,189</u>	<u>29,537,830</u>	<u>3,688,444</u>	<u>(18,192,430)</u>		<u>(18,192,430)</u>
Business type activities-Water supply	190,471,467	213,882,101	1,123,521	1,419		24,535,574	24,535,574
	<u>\$ 249,045,360</u>	<u>\$ 221,037,290</u>	<u>\$ 30,661,351</u>	<u>\$ 3,689,863</u>		<u>24,535,574</u>	<u>6,343,144</u>
<b>GENERAL REVENUES</b>							
Property taxes					30,688,775		30,688,775
Investment income					8,462,057	33,735,452	42,197,509
Gain on disposal of assets					56,586		56,586
Miscellaneous					83,660	276,134	359,794
Total general revenues					<u>39,291,078</u>	<u>34,011,586</u>	<u>73,302,664</u>
CHANGES IN NET POSITION					21,098,648	58,547,160	79,645,808
NET POSITION - Beginning of year					<u>715,856,299</u>	<u>913,369,047</u>	<u>1,629,225,346</u>
NET POSITION - End of year					<u>\$ 736,954,947</u>	<u>\$ 971,916,207</u>	<u>\$ 1,708,871,154</u>

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

**TARRANT REGIONAL WATER DISTRICT**

**BALANCE SHEET—GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2025**

	General	Capital Projects	Debt Service (Nonmajor)	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 90,312,005	\$ 33,750,348	\$ 8,684	\$ 124,071,037
Investments	74,978,806			74,978,806
Receivables				
Accounts, oil and gas royalties and other	611,826			611,826
Taxes—net of allowance	238,011			238,011
Accrued interest	615,542			615,542
Due from Capital Projects Fund	32,736			32,736
Due from Enterprise Fund	9,553,764			9,553,764
Prepaid items	1,598,572	8,595		1,607,167
Inventory of supplies—at cost	48,817			48,817
Inventory held for sale	349,494			349,494
Lease receivable				
Due within one year	252,042			252,042
Accrued interest	38,393			38,393
Due in more than one year	2,252,127			2,252,127
Deposits held by others	6,191,368			6,191,368
Long-term receivable	249,231,971			249,231,971
Total assets	<u>436,305,474</u>	<u>33,758,943</u>	<u>8,684</u>	<u>470,073,101</u>
<b>LIABILITIES</b>				
Accounts payable	2,797,401	3,513,836		6,311,237
Due to General Fund		32,736		32,736
Other liabilities	1,600,146			1,600,146
Total liabilities	<u>4,397,547</u>	<u>3,546,572</u>	<u>—</u>	<u>7,944,119</u>
<b>DEFERRED INFLOWS</b>				
Unavailable revenue	249,644,483			249,644,483
Deferred inflows from leases	2,473,477			2,473,477
Total deferred inflows	<u>252,117,960</u>	<u>—</u>	<u>—</u>	<u>252,117,960</u>
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid items	1,598,572	8,595		1,607,167
Inventory of supplies - at cost	48,817			48,817
Inventory held for sale	349,494			349,494
Restricted for Capital Projects	6,191,368			6,191,368
Restricted for Central City Flood Control Project		30,203,776		30,203,776
Assigned for General Fund Reserve Policy	28,000,000			28,000,000
Assigned for Contingency Fund	133,458,411			133,458,411
Assigned for Debt Service			8,684	8,684
Unassigned	10,143,305	—		10,143,305
Total fund balances	<u>179,789,967</u>	<u>30,212,371</u>	<u>8,684</u>	<u>210,011,022</u>
<b>TOTAL</b>	<u>\$ 436,305,474</u>	<u>\$ 33,758,943</u>	<u>\$ 8,684</u>	<u>\$ 470,073,101</u>

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

**TARRANT REGIONAL WATER DISTRICT**

**RECONCILIATION OF BALANCE SHEET-GOVERNMENTAL FUNDS TO GOVERNMENT-WIDE STATEMENT OF NET POSITION**

**SEPTEMBER 30, 2025**

TOTAL FUND BALANCES -Governmental Funds \$ 210,011,022

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

Certain revenues and deferred outflows do not provide current financial resources and therefore are unavailable at the fund level

TIF Project contribution revenues	249,231,971
Property tax revenues	28,256
Oil and gas revenues	384,256
Deferred outflows-other post employment benefits	46,280

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

Governmental obligation bonds payable	(100,942,951)
Compensated absences	(1,514,508)
Pollution remediation obligations	(5,952,500)
Other post employment benefits payable	(1,032,334)
Deferred inflows-other post employment benefits	(1,430,604)
Lease/subscription payable	(423,113)
Other payables	(2,450,000)
Lease/subscription accrued interest	(8,618)
Governmental obligation bonds accrued interest	(367,413)

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

391,375,203

TOTAL NET POSITION - Governmental activities \$ 736,954,947

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

**TARRANT REGIONAL WATER DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE - GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	General	Capital Projects	Debt Service (Nonmajor)	Total
<b>REVENUES</b>				
Property taxes	\$ 30,684,996	\$	\$	\$ 30,684,996
Investment income	7,215,800	1,244,672	1,585	8,462,057
Contributions	7,663,479			7,663,479
Oil and gas royalties	4,908,156			4,908,156
Lease rentals	1,273,178			1,273,178
Other	1,014,932			1,014,932
Total revenues	<u>52,760,541</u>	<u>1,244,672</u>	<u>1,585</u>	<u>54,006,798</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
General and administrative	10,185,436	28,500	454,610	10,668,546
Personnel services	12,505,806			12,505,806
Retirement plan contribution	1,136,275			1,136,275
Contribution		29,403,022		29,403,022
Capital expenditures	5,121,731	2,291,758		7,413,489
<b>Debt service</b>				
Principal payments	449,089	122,082		571,171
Interest payments	3,631	2,217	2,033,948	2,039,796
Total expenditures	<u>29,401,968</u>	<u>31,847,579</u>	<u>2,488,558</u>	<u>63,738,105</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>23,358,573</u>	<u>(30,602,907)</u>	<u>(2,486,973)</u>	<u>(9,731,307)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In			2,033,306	2,033,306
Transfers out	(902,981)	(1,130,325)		(2,033,306)
Issuance of leases/subscriptions	411,153			411,153
Issuance of general obligation bonds		50,000,000	(230,000)	49,770,000
Premium on issuance of general obligation bonds			689,981	689,981
Total other financing sources (uses)	<u>(491,828)</u>	<u>48,869,675</u>	<u>2,493,287</u>	<u>50,871,134</u>
<b>CHANGE IN FUND BALANCE</b>	22,866,745	18,266,768	6,314	41,139,827
<b>FUND BALANCES - Beginning of year</b>	<u>156,923,222</u>	<u>11,945,603</u>	<u>2,370</u>	<u>168,871,195</u>
<b>FUND BALANCES - End of year</b>	<u>\$ 179,789,967</u>	<u>\$ 30,212,371</u>	<u>\$ 8,684</u>	<u>\$210,011,022</u>

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

**TARRANT REGIONAL WATER DISTRICT**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE—GOVERNMENTAL FUNDS TO GOVERNMENT WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2025**

CHANGE IN FUND BALANCE—General Fund \$ 41,139,827

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

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

Change in unavailable revenue-TIF	(3,840,227)
Change in unavailable property taxes	3,779
Change in unavailable oil and gas revenue	99,169
Change in other financing sources-leases/subscriptions	(411,153)
Change in other financing sources-premium on governmental obligation bonds	(689,981)
Change in other financing sources-governmental obligation bonds	(49,770,000)
Change in unavailable contributions	29,403,022

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

Change in paid leave	46,040
Change in post employment benefits	958,125
Change in interest expense on governmental obligation bonds	(76,804)
Change in debt service-principal payments	571,171
Change in debt service-interest payments	(8,353)

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

Amount by which Capital Outlays (\$3,573,055) exceeded depreciation (\$3,469,729)	103,326
Amount by which Capital Outlays for right-to-use leases/subscriptions (\$3,840,434) exceeded amortization expense (\$269,727)	3,570,707

CHANGE IN NET POSITION—Governmental activities \$ 21,098,648

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

**TARRANT REGIONAL WATER DISTRICT**

**STATEMENT OF NET POSITION—ENTERPRISE FUND**

**SEPTEMBER 30, 2025**

**ASSETS**

Current

Cash and cash equivalents	\$	76,145,961
Investments		13,026,083
Receivables		
Accounts and other		4,303,812
Accrued interest		45,010
Prepaid items		2,612,860
Lease receivable		
Current portion		20,647
Accrued interest		138
		<hr/>
Total current assets		96,154,511

Noncurrent

Cash and cash equivalents for bond projects		408,021,586
Investments held for bond projects		280,554,512
Accrued interest receivable for bond projects		3,176,143
Cash and cash equivalents restricted		6,901,616
Cash and cash equivalents for debt service		43,394,841
Investments for debt service		102,126,350
Accrued interest receivable for debt service		457,062
Long term receivable		19,300,300
Capital Assets		
Land		198,930,528
Construction in progress		555,100,449
Depreciable capital assets—net of accumulated depreciation		1,670,934,758
Intangible assets—net of accumulated amortization		1,967,953
Right-to-use subscriptions-net of accumulated amortization		2,560,173
		<hr/>
Total noncurrent assets		3,293,426,271
		<hr/>
Total assets		3,389,580,782

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred bond refunding-loss		32,772,932
Deferred outflow from OPEB		908,137
		<hr/>
Total deferred outflows of resources		33,681,069

(Continued)

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

**TARRANT REGIONAL WATER DISTRICT**

**STATEMENT OF NET POSITION—ENTERPRISE FUND**

**SEPTEMBER 30, 2025**

**LIABILITIES**

Current Liabilities

Accounts payable	\$ 49,424,074
Accounts payable restricted for customer contingency	5,801,616
Accounts payable for bond projects	32,547,244
Due to General Fund	9,553,764
Other liabilities	9,519,843
Other liabilities for bond projects	20,807,644
Revenue bonds payable	76,980,000
Payable from restricted assets—accrued bond interest payable	6,529,661
Subscriptions payable	700,242
Subscriptions accrued interest	36,342
Compensated absences	1,776,127

Total current liabilities	213,676,557
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Noncurrent Liabilities

Other liabilities	4,128,206
Revenue bonds payable-net of premium	2,220,395,419
Subscriptions payable	630,134
Compensated absences	3,294,184
Long-term post employment benefits	659,573

Total noncurrent liabilities	2,229,107,516
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Total liabilities	2,442,784,073
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**DEFERRED INFLOWS OF RESOURCES**

Deferred bond refunding-gain	5,948,950
Deferred inflow from OPEB	2,570,461
Deferred inflow from leases	42,160

Total deferred inflows of resources	8,561,571
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**NET POSITION**

Net investment in capital assets	792,833,258
Restricted for debt service	140,548,592
Unrestricted	38,534,357

<b>TOTAL NET POSITION</b>	<b>\$ 971,916,207</b>
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(Concluded)

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

**TARRANT REGIONAL WATER DISTRICT**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - ENTERPRISE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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OPERATING REVENUES	
Sale of water	\$ 156,347,960
Sale of system capacity	9,138,331
Contributions	1,123,521
Land lease rentals	622,506
Other	1,322,362
	<hr/>
Total operating revenues	168,554,680
OPERATING EXPENSES	
General and administrative	30,329,183
Personnel services	32,725,157
Retirement plan contribution	2,985,872
Utilities	13,222,580
Depreciation and amortization	46,175,573
	<hr/>
Total operating expenses	125,438,365
	<hr/>
OPERATING INCOME	43,116,315
NONOPERATING INCOME/(LOSS)	
Sale of system capacity restricted for debt service	46,727,076
Investment income	33,735,452
Interest expense	(65,033,102)
Capital grants	1,419
	<hr/>
Total net nonoperating revenues	15,430,845
	<hr/>
NET INCOME	58,547,160
NET POSITION - Beginning of year	913,369,047
	<hr/>
NET POSITION - End of year	\$ 971,916,207
	<hr/> <hr/>

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

**TARRANT REGIONAL WATER DISTRICT**

**STATEMENT OF CASH FLOWS—ENTERPRISE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from water customers	\$ 163,606,244
Contributions	1,123,521
Miscellaneous receipts	1,981,221
Payments to suppliers and contractors	(55,577,220)
Payments to employees for services	(37,342,272)
Receipts from General Fund	10,222,406
	<hr/>
Net cash provided by operating activities	84,013,900
	<hr/>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from the sale of revenue bonds	421,250,051
Principal paid on revenue bonds payable	(68,440,000)
Interest paid on revenue bonds and contract payable	(70,863,841)
Receipts from system capacity customer restricted for debt service	46,727,076
Acquisition and construction of capital assets	(140,677,114)
Proceeds from capital grant	1,419
Principal payment on leases/subscriptions	(422,435)
	<hr/>
Net cash provided by capital and related financing activities	187,575,156
	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of investments	(305,466,000)
Proceeds from sale and maturity of investments	60,630,000
Interest received on investments	30,524,034
	<hr/>
Net cash used for investing activities	(214,311,966)
	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	57,277,090
CASH AND CASH EQUIVALENTS - Beginning of year	477,186,914
	<hr/>
CASH AND CASH EQUIVALENTS - End of year	\$ 534,464,004
	<hr/> <hr/>

(Continued)

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

**TARRANT REGIONAL WATER DISTRICT**

**STATEMENT OF CASH FLOWS—ENTERPRISE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$	43,116,315
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation & amortization expense		46,175,573
Bond issuance cost considered financing activity		2,736,152
OPEB amortization of deferred inflows		(39,768)
Change in assets and liabilities		
Accounts and other receivables		(21,143,994)
Prepaid expenses		564,285
Accounts payable		4,346,974
Other liabilities		(372,568)
Due to (from) other funds - net		10,222,406
Compensated absences		128,575
OPEB liability		(1,720,050)
		<hr/>
Net cash provided by operating activities	\$	<u>84,013,900</u>

NONCASH ACTIVITIES

Record increase in accounts payable and other liabilities for bond projects of \$9,099,641 and \$5,024,689 respectively.

Record increase in fair value of investments and change in premium/discounts on investments to interest income of \$2,887,220 and (\$292,254) respectively.

Record Amortization of Gain/Loss of \$2,898,684.

Record decrease in Other Post Employment Benefits deferred outflow of resources of \$311,623 and increase in deferred inflow of resources of \$217,851 from the amortization of the deferred balances.

Record amortization of Deferred Inflow of Resources from Other Post Employment Benefits of \$39,768.

(Concluded)

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

**TARRANT REGIONAL WATER DISTRICT**

**STATEMENT OF FIDUCIARY NET POSITION**

**SEPTEMBER 30, 2025**

	<u>Other Post-Employment Benefits Trust Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 539,175
Equity Fund Investments	14,275,211
Fixed Income Fund Investments	13,332,081
Interest Receivable	<u>1,829</u>
 Total Assets	 <u>28,148,296</u>
 <b>NET POSITION</b>	
Restricted and held in trust for Other Post-Employment Benefits	 <u>28,148,296</u>
 <b>TOTAL FIDUCIARY NET POSITION</b>	 <u><u>\$ 28,148,296</u></u>

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

**TARRANT REGIONAL WATER DISTRICT**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	<u>Other Post-Employment Benefits Trust Fund</u>
ADDITIONS	
Employer Contributions	\$ 3,135,630
Net Appreciation in Fair Value of Investments	2,423,255
Total Additions	<u>5,558,885</u>
DEDUCTIONS	
Benefit Payments	541,887
Other Post Employment Benefits Plan Administrative Expense	105,458
Total Deductions	<u>647,345</u>
Net Increase in Fiduciary Net Position	4,911,540
Fiduciary Net Position - Beginning of Year	<u>23,236,756</u>
Fiduciary Net Position - End of Year	<u>\$ 28,148,296</u>

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

## TARRANT REGIONAL WATER DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2025

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Financial Reporting Entity** - The accounting policies of the Tarrant Regional Water District (the "District") conform to accounting principles generally accepted in the United States of America as applicable to governmental units and promulgated by the Governmental Accounting Standards Board ("GASB").

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

**Government-wide Financial Statements** - Government-wide financial statements consist of the statement of net position and the statement of activities. These statements report information on all of the activities of the District. Eliminations have been made to these statements to prevent double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary Funds are not included in the Government-wide Financial Statements.

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

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year which they are levied.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Fund-level Financial Statements** - The fund financial statements provide information about the District's individual funds, which are used to account for the District's various activities. Separate financial statements are provided for the governmental funds, proprietary funds, and fiduciary funds. Governmental funds present two major funds and one nonmajor fund as separate columns on the fund financial statements. The General Fund and the Capital Projects Fund (governmental funds) and the Enterprise Fund (a proprietary fund) are each classified as major funds. The Debt Service Fund (governmental fund) is classified as a nonmajor fund. The Fiduciary Fund (a fiduciary fund) is provided as a separate financial statement and it is classified as a nonmajor fund.

**Governmental Funds** - The General Fund is used to account for revenues and expenditures related to flood protection operations including floodway improvements and recreation activities. In fiscal year 2018, voters have approved the District to issue up to \$250 million in bonds to finance the remaining outstanding local share of the Central City Flood Control Project. As part of the \$250 million, the District created a \$150 million Extendable Commercial Paper Bond Program that provides efficient flexibility for the Central City Flood Control Project. During fiscal year 2025, the District issued an additional \$50 million in long-term debt for this project, bringing the total issued to \$100 million. The Capital Projects Fund was created to account for the Central City Flood Control Project and the Debt Service Fund was created to manage debt service.

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

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

The governmental funds report using the current financial resources measurement focus. The reported fund balance is considered a measure of "available spending resources" and the operating statement presents increases (revenues) and decreases (expenditures) in fund balance. Accordingly, it is said to present a summary of sources and uses of "available spendable resources" during a period.

**Proprietary Fund** - The Enterprise Fund, the only proprietary fund reported by the District, is used to account for revenues and expenses relating to maintenance and operation of the water supply system. Currently, the District has outstanding Construction and Improvement Water Revenue Bonds which provide funding for large infrastructure type projects. The District also has a \$400 million Extendable Commercial Paper Bond Program that provides efficient flexibility for those large projects. This program is separate from the Governmental Extendable Commercial Paper Bond Program.

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

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

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

Revenues and expenses for the District's Enterprise Fund are categorized as either operating or non-operating. For the District, the majority of operating revenues are from the sale of water. Operating expenses include general and administrative, personnel services, utilities, depreciation and amortization, and retirement plan contributions.

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

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

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

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

For purposes of the statement of cash flows, the Enterprise Fund considers all highly liquid (i.e. maturity date of three months or less from the date of purchase) deposits and investments (including restricted assets and the investments in public funds investment pools) to be cash equivalents.

**Lease Receivables** - The District is a lessor for several noncancellable leases consisting of one building and several land and equipment leases. The District recognized lease receivables and deferred inflows of resources in the government-wide and fund level financial statements. At the commencement of a lease, the District initially measures the lease receivables at the present value of payments expected to be received during the lease term. Subsequently, the lease receivables are reduced by the principal portion of lease payments received. The deferred inflows of resources is initially measured as the initial amount of the lease receivables, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources is recognized as revenue over the life of the lease term. Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The District uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivables is composed of fixed payments from the lessee. The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivables and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivables. Lease receivables and deferred inflows of resources are reported on the statement of net position.

**Long Term Receivables** - For Governmental Activities during the fiscal year 2025, the District made expenditures on behalf of the City of Fort Worth Tax Increment Reinvestment Zone #9 and 9A (TIF), a project partner in the Central City Flood Control Project under a Project Cost Funding Agreement between the District and the TIF. Under the agreement the District is advancing funds for the Central City Flood Control Project that would normally be paid by the TIF for costs related to the Project Plan.

The TIF currently does not have, and is not projected to have, timely funds to implement the Project Plan as contemplated by the current schedule approved by the United States Army Corps of Engineers (USACE). The TIF Board has authorized an agreement with the District dedicating revenue from the TIF Fund to cover the advances made by the District. The advances must be annually approved by the TIF Board and are repayable from future tax revenues of the TIF.

During fiscal year 2025, the District expended an additional \$33.0 million under the agreement bringing the total amount expended to \$327.1 million . As of the end of fiscal year 2025, the TIF had repaid \$77.9 million, including \$7.5 million collected in fiscal year 2025 bringing the net loan amount to \$249.2 million.

For Business-Type Activities during the fiscal year 2025, the District entered into an agreement with Oncor Electric Delivery Company LLC (Oncor) to build an electrical transmission line and metering substation for high voltage electric service to the Lake Palestine Pump Station for the IPL Project. As part of this agreement, the District paid Oncor the current projected cost of \$21.5 million, of which \$19.5 million will be refunded to the District less the contribution in aid of construction of \$200 thousand. A long term receivable was recorded for \$19.3 million which will be received after the required level of operation has been achieved (currently anticipated in fiscal year 2028). The long term receivable is an estimate and will be evaluated annually.

**Interfund Transactions** - Certain governmental fund expenditures are allocated to the Enterprise Fund. The allocation is based on time and effort for the benefit of the Enterprise Fund by General Fund employees. Refer to Note 11 for further detail about interfund transactions.

**Prepaid Items** - Certain payments to vendors reflect services that will occur throughout future accounting periods. These payments are recorded as prepaid items in both government-wide and fund financial statements and follow the consumption method, the expense is recognized proportionately over the periods that the service is provided.

**Inventory** - The District values inventory using weighted average as the cost basis. For inventory held for sale, lower of cost or market is used as the cost basis.

**Deposits Held by Others** - In September 2016 there was a conveyance of real estate made between Luminant Generation Company LLC (Luminant) and the District. As a requirement of the conveyance, \$5.5 million was deposited into a fund that was established by a Financial Assurance Agreement between the Texas Commission on Environmental Quality (TCEQ) and the District. The fund is held at the Texas Comptroller's Texas Treasury Safekeeping Trust Company (TTSTC) to ensure the completion of the TCEQ environmental requirements for the Luminant site. It was further agreed that the District could apply to TCEQ for a withdrawal of up to \$80 thousand per year for reimbursement of the actual costs of the prior year's post-closure care and maintenance related to the Luminant site for a period of 10 years. The fund earns interest and incurs fees and the balance as of September 30, 2025 is \$6.2 million.

**Capital Assets** - Capital assets, which include property, plant, equipment, construction in progress, infrastructure assets and intangible assets, are reported in the applicable governmental and business-type activities columns in the government-wide financial statements and in the fund financial

statements for the Enterprise Fund. The District capitalizes all machinery and equipment capital purchases greater than or equal to \$10 thousand and all other assets purchased which cost \$20 thousand or greater.

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

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

Communications	50 years
Dams and spillways	50 years
Flood control projects	50 years
Pipeline	50 years
Wetlands	50 years
Other project costs	50 years
Buildings	20 years
Technology infrastructure	10 years
Machinery and equipment	5 years
Leases	1 - 10 years

**Intangible Internally Developed Asset Management System** - The District worked with a consultant to create a system to manage our water supply assets through annual analysis that aligns practices with the District’s Strategic Plan, engages internal and external stakeholders, and provides for continuous improvements of asset management outcomes. The system created connects multiple software applications (Maximo, Power BI, Sharepoint, GIS, and Microsoft Excel) to allow for formalized condition assessments of assets to determine risk-based prioritization of assets to be repaired/ replaced through incorporation to an annual budgeting and Capital Improvement Program processes. The system analyzes the data and provides information in usable forms to make investment decisions on the basis of life cycle cost balanced with risk and impact on customer rates. The District is amortizing this intangible asset over 10 years, at which time the District expects to re-analyze the software connections and the overall success of the system analysis to determine any needed significant changes.

**Lease Payables** - The District is a lessee for noncancellable leases of one building. The District recognized a lease liability and an intangible right-to-use asset (RTU asset) in the government-wide

financial statements. The District recognized lease liabilities with an initial value of \$10 thousand or more for machinery and equipment and \$20 thousand or more for all other assets. At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The RTU asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the RTU asset is amortized on a straight-line basis over its lease term. Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases. The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the RTU asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. RTU assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

**Subscription-Based Information Technology Arrangements (SBITAs) Payables-** The District has noncancellable contracts of three to four years with SBITA suppliers for the right to use information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). The District recognizes a subscription liability, reported with long-term debt, and a right-to-use subscription asset (an intangible asset), reported with other capital assets, in the government-wide financial statements.

At the commencement of a SBITA, the District initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of SBITA payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain initial implementation costs. Subsequently, the subscription asset is amortized on a straight line basis over the shorter of the subscription term or the useful life of the underlying IT assets.

Key estimates and judgments related to SBITAs include how the District determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- a) The District uses the interest rate charged by the SBITA supplier as the discount rate. When the interest rate charged by the SBITA supplier is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- b) The subscription term includes the noncancellable period of the SBITA.

The District monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

**Compensated Absences** - Eligible District employees are granted compensated absences in specified amounts. In the event of separation from the District, an employee is compensated for all accumulated unused paid leave. Compensated absences are reflected in other liabilities in the accompanying basic financial statements. The District adopted a Last-In, First-Out (LIFO) flow of funds methodology when recording the liability. The change in compensated absences during the year are shown below:

	Balance at			Balance at	Due Within
	October 1, 2024	Additions	Deletions	September 30, 2025	One Year
Governmental Activities	\$ 1,560,548	\$ 540,260	\$ 586,300	\$ 1,514,508	\$ 530,531
Business-type Activities	4,941,736	2,091,406	1,962,831	5,070,311	1,776,127
Total	<u>\$ 6,502,284</u>	<u>\$ 2,631,666</u>	<u>\$ 2,549,131</u>	<u>\$ 6,584,819</u>	<u>\$ 2,306,658</u>

Compensated absences increased by \$83 thousand in fiscal year 2025 when compared to fiscal year 2024. During fiscal year 2025, more hours were accrued than taken and additional employees were hired throughout the year.

**Pollution Remediation Obligations** - The District has an environmental financial obligation for property purchased through September 30, 2025. Properties purchased during fiscal year 2025 were screened for potential environmental concerns based upon available records, assessments and other actions. No properties purchased in fiscal year 2025 were identified requiring pollution remediation.

Based upon the Phase I, Phase II, or other site investigations completed to date, one property still requires remediation and is classified as high or moderate risk. As of September 30, 2025, the pollution remediation obligation amounted to \$6.0 million. The Deposits Held by Others balance discussed above are to be used towards this property's pollution remediation obligation.

Based upon the limited data available, a remediation liability outlay for four other properties with low risk cannot be reasonably estimated at this time.

Pollution remediation obligations are estimates and are subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

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

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

**Program Revenue - Operating Contributions** - During 2025, the District received contributions of \$30.7 million mainly due to contributions for the Central City Flood Control Project, the Water Conservation campaign, as well as sponsorships for several events. The Water Conservation campaign focuses on increasing the public's awareness of water efficient practices.

**Oil and Gas Royalties** - The District receives royalties related to various oil and gas leases for which the District acts as lessor. The royalties are generally payable to the District when production begins at the lease site, and revenue is recognized at the time the royalty is earned and considered measurable and available if received within 60 days after year-end.

**Water Revenues** - Water rates charged to customers during each year are based on budgeted operating expenses, revenue bond debt service requirements, and estimated customer water usage. Subsequent to year-end, calculations of adjusted water rates based on actual usage and costs are made and either billed or credited to customer accounts as of year-end. While the actual results could differ from the estimate calculated, management normally does not expect the difference to be material to the financial statements. The calculated year-end adjustments for 2025 resulted in an estimated \$12.6 million due to the customers, which is reflected in the accounts payable balance in the Enterprise Fund. The District has not experienced any credit losses resulting from its sale of water.

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

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

In fiscal year 2025, the District's ad valorem tax rate was \$0.0267 per \$100 valuation. Collections of the current year's levy are reported as current collections if received by June 30<sup>th</sup> (within nine months of the October 1<sup>st</sup> due date). Collections received thereafter are reported as delinquent collections.

Generally, property taxes, net of amounts estimated to be uncollectible, are recorded as a receivable on the assessment date and recognized as revenue when they become available (collected within 60 days of year-end). The allowance for uncollectible taxes as of September 30, 2025 was \$230 thousand. Under GASB 33, *Accounting and Financial Reporting for Non-exchange Transactions*, property taxes are imposed non-exchange revenue. Assets from imposed non-exchange transactions are recorded

when the entity has enforceable legal claim to the asset, or when the District receives resources, whichever comes first. The assessment date has been designated at a date subsequent to fiscal year-end.

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

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

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

**Governmental Fund Balances** - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The classifications used in the governmental fund financial statements are as follows:

The nonspendable fund balance includes assets that will never convert to cash, such as inventory and prepaid items. At September 30, 2025, the General Fund had a nonspendable fund balance in the amount of \$2.0 million and the Capital Projects fund had a balance in the amount of \$9 thousand.

The restricted fund balance is the portion of fund balance that reflects resources that are subject to externally enforceable legal restrictions imposed by parties outside the District at September 30, 2025. At September 30, 2025, the General Fund had a restricted fund balance in the amount of \$6.2 million for environmental cleanup on a District property. The Capital Projects Fund has a restricted fund balance in the amount of \$30.2 million for the proceeds from the Series 2024 and Series 2025 Unlimited Tax Bonds restricted for use on the Central City Flood Control Project.

The committed fund balance is the portion of fund balance that reflects resources that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors.

These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. At September 30, 2025, the District had no committed fund balance.

The assigned fund balance is the portion of fund balance that reflects resources intended for a specific purpose. Intent is expressed or authorized by Board of Directors. At September 30, 2025, the General Fund had an assigned fund balance in the amount of \$28.0 million for the Reserve Policy and \$133.5 million for the Contingency Fund (\$7.5 million assigned for fiscal year 2026 debt service and \$126.0 million assigned for future board designated projects). The Debt Service Fund has an assigned fund balance in the amount of \$9 thousand for debt service related costs.

The unassigned fund balance is the portion of fund balances in excess of nonspendable, restricted, committed, and assigned. The unassigned fund balance for the General Fund was \$10.1 million. Spending Prioritization in Using Available Resources - When both restricted and unrestricted (i.e. restricted, committed, assigned, and unassigned) resources are available to be used for the same purpose, the District considers the restricted resources to be expended first. When all categories of fund balance are available, the flow assumption is as follows: the restricted resources get expended first, the assigned resources get expended second, and the unassigned resources get expended last.

**Governmental Accounting Standards Board Statements Implemented in Current Fiscal Year -**

During the fiscal year, two GASB Statements became effective for the District. GASB Statement No. 101, *Compensated Absences* and No. 102, *Certain Risk Disclosures*, became effective for the District with no effect on the District's financial statements.

**2. REVENUES FROM THE SALE OF WATER**

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

Sales of water to four government entities (Cities of Fort Worth, Mansfield, Arlington, and the Trinity River Authority of Texas) accounted for approximately 88% of the District's water sales for the year ended September 30, 2025. Charges to such entities are in amounts primarily equivalent to each entity's share (based on quantities of raw water received) of operating and maintenance costs and the debt service requirements of the District's revenue bonds.

### 3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

**Cash** - The balance per bank of cash on deposit for the District at September 30, 2025 was \$1.8 million in JPMorgan Chase and \$1.0 million in PlainsCapital and was entirely covered by FDIC insurance or collateral. The carrying value of cash for the District was \$1.8 million at JPMorgan Chase and \$1.0 million at PlainsCapital. At September 30, 2025, the District also held petty cash of \$500.

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

The District invests in the Texas Local Government Investment Pool (Texpool) and the Local Government Investment Cooperative (LOGIC). Texpool, a public funds investment pool created by the Treasurer of the State of Texas acting by and through the Texas Treasury Safekeeping Trust Company, is empowered to invest funds and act as a custodian of investments purchased with local investment funds.

LOGIC is also a public fund investment pool with the same authority as Texpool. It has been organized and established pursuant to an Interlocal Agreement between participating government entities. The District has an undivided beneficial interest in the pool of assets held by this agency. These investments and deposits are fully insured by the federal depository insurance or collateralized by securities held in the name of Texas Treasury Safekeeping Trust Company.

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

#### **General Fund -**

- General Fund - three years
- Debt Service Fund - six months
- Capital Projects Fund- three years

#### **Enterprise Fund -**

- Revenue sub-fund - nine months
- Construction sub-fund - three years with a strategy determined on a project-by-project basis
- Interest and Redemption sub-fund - six months
- Reserve sub-fund - not to exceed the date of the District's last maturing revenue bond
- Contingency sub-fund - three years

**Concentration of Credit Risk** - The District places no limit on the amount it may invest in one issuer. Approximately 61% of the District's investments are held in Federal securities including: Federal Agricultural Mortgage Corporation, Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association. The remaining 39% of the District's investments are held in U.S. Treasury Notes.

**Custodial Credit Risk** - The District's policy requires that all securities be held in safekeeping on the District's behalf.

**Public Funds Investment Act** - Audit procedures related to the Public Funds Investment Act (PFIA) are conducted as part of the audit of the basic financial statements. In the areas of investment practices, management reports and establishes appropriate policies, and the District adheres to the requirements of the PFIA.

**Public Funds Collateral Act** - Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District has a policy of maintaining contact with the trust department of its depository agency to eliminate all custodial credit risk. As of September 30, 2025, the District's bank balance of \$2.8 million was not exposed to custodial credit risk and was insured and over-collateralized.

**Fair Value of Investments** - Fair value represents the price at which a security could be exchanged in a current transaction between willing parties, excluding forced liquidation scenarios. During fiscal year 2025, the District's investment portfolio increased in fair value due to a substantial portion of bond proceeds strategically invested to align with our cashflow needs. Combined with our investment strategy, favorable market conditions throughout the fiscal year caused unrealized losses to further decrease from \$6.2 million on September 30, 2024, to \$3.3 million on September 30, 2025.

As a standard practice, the District buys and holds investments. Consequently, while the financial statements include the required unrealized fair value adjustments, these losses would only be realized if the investments were sold prior to maturity.

*GASB 79, Certain External Investment Pools and Pool Participants*, created an election option for external investment pools and pool participants to continue to utilize amortized cost accounting, rather than fair value, for certain investment pools. Participants in qualifying pools would be permitted to continue measuring investments at amortized cost if they met certain criteria. The District invests in two local government investment pools, LOGIC and Texpool. LOGIC and Texpool both have elected to report assets at amortized cost and the District has mirrored these valuations.

**SUMMARY OF INVESTMENTS AND CASH EQUIVALENTS, RELATED WEIGHTED AVG. MATURITY,  
AND FAIR VALUE MEASUREMENTS**

	<b>9/30/2025</b>	<b>Weighted Avg. Maturity (Years)</b>	<b>S &amp; P Rating</b>	<b>Fair Value Measurements Using Significant Other Observable Inputs (Level 2)</b>
<b>Investments</b>				
Federal Agricultural Mortgage Corp	\$ 5,006,304	6.50	AA+	\$ 5,006,304
Federal Farm Credit Bank	80,762,821	1.18	AA+	80,762,821
Federal Home Loan Bank	134,712,005	1.90	AA+	134,712,005
Federal Home Loan Mortgage Corp	47,264,205	1.61	AA+	47,264,205
Federal National Mortgage Association	17,624,346	1.27	AAA	17,624,346
U.S. Treasury Notes	185,316,070	0.86	AA+	185,316,070
Total investments	<u>470,685,751</u>			<u>470,685,751</u>
<b>Investment pools</b>				
LOGIC (net asset value)	229,137,775	N/A	AAA-m	N/A
Texpool (net asset value)	426,632,095	N/A	AAA-m	N/A
Total investment pools	<u>655,769,870</u>			
Total investments and cash equivalents	<u><u>\$1,126,455,621</u></u>			<u><u>\$ 470,685,751</u></u>

The District is required to disclose the fair value level of its investments within the fair value hierarchy established by GASB 72, *Fair Value Measurement and Application*. In the fair value hierarchy there are three levels:

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

Federal Securities classified as level two of the fair value hierarchy are valued using an evaluation model maintained by surveying the dealer community, obtaining relevant trade dates and spreads, and incorporating information into the evaluation process.

U.S. Treasury Notes classified as level two of the fair value hierarchy are valued using an evaluation model with continuous feeds from live data sources including active market makers and inter-dealer brokers.

The District has no unfunded commitments to LOGIC or Texpool and may redeem investments at any time. Sandra Newby, the District's Chief Financial Officer, is the President of the LOGIC Board of Directors.

## OPEB Trust Fund Cash, Cash Equivalents, and Investments

The balance per bank of cash on deposit in the Trust Fund and the carrying value was zero as of September 30, 2025. See below for the detail of investments held as of the end of fiscal year 2025.

The District has contracted with Public Agency Retirement Services (PARS) for trust administration, and the District's OPEB Plan investments are held in the PARS Post Retirement Health Care Plan Trust by its trustee and custodian US Bank (the "Trustee").

PARS provides its participants a range of investment strategies, and the District has selected the PARS Diversified Moderate Portfolio Index Plus. The goal of the Plan's investment program is to generate adequate long-term returns that, when combined with contributions, will result in sufficient assets to pay present and future obligations to the Plan. The Moderate Portfolio's goal is for moderate growth of both principal and income.

	<u>9/30/2025</u>	<u>Fair Value Measurements Using Significant Other Observable Inputs (Level 1)</u>
<b>Investments</b>		
Money Market Funds		
First AM Govt	\$ 539,175	N/A
Equity Funds		
Fidelity Total Market Index Fund	8,607,923	8,607,923
iShares Global Infrastructure ETF	713,881	713,881
iShares Core MSCI Total ETF	4,321,329	4,321,329
Vanguard Real Estate ETF	632,078	632,078
Fixed Income Funds		
iShares Core US Agg Bond ETF	12,336,464	12,336,464
SPDR Portfolio High Yield Bond ETF	995,617	995,617
<b>Total Investments and Cash Equivalents</b>	<u>\$ 28,146,467</u>	

Money Market Fund (First Am Govt) which is valued at Net Asset Value (NAV) and therefore are excluded from leveling above. Equity funds and fixed income funds are valued as level 1 of the fair value hierarchy and are valued using quoted prices in active markets in which transactions for identical assets occur with sufficient frequency and volume to provide pricing on an ongoing basis. See discussion earlier in this note regarding inputs for each level.

The OPEB Plan has no unfunded commitments and may redeem investments at anytime to pay for OPEB benefits.

#### **4. LEASE RECEIVABLES**

During fiscal year 2025, the District leased out some of its property, including one building, several parcels of land, and communications towers. The District recognized \$366 thousand in lease revenue and \$69 thousand in interest revenue during the fiscal year 2025 related to these leases. The District received \$420 thousand in lease payments, \$384 thousand in principal and \$36 thousand in interest. As of September 30, 2025, the District's total lease receivable for lease payments was \$2.5 million for Governmental and Enterprise funds. Also, the District has a deferred inflows of resources associated with these leases that will be recognized as revenue over the lease term. As of September 30, 2025, the balance of the deferred inflows of resources was \$2.5 million.

## 5. CAPITAL ASSETS

A summary of changes in capital assets governmental activities:

	October 1, 2024	Additions/ Adjustments	Disposals/ Adjustments	Reclassification & Transfers	September 30, 2025
GOVERNMENTAL ACTIVITIES					
NONDEPRECIABLE ASSETS					
Land	\$ 279,972,869	\$ 451,340	\$	\$ 251,332	\$ 280,675,541
Construction in progress	79,664,417	5,226,681		(1,078,559)	83,812,539
<b>TOTAL NONDEPRECIABLE ASSETS</b>	<b>359,637,286</b>	<b>5,678,021</b>	<b>—</b>	<b>(827,227)</b>	<b>364,488,080</b>
DEPRECIABLE/AMORTIZABLE ASSETS					
Dams and spillways	3,070,461				3,070,461
Buildings	50,328,983	145,725		827,227	51,301,935
Machinery and equipment	13,182,569	836,444			14,019,013
Flood control projects	10,569,192				10,569,192
Right-to-use building lease	740,774		(83,934)		656,840
Right-to-use subscriptions		753,299			753,299
	<u>77,891,979</u>	<u>1,735,468</u>	<u>(83,934)</u>	<u>827,227</u>	<u>80,370,740</u>
Less accumulated depreciation/amortization for					
Dams and spillways	(1,270,742)	(62,200)			(1,332,942)
Buildings	(29,199,464)	(2,460,985)			(31,660,449)
Machinery and equipment	(10,623,112)	(898,471)			(11,521,583)
Flood control projects	(8,213,665)	(49,073)			(8,262,738)
Right-to-use leases/subscriptions	(437,178)	(268,727)			(705,905)
Total accumulated depreciation/amortization	<u>(49,744,161)</u>	<u>(3,739,456)</u>	<u>—</u>	<u>—</u>	<u>(53,483,617)</u>
<b>TOTAL DEPRECIABLE &amp; AMORTIZABLE ASSETS, NET</b>	<b>28,147,818</b>	<b>(2,003,988)</b>	<b>(83,934)</b>	<b>827,227</b>	<b>26,887,123</b>
<b>TOTAL GOVERNMENTAL ACTIVITIES, NET</b>	<b><u>\$ 387,785,104</u></b>	<b><u>\$ 3,674,033</u></b>	<b><u>\$ (83,934)</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 391,375,203</u></b>

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

	Total
Governmental activities	
Flood protection	<u>\$ 3,739,456</u>
<b>Total governmental activities depreciation/amortization expense</b>	<b><u>\$ 3,739,456</u></b>

A summary of changes in capital assets business-type activities:

	October 1, 2024	Additions/ Adjustments	Disposals/ Adjustments	Reclassification & Transfers	September 30, 2025
<b>BUSINESS-TYPE ACTIVITIES</b>					
<b>NONDEPRECIABLE ASSETS</b>					
Land	\$ 198,822,862	\$ 723,239	\$	\$ (615,573)	\$ 198,930,528
Construction in progress	408,128,130	149,472,455		(2,500,136)	555,100,449
<b>TOTAL NONDEPRECIABLE ASSETS</b>	<b>606,950,992</b>	<b>150,195,694</b>	<b>—</b>	<b>(3,115,709)</b>	<b>754,030,977</b>
<b>DEPRECIABLE/AMORTIZABLE ASSETS</b>					
Dams and spillways	234,543,120				234,543,120
Pipeline	1,739,664,692	128,179		1,418,442	1,741,211,313
Wetlands	56,160,860				56,160,860
Buildings	7,854,201	323,189		1,274,615	9,452,005
Technology Infrastructure	3,865,282				3,865,282
Machinery and equipment	14,588,066	2,695,759		422,652	17,706,477
Other project costs	193,072,352				193,072,352
Internally developed asset management systems (intangible)	3,935,906				3,935,906
Right-to-Use SBITA		3,211,434			3,211,434
	<b>2,253,684,479</b>	<b>6,358,561</b>	<b>—</b>	<b>3,115,709</b>	<b>2,263,158,749</b>
<b>Less accumulated depreciation/ amortization for</b>					
Dams and spillways	(149,955,883)	(4,329,862)			(154,285,745)
Pipeline	(319,422,849)	(32,413,299)			(351,836,148)
Wetlands	(12,901,996)	(973,117)			(13,875,113)
Buildings	(6,432,265)	(580,808)			(7,013,073)
Technology Infrastructure	(1,645,174)	(399,027)			(2,044,201)
Machinery and equipment	(12,825,133)	(990,372)			(13,815,505)
Other project costs	(36,762,630)	(5,444,236)			(42,206,866)
Internally developed asset management systems (intangible)	(1,574,362)	(393,591)			(1,967,953)
Right-to-Use SBITA		(651,261)			(651,261)
<b>Total accumulated depreciation/ amortization</b>	<b>(541,520,292)</b>	<b>(46,175,573)</b>	<b>—</b>	<b>—</b>	<b>(587,695,865)</b>
<b>TOTAL DEPRECIABLE/AMORTIZABLE ASSETS, NET</b>	<b>1,712,164,187</b>	<b>(39,817,012)</b>	<b>—</b>	<b>3,115,709</b>	<b>1,675,462,884</b>
<b>TOTAL BUSINESS-TYPE ACTIVITIES, NET</b>	<b>\$2,319,115,179</b>	<b>\$110,378,682</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$2,429,493,861</b>

## 6. RETIREMENT PLAN

**Plan Description and Provisions** — In 1997, the District adopted a defined contribution benefit plan, the benefits of which depend solely on amounts contributed to the plan plus investment earnings. All full-time employees over the age of 18 are eligible to participate in the plan from the date of employment, and benefits are 20% vested for each year of service up to five years of service. Benefit provisions and all other requirements are established by state statute and the District’s Board of Directors. The District contributes 13% of each eligible employee’s base salary, 13% of two-thirds of any applicable overtime wages and 13% of awarded production bonuses (if applicable) on a bi-weekly basis to the plan’s Administrator, Mission Square Retirement, formerly known as ICMA Retirement Trust. Employees may make additional voluntary after tax contributions. District contributions for and interest forfeited by employees who leave employment before becoming fully vested are evenly allocated to the other employee accounts. The plan’s normal retirement age is 60 years with early retirement eligibility at 55 years of age with five years of service. During fiscal year 2025 the District made contributions of \$4.9 million under this plan.

## 7. NOTE PAYABLE

During fiscal year 2022, the District entered into an interlocal cooperation agreement with North Central Texas Council of Governments to repay \$3.5 million in a loan on the Central City Flood Control Project related to the construction of the bridges. The loan is non-interest bearing and will be paid back over 10 years at \$350 thousand per year. A summary of long-term note transactions of the District for the year ended September 30, 2025 is shown below:

	Balance at October 1, 2024	Additions	Deletions	Balance at September 30, 2025	Due Within One Year
<u>Governmental Activities</u>					
Note payable	\$ 2,800,000	\$	\$ 350,000	\$ 2,450,000	\$ 350,000
Total Governmental Activities	<u>\$ 2,800,000</u>	<u>\$ —</u>	<u>\$ 350,000</u>	<u>\$ 2,450,000</u>	<u>\$ 350,000</u>

The future principal note payments as of September 30, 2025 were as follows:

Years Ending September 30th	Principal	Interest	Total
2026	\$ 350,000	\$	\$ 350,000
2027	350,000		350,000
2028	350,000		350,000
2029	350,000		350,000
2030	350,000		350,000
2031 - 2032	700,000		700,000
	<u>\$ 2,450,000</u>	<u>\$ —</u>	<u>\$ 2,450,000</u>

## 8. BONDS PAYABLE

A summary of long-term bond transactions (excluding original issue premiums) of the District for the year ended September 30, 2025 is shown below:

	Balance at Oct. 1, 2024	Additions	Deletions	Balance at Sept. 30, 2025	Due Within One Year
<u>Governmental Activities</u>					
TRWD Bonds	\$ 48,940,000	\$ 49,770,000	\$	\$ 98,710,000	\$ 130,000
Total Construction and improvement Bonds	<u>\$ 48,940,000</u>	<u>\$ 49,770,000</u>	<u>\$ —</u>	<u>\$ 98,710,000</u>	<u>\$ 130,000</u>
<u>Business-type Activities</u>					
TRWD Bonds	\$ 798,315,000	\$	\$32,210,000	\$ 766,105,000	\$33,740,000
TRWD Contract Revenue Bonds (City of Dallas Water Utilities Project)	502,200,000	408,570,000	17,960,000	892,810,000	24,580,000
Bonds from Direct Borrowings (TRWD Bonds)	237,630,000		8,390,000	229,240,000	8,575,000
Bonds from Direct Borrowings (City of Dallas Water Utilities Project)	359,770,000		9,880,000	349,890,000	10,085,000
Total Construction and Improvement Bonds	<u>\$ 1,897,915,000</u>	<u>\$ 408,570,000</u>	<u>\$ 68,440,000</u>	<u>\$2,238,045,000</u>	<u>\$ 76,980,000</u>

Series 2024 Water Revenue Refunding Bonds currently has \$162.3 million in defeased debt outstanding related to the Series 2020 Revenue Bonds (\$47.1 million) and Series 2020B Revenue Bonds (\$115.2 million). This debt will be fully redeemed in fiscal year 2036.

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

**DETAIL OF REVENUE BONDS PAYABLE AS OF SEPTEMBER 30, 2025**

Bond Type	Maturity	Interest Rates	Outstanding Balance
<u>Governmental Activities</u>			
<u>Tarrant Regional Water District Bonds</u>			
\$48,940,000 Series 2024 Unlimited Tax Bonds	Serially through 2055	4.0 - 5.0%	\$ 48,940,000
\$49,770,000 Series 2025 Unlimited Tax Bonds	Serially through 2055	4.6 - 5.0%	49,770,000
Total Tarrant Regional Water District Bonds (Governmental Activities)			<u>98,710,000</u>
Add premium (net of accumulated amortization)			<u>2,232,951</u>
			100,942,951
Less Current Portion			<u>(130,000)</u>
Total long term general obligation bonds payable, net of premium (Governmental Activities)			<u>\$ 100,812,951</u>
<u>Business-type Activities</u>			
<u>Tarrant Regional Water District Bonds</u>			
\$156,470,000 Series 2015 Water Revenue Refunding Bonds	Serially through 2029	2.0 - 5.0%	\$ 58,765,000
\$300,000,000 Series 2015A Waterworks Revenue Bonds (Direct)	Serially through 2045	0.5 - 3.2%	229,240,000
\$28,530,000 Series 2016 Water Systems Revenue Bonds	Serially through 2046	3.0 - 5.0%	22,690,000
\$61,910,000 Series 2016A Water Revenue Refunding Bonds	Serially through 2032	2.0 - 5.0%	39,465,000
\$52,765,000 Series 2017 Water Revenue Refunding Bonds	Serially through 2040	2.0 - 5.0%	46,915,000
\$129,570,000 Series 2020 Water Revenue Refunding Bonds	Serially through 2052	1.7 - 3.1%	72,460,000
\$386,680,000 Series 2020B Water Revenue Refunding Bonds	Serially through 2049	0.8 - 3.0%	175,155,000
\$38,105,000 Series 2020C Water Revenue Refunding Bonds	Serially through 2030	4.0 - 5.0%	22,860,000
\$46,510,000 Series 2022 Water Revenue Bonds	Serially through 2052	4.0 - 5.0%	44,420,000
\$288,885,000 Series 2024, Water Revenue Refunding Bonds	Serially through 2054	4.0 - 5.0%	283,375,000
Total Tarrant Regional Water District Bonds			<u>995,345,000</u>
<u>TRWD Contract Revenue Bonds (City of Dallas Water Utilities Project)</u>			
\$140,000,000 Series 2015 Dallas Contract Revenue Bonds (Direct)	Serially through 2045	0.5 - 3.2%	106,645,000
\$240,025,000 Series 2021A Dallas Contract Revenue Bonds	Serially through 2051	2.0 - 4.0%	218,775,000
\$298,395,000 Series 2021B Dallas Contract Revenue Refunding Bonds	Serially through 2044	0.15 - 2.45%	265,465,000
\$255,000,000 Series 2022 Dallas Contract Revenue Bonds (Direct)	Serially through 2052	2.78 - 4.17%	243,245,000
\$408,570,000 Series 2025 Dallas Contract Revenue Bonds	Serially through 2055	4.0 - 5.0%	408,570,000
Total TRWD Contract Revenue Bonds (City of Dallas Water Utilities Project)			<u>1,242,700,000</u>
Total Construction and Improvement Bonds (Business-type Activities)			2,238,045,000
Add premium (net of accumulated amortization)			<u>59,330,419</u>
			2,297,375,419
Less current portion			<u>(76,980,000)</u>
Total long term revenue bonds payable, net of premium (Business-type Activities)			<u>\$ 2,220,395,419</u>

The annual requirements to amortize all bonds outstanding as of September 30, 2025 including interest payments are approximately as follows:

Years ending September 30th (in thousands)	Bonds			Bonds from Direct Borrowings		
	Principal	Interest	Requirements	Principal	Interest	Requirements
<u>Governmental Activities</u>						
<u>Tarrant Regional Water District Bonds</u>						
2026	\$ 130	\$ 4,463	\$ 4,593	\$	\$	\$
2027	235	4,511	4,746			
2028	245	4,499	4,744			
2029	250	4,487	4,737			
2030	260	4,474	4,734			
2031-2035	2,615	22,168	24,783			
2036-2040	15,230	20,354	35,584			
2041-2045	21,080	16,027	37,107			
2046-2050	26,125	10,968	37,093			
2051-2055	32,540	4,556	37,096			
Total Governmental Activities	<u>98,710</u>	<u>96,507</u>	<u>195,217</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>Business-Type Activities</u>						
<u>Tarrant Regional Water District</u>						
2026	33,740	31,020	64,760	8,575	6,635	15,210
2027	35,450	29,333	64,783	8,780	6,454	15,234
2028	37,135	27,529	64,664	9,000	6,252	15,252
2029	38,955	25,634	64,589	9,245	6,028	15,273
2030	36,575	23,779	60,354	9,500	5,785	15,285
2031-2035	162,930	93,962	256,892	51,915	24,737	76,652
2036-2040	126,945	62,224	189,169	60,690	16,317	77,007
2041-2045	126,895	39,922	166,817	71,535	5,892	77,427
2046-2050	126,960	17,308	144,268			
2051-2054	40,520	2,476	42,996			—
	<u>766,105</u>	<u>353,187</u>	<u>1,119,292</u>	<u>229,240</u>	<u>78,100</u>	<u>307,340</u>
<u>TRWD Contract Revenue Bonds (City of Dallas Water Utilities Project)</u>						
2026	24,580	28,597	53,177	10,085	12,416	22,501
2027	25,280	27,952	53,232	10,305	12,163	22,468
2028	26,075	27,242	53,317	10,540	11,894	22,434
2029	26,935	26,493	53,428	10,790	11,611	22,401
2030	27,800	25,673	53,473	11,050	11,310	22,360
2031-2035	152,410	115,507	267,917	59,780	51,458	111,238
2036-2040	177,010	91,996	269,006	69,555	40,834	110,389
2041-2045	172,340	63,301	235,641	82,230	27,158	109,388
2046-2050	139,955	39,076	179,031	58,850	13,079	71,929
2051-2055	120,425	14,584	135,009	26,705	1,680	28,385
	<u>892,810</u>	<u>460,421</u>	<u>1,353,231</u>	<u>349,890</u>	<u>193,603</u>	<u>543,493</u>
Total Business-Type Activities	<u>\$ 1,658,915</u>	<u>\$ 813,608</u>	<u>\$ 2,472,523</u>	<u>\$ 579,130</u>	<u>\$ 271,703</u>	<u>\$ 850,833</u>

Bonded debt of the District consists of water revenue refunding bonds and revenue bonds, which are secured by and payable from net revenues of the District. Certain revenue bond issues contain provisions that allow the District to prepay or call the bonds. On March 18, 2025, the District issued \$400 million of Series 2025 Contract Revenue Bonds (City of Dallas Project) to fund projects costs associated with the Dallas Project Component of the integrated pipeline serving both the City and the District. Additionally, on September 9, 2025, the District issued \$50 million of Series 2025 Unlimited Tax Bonds to fund project costs related to the flood control and drainage facilities.

Specifically, revenues (net of operating expenses) of the District's water operations have been pledged for repayment of the District's revenue bonds. The amount of the pledge is equal to the remaining outstanding debt service requirements for those bonds, which were all originally issued to provide funding for construction of the water system. The pledge continues for the life of the bonds. For the year ended September 30, 2025, pledged revenues for the Tarrant Regional Water District Revenue Bonds were \$99.0 million which offsets debt service requirements for the year of \$74.5 million.

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

The TRWD Contract Revenue Bonds (City of Dallas Water Utilities Project) are Dallas Water Utilities' share of the Integrated Pipeline (IPL) Project, which is currently estimated at \$1.6 billion. Under the IPL Project Contract, the City of Dallas has requested and authorized the District to issue contract revenue bonds (the Dallas Contract Revenue Bonds) secured solely by payments from the City of Dallas to the District under the IPL Project Contract. Such Dallas Contract Revenue Bonds shall be in such amounts and issued at such times as determined by the District, in consultation with the City of Dallas to finance the City of Dallas' share of the design and construction of the IPL Project. All such payments by the City of Dallas to the District will constitute operating expenses of the Dallas Water Utilities System and System Capacity revenues of the District. The District has issued and will continue to issue Dallas Contract Revenue Bonds to pay the City of Dallas' share of the total capital cost of the IPL Project. Future Dallas Contract Revenue Bonds will be issued as determined by the District in consultation with the City of Dallas. However, the IPL Project Contract gives the District specific authority to issue Dallas Contract Revenue Bonds without any additional City approval in the event the City of Dallas fails to take certain actions. No payments from the City of Dallas to the District under the IPL Project Contract are pledged to the payment of the District's System Revenue Bonds. For the year ended September 30, 2025, pledged revenues for the TRWD Contract Revenue Bonds (City of Dallas Water Utilities Project) were \$67.9 million which offsets debt service requirements for the year of \$59.0 million.

### **Extendible Commercial Paper Bonds**

In fiscal year 2016 the District implemented an Extendible Commercial Paper Bonds Program Series A in the amount of \$150 million for the benefit of enterprise fund projects and capital needs. In fiscal year 2018 the District implemented an additional Extendible Commercial Paper Bonds Program Series B in the amount of \$150 million for the benefit of the general fund Central City Flood Control Project. In fiscal year 2025 the District authorized an additional \$250 million to the Extendible Commercial Paper Bonds Program Series A, bringing the total to \$400 million. During fiscal year 2025, no commercial paper bonds were issued and none were outstanding as of September 30, 2025.

**9. LEASE PAYABLES**

During fiscal year 2025, the District leased one building. As of September 30, 2025, the value of the lease liability was \$111 thousand. The District made principal and interest payments of \$124 thousand. The balance of the right-to-use asset as of September 30, 2025 was \$657 thousand net of accumulated amortization of \$553 thousand.

	Balance at October 1, 2024	Additions	Deletions	Balance at September 30, 2025	Due Within One Year
<u>Governmental Activities</u>					
Leases	\$ 317,066	\$ —	\$ 206,016	\$ 111,050	\$ 102,463
Total Governmental Activities	<u>\$ 317,066</u>	<u>\$ —</u>	<u>\$ 206,016</u>	<u>\$ 111,050</u>	<u>\$ 102,463</u>

The future principal and interest lease payments as of September 30, 2025 were as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2026	\$ 102,463	\$ 587	\$ 103,050
2027	8,587	—	8,587
	<u>\$ 111,050</u>	<u>\$ 587</u>	<u>\$ 111,637</u>

**10. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs) PAYABLES**

The District is under contract for a noncancellable SBITA that allows the right to use the SBITA supplier's information technology software over the subscription term. The District is required to make payments at its incremental borrowing rate or the interest rate stated or implied within the SBITA. The SBITA rate, term and ending subscription liability are as follows:

	Interest Rate	Subscription Term in Years	Ending Balance September 30, 2025
Governmental Activities			
Software	5%	2024-2029	\$ 312,063
Total Governmental Activities			<u>\$ 312,063</u>
Business-Type Activities			
Software	5%	2024-2029	\$ 1,330,376
Total Business-Type Activities			<u>\$ 1,330,376</u>

The future principal and interest SBITA payments as of September 30, 2025 are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
Governmental Activities			
2026	\$ 164,254	\$ 11,105	\$ 175,359
2027	71,298	5,706	77,004
2028	76,511	1,934	78,445
	<u>\$ 312,063</u>	<u>\$ 18,745</u>	<u>\$ 330,808</u>
Business-Type Activities			
2026	\$ 700,242	\$ 47,343	\$ 747,585
2027	303,953	24,327	328,280
2028	326,181	8,244	334,425
	<u>\$ 1,330,376</u>	<u>\$ 79,914</u>	<u>\$ 1,410,290</u>

The value of the subscription assets in the governmental activities as of the end of the current fiscal year was \$753 thousand and had accumulated amortization of \$153 thousand. The value of the subscription assets in the business-type activities as of the end of the current fiscal year was \$3.2 million and had accumulated amortization of \$651 thousand.

**11. INTERFUND TRANSACTIONS**

Interfund balances - At September 30, 2025, interfund balances consisted of the following:

	<u>Due From Capital Projects Fund</u>	<u>Due From Enterprise Fund</u>	<u>Due to General Fund</u>
General Fund	\$ 32,736	\$ 9,553,764	\$
Capital Projects Fund			32,736
Enterprise Fund			<u>9,553,764</u>
 Total	 <u>\$ 32,736</u>	 <u>\$ 9,553,764</u>	 <u>\$ 9,586,500</u>

In the fund financial statements, interfund balances (shown as due to/from other funds) are the results of normal expenditure transactions between funds and will be liquidated in the subsequent fiscal year. All interfund receivables and payables are combined in the government-wide financial statement of net position and presented as internal balances.

Interfund Transfers - At September 30, 2025, interfund transfers consisted of the following:

	<u>Transfer In From General Fund</u>	<u>Transfer In From Capital Projects Fund</u>	<u>Transfer Out To Debt Service Fund (nonmajor)</u>
General Fund	\$	\$	\$ 902,981
Capital Projects Fund			1,130,325
Debt Service Fund (nonmajor)	<u>902,981</u>	<u>1,130,325</u>	
 Total	 <u>\$ 902,981</u>	 <u>\$ 1,130,325</u>	 <u>\$ 2,033,306</u>

Interfund transfers are the results of funds transferred from the General Fund to support the activities of the Capital Projects Fund and Debt Service Fund.

## 12. POST EMPLOYMENT HEALTH CARE BENEFITS

### Plan Descriptions

The District provides other post employment benefits (OPEB) through the Post Employment Health Care Benefit Plan as established and administered by the District (a single-employer plan) under its Retiree Health Benefits Policy effective January 1, 2006, revised October 1, 2016, to full time status employees who retire from the District and meet the Rule of 80 or Rule of 90 (see following paragraphs for specifics). Plan participation is restricted to employees hired on or before September 30, 2016.

**Rule of 80** - the rule of 80 is reached when age and years of full time service total eighty (80).

If at the time of retirement, the employee meets the “Rule of 80” and elects to continue group health insurance coverage, the District will pay 100% for the premiums for the employee/retiree, and their eligible spouse at the date of retirement. After the initial election, coverage for individuals may be dropped at the time designated by the plan, but no one may be added. Upon reaching age 65, the employee/retiree and their eligible spouse will be transferred from group health insurance to a Medicare Supplement Plan F or Plan G, in accordance with Medicare eligibility rules. The District will also provide a monthly allowance of \$187 (Plan F participants) or \$205 (Plan G participants) to offset the cost of Medicare Part B and Part D. Upon the death of the employee/retiree, the spouse will be covered for an additional five (5) years or until their death, whichever occurs first.

**Rule of 90** - the rule of 90 is reached when age and years of full time service total ninety (90).

If at the time of retirement, the employee meets the “Rule of 90” and elects to continue group health insurance coverage the District will pay 100% of the premiums for the employee/retiree, and their eligible spouse at the date of retirement. Upon reaching age 65, the employee/retiree and their eligible spouse will be transferred from group health insurance to a Medicare Supplement Plan F or Plan G, in accordance with Medicare eligibility rules. The District will also provide a monthly allowance of \$187 (Plan F participants) or \$205 (Plan G Participants) to offset the cost of Medicare Part B and Part D. The employee/retiree will be covered until his/her death and the spouse until his/her death.

The Plan does not issue separate financial statements; however, the Trust's financials are included in this financial report as a Fiduciary Fund of the District starting on page 45. The OPEB Plan is governed by the District's Board of Directors, and changes to the Plan must be approved by the Board.

**Plan Membership Information as of September 30, 2025**

Inactive Plan Members or Beneficiaries currently receiving benefits	42
Inactive Plan Members entitled to but not receiving benefits	0
Active Plan Members (active employees hired on or before 9/30/16)	<u>171</u>
Total Plan Members	<u><u>213</u></u>

**Funding Policies**

For other post employment benefits, contractual requirements for the District are established by the Board of Directors. In fiscal year 2014, the District established a trust to fund OPEB costs through the Public Agency Retirement Fund (PARS). In fiscal year 2025, \$2.6 million was contributed to the trust. The District has funded 94.00% of the total OPEB liability as of fiscal year 2025.

The District does not require any member contributions for the post-employment health care benefits Plan.

**OPEB Plan Investment Policy**

The goal of the Plan’s investment program is to generate adequate long-term returns that, when combined with contributions, will result in sufficient assets to pay the present and future obligations of the Plan. The Plan has a Moderate Risk Tolerance with a Strategic Asset Allocation of the following:

<i>Strategic Asset Allocation Ranges</i>			
Asset Class	Cash	Fixed Income	Equity
Allocation Range	0-20%	40%-60%	40%-60%
Target Allocation	Policy: 5%	Policy: 45%	Policy: 50%
Long-term Expected Real Rate of Return	0.2%	2.2%	3.6%

The long-term expected real rate of return, presented as geometric means, is the combination of the asset return rates taken from the Horizon Actuarial Service Survey of Capital Market Assumptions 2016 and the target allocation of the Plan.

**Single Discount Rate**

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan’s fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

A Single Discount Rate of 6.00% was used to measure the total OPEB liability. This Single Discount Rate was based on the expected rate of return on OPEB plan investments of 6.00%. The funding policy of the District is to pay the recommended actuarially determined contribution or higher based on the policy, which is based on a closed amortization period. As a result, the OPEB plan's fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The annual money-weighted rate of return for the OPEB Trust was 9.65% for fiscal year 2025. A money-weighted return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

### Changes in the Net OPEB Liability

The total OPEB liability shown below is based on an actuarial valuation performed as of December 31, 2023 and a measurement date of September 30, 2025.

	Increase/(Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Balance at September 30, 2024	\$ 28,438,104	\$ 23,236,756	\$ 5,201,348
Changes for the year:			
Service Cost	521,605		521,605
Interest	1,705,678		1,705,678
Difference between expected and actual experience	(283,297)		(283,297)
Changes in Assumptions			—
Benefit Payments	(541,887)	(541,887)	—
Contributions - employer		3,135,630	(3,135,630)
Net Investment income		2,423,255	(2,423,255)
Administrative Expense		(105,458)	105,458
Net Changes	1,402,099	4,911,540	(3,509,441)
Balance at September 30, 2025	<u>\$ 29,840,203</u>	<u>\$ 28,148,296</u>	<u>\$ 1,691,907</u>
Plan Fiduciary Net Position as a percentage of the total OPEB liability		94%	

**Sensitivity of Net OPEB Liability**

Regarding the sensitivity of the net OPEB liability to changes in the Single Discount Rate, the following presents the plan’s net OPEB liability, calculated using a Single Discount Rate of 6.00%, as well as what the plan’s net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

1% Decrease 5.0%	Current Single Discount Rate Assumption 6.0%	1% Increase 7.0%
\$5,784,787	\$1,691,907	\$(1,708,161)

Regarding the sensitivity of the net OPEB liability to changes in the healthcare cost trend rates, the following presents the plan’s net OPEB liability, calculated using the assumed trend rates as well as what the plan’s net OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher. Refer to page 78 for further detail about healthcare trend rates.

1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
\$(2,447,391)	\$1,691,907	\$6,795,741

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended September 30, 2025, the District recognized OPEB expenses of \$417,686 which included amortization of deferred inflows and outflows of \$446,201. At September 30, 2025, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 241,986	\$ 1,731,257
Assumption changes	712,431	223,180
Net difference between projected and actual earnings on OPEB plan investments		2,046,628
Total	<u>\$ 954,417</u>	<u>\$ 4,001,065</u>

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

Year Ending September 30	Net Deferred Outflows (Inflows) of Resources
2026	\$ (282,130)
2027	(970,958)
2028	(955,137)
2029	(437,613)
2030	(238,953)
Thereafter	(161,857)
Total	<u>\$ (3,046,648)</u>

### Actuarial Methods and Assumptions

Actuarial cost method	Individual entry age normal cost method
Amortization method	Level dollar, Closed
Remaining amortization period	21 years as of September 30, 2025
Asset valuation method	Market Value
Investment rate	6.00% per annum, net of expenses
Inflation rate	2.50%
Salary increases	3.50% to 11.50%, including inflation
Demographic assumptions	Due to the size of this plan, the demographic assumptions are not based on formal experience studies. However, gains and losses are monitored and adjustments are made to the retirement and withdrawal assumptions as needed. Mortality and disability rates are based on assumptions used to value the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables published through 2019 to account for future mortality improvements.
Healthcare trend rates	Pre-65: Initial rate of 7.00% declining to an ultimate rate of 4.15% after 13 years  Post-65: Initial rate of 5.30% declining to an ultimate rate of 4.15% after 12 years
Participation rates	100% of eligible retirees are assumed to elect coverage

### 13. COMMITMENTS AND CONTINGENCIES

**Commitments** - The Governmental Funds had a remaining commitments estimated at \$9.4 million due to on-going construction contracts as of September 30, 2025. The Enterprise Fund had remaining commitments estimated at \$401.7 million due to on-going construction contracts as of September 30, 2025.

**Insurance** - The District participates in a public entity risk pool for its fleet policy, property insurance, workers' compensation, general liability, and errors and omissions liability. The District purchases crime, directors' liability, and law enforcement bonds through Sedgwick, an insurance brokerage firm that also manages the risk pool. The District's Aviation insurance is obtained from a brokerage firm specializing in aircraft insurance. For the IPL Project, the District and the City of Dallas Water Utilities are utilizing a Rolling Owner Controlled Insurance Program (ROCIP). Willis Towers Watson manages and administers the ROCIP program for the IPL Project.

Texas Water Association Risk Management Fund (Trust) - This risk pool provides auto, property insurance, workers' compensation, general liability, and errors and omissions coverage for the District. The District shall cooperate with the Trust and give any information as may be reasonably required, and upon the Trust's request, assist in making settlement, in the conduct of suits, and in enforcing any right of contribution or indemnity against any person or organization who may be liable to the District because of injury or damage concerning which insurance is afforded under the agreement. The District shall attend hearings and trials and assist in securing and giving evidence and obtaining the attendance of witnesses. The District shall not, except at its own cost, voluntarily make any payment, assume any obligation, or incur any expense that could increase the liability, exposure of, or jeopardize the Trust in any way.

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

Sedgwick - Sedgwick is the Third-Party Administrator for the Texas Water Conservation Association Risk Management Fund (Trust). Outside of the Trust, Sedgwick also secures and manages the District's crime policy, law enforcement and director bonds.

Aviation Insurance - The District aviation insurance covers physical damage to the aircraft, bodily injury to passengers and others, and physical damage to property other than the aircraft. All claims should be made to the aircraft Broker. The District does not retain the claims risk.

Cyber Insurance - The District began carrying cyber insurance in fiscal year 2025. The insurance covers cyber incidents related to cyber crime and fraud and is carried through the AIG Specialty Insurance Company.

Rolling Owner Controlled Insurance Program - The ROCIP program started July 21, 2020 and will run until July 21, 2027 and is insured by Liberty Mutual (Insurance Provider). This program is for the Dallas portion of IPL including Section 19 and the Lake Palestine Pump Station (LP1). The program provides a master insurance, safety, and claims management program for Workers' Compensation, Employers Liability, Commercial General Liability, Excess Liability and Builders Risks for the Owner and all Enrolled Participants on the IPL. In the event of an occurrence, wrongful act, or personal injury, all participants in the ROCIP program must promptly provide written notice to Willis Towers Watson, the ROCIP Administrator, per the contract agreement. The ROCIP Administrator will review all information for accuracy and promptly report the claim to the Insurance Provider. The Insurance Provider will coordinate the investigation of commercial general liability claims. Contractor's team members are required to cooperate with the Insurance Provider's investigations.

Notifications of a lawsuit or litigation are made to the PCM and ROCIP Administrator. They shall be by email or telephone immediately when served with notice of any lawsuits or citations filed against either Enrolled Participants or Excluded Participants. Failure to respond to a lawsuit within the prescribed time may result in a default judgment. The entity served with the lawsuit will pay judgments and expenses associated with a default judgment. Enrolled participants must report all workers' compensation claims to the ROCIP Administrator. Claims must be reported no later than the end of the shift during which the accident occurred, except in cases of serious injuries, which shall be reported immediately. The Insurance Provider will coordinate the investigations of all workers' compensation claims. The coverage includes all materials and equipment that will be permanently incorporated into the project, including property in transit and stored at pre-approved locations within the United States. Enrolled participants are responsible for applicable deductibles based on insurance coverage determinations and contract requirements.

Charges to the ROCIP that the District retained risk on over the past two fiscal years were as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year End
IPL Project ROCIP - 2024	\$ 18,718	\$ 140,488	\$ (151,644)	\$ 7,562
IPL Project ROCIP - 2025	\$ 7,562	\$ 145,776	\$ (149,257)	\$ 4,081

Health Insurance – As of January 1, 2015, the District has opted to retain their own risk for their employees’ health insurance claims, sometimes referred to as “self-insurance”. Blue Cross Blue Shield of Texas is the claims administrator selected by the District for their health insurance. Included in “health insurance” are medical costs, as well as prescription claims for current employees and eligible retirees.

Liabilities arising from self-insurance are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. These claims are referred to as "incurred but not reported" (IBNR). The IBNR liabilities include an amount for health and prescription claims. Beginning January 1, 2025 the District's excess coverage medical insurance policy covers individual claims in excess of \$110,000.

The claim liability estimates are calculated using a link-ratio method: a method under which historical claims data are grouped into the time periods in which claims were incurred and the time periods in which they were processed. The processing date is typically the date the claim is received, adjudicated, or paid by the claim payer. The method uses these groupings to create a claims processing or development pattern, which is used to help estimate the unprocessed portion of incurred claims.

Claims, stop loss premiums, and administrative costs are paid by the District as costs of the self-insured medical program. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for medical and Rx claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors such as inflation, changes in legal doctrines, and damage awards. An excess coverage medical insurance policy covers individual claims in excess of \$110,000 and/or \$9,660,054 in aggregate for the plan year (January 2025 – December 2025).

Changes to Health insurance that the District retained risk on over the past two fiscal years were as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year End
Group Health - 2024	\$ 449,050	\$ 7,411,048	\$ (7,320,985)	\$ 539,113
Group Health - 2025	\$ 539,113	\$ 9,477,637	\$ (9,534,000)	\$ 482,750

#### 14. RECENTLY ISSUED GASB STATEMENTS

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

**GASB Statement No. 103, *Financial Reporting Model Improvements*** (issued April 2024) – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement requires information presented in Management’s Discussion and Analysis (MD&A) be limited to five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. This Statement describes unusual or infrequent items and governments are required to display the inflows and outflows for each unusual or infrequent item separately in the government-wide, governmental fund, and proprietary fund statement of resource flows. This Statement also requires that the proprietary funds statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and governments are required to present each major component unit separately in the statement of net position and statement of activities if it does not reduce the readability of the statements. This Statement requires to present budgetary comparison information using a single method of communication, Required Supplementary Information (RSI). This standard becomes effective for the District in fiscal year 2026.

Management is currently in the process of evaluating the impact of this Statement on the District’s financial statements.

**GASB Statement No. 104, *Disclosure of Certain Capital Assets*** (issued September 2024) –The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. Leases, subscription assets and intangibles should be disclosed separately by major class in the capital assets note disclosures. This statement also requires additional disclosures for capital assets held for sale. Governments should disclose (1) the ending balance of the capital asset with separate disclosure for historical cost and accumulated depreciation by major class of asset and (2) the carrying amount of debt for which the capital assets are pledged as collateral for each major class of asset. This standard becomes effective for the District in fiscal year 2026.

Management is currently in the process of evaluating the impact of this Statement on the District’s financial statements.

**GASB Statement No. 105, *Subsequent Events*** (issued December 2025) –The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. The definition of subsequent events are transactions or other events that occur after

the date of the financial statements but before the financial statements are available to be issued. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events. Also, establishes specific information that are required to be disclosed about the subsequent events. This standard becomes effective for the District in fiscal year 2027.

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

## REQUIRED SUPPLEMENTARY INFORMATION



Richland-Chambers Reservoir

TARRANT REGIONAL WATER DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCE—BUDGET TO ACTUAL—GAAP BASIS—GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Original and Final Budget	Actual	Variance ((Over)/Under)
<b>REVENUES</b>			
Property Taxes	\$ 29,100,000	\$ 30,684,996	\$ (1,584,996)
Contributions	8,796,348	7,663,479	1,132,869
Investment Income	2,750,000	7,215,800	(4,465,800)
Oil and gas royalties	5,000,000	4,908,156	91,844
Lease rentals	1,307,653	1,273,178	34,475
Other	1,049,968	1,014,932	35,036
Total Revenues	<u>48,003,969</u>	<u>52,760,541</u>	<u>(4,756,572)</u>
<b>EXPENDITURES</b>			
Current			
General and Administrative	14,163,757	10,185,436	3,978,321
Personnel Services	13,526,847	12,505,806	1,021,041
Retirement Plan Contribution	1,099,951	1,136,275	(36,324)
Capital Expenditures	45,979,000	5,121,731	40,857,269
Debt Service			
Principal Payments	350,000	449,089	(99,089)
Interest Payments	—	3,631	(3,631)
Total Expenditures	<u>75,119,555</u>	<u>29,401,968</u>	<u>45,717,587</u>
Excess/(Deficiency) of Revenues Over/Under Expenditures	<u>(27,115,586)</u>	<u>23,358,573</u>	<u>(50,474,159)</u>
Other Financing Sources (Uses)			
Transfers out	—	(902,981)	902,981
Issuance of Leases/Subscriptions	—	411,153	(411,153)
CHANGE IN FUND BALANCE	(27,115,586)	22,866,745	(49,982,331)
FUND BALANCE—Beginning of Year	<u>156,923,222</u>	<u>156,923,222</u>	<u>—</u>
FUND BALANCE—End of Year	<u>\$ 129,807,636</u>	<u>\$ 179,789,967</u>	<u>\$ (49,982,331)</u>

**NOTES TO RSI**

**Property Taxes Revenues over Budget** - The District received \$1.6 million more in taxes than budgeted due to an increase in property values after certified roll date.

**Investment Income Revenues over Budget** - Investment income is over budget \$4.5 million mainly due to higher interest rates than originally budgeted.

**Contribution Revenues under Budget** - The District received \$1.1 million less than budgeted due to decrease in TIF revenues.

**General and Administrative Expenditures under Budget** - Expenses were under budget \$4.0 million mainly due to delays driven by weather which caused a decrease in repairs and maintenance costs.

**Personnel Services Expenditures under Budget** - The \$1.0 million variance in the personnel budget is due to vacant positions throughout the fiscal year. Also, the District is self insured and health claims were lower than budgeted.

**Capital Expenditures under Budget** - The variance of \$40.9 million is due in large part to the ongoing flood control project to construct canals just north of downtown (Panther Island) the start was delayed until 2026. The canals will function as flood control and stormwater transmission. Special Project expenditures are generally large projects that cannot be completed in an annual operating budget and can span multiple years.

\*Includes budgeted items for Special Projects. The Special Projects are approved by the Board and are funded by non-operating income.

Special Projects Expenditures	2025 Budget	2025 Actual
Canals	\$ 45,000,000	\$ 2,829,300
Panther Island Consulting & Land Strategy	450,000	802,580
La Grave Stadium Demolition	200,000	355,140
NCTCOG Bridge Payment	350,000	350,000
	<u>\$ 46,000,000</u>	<u>\$ 4,337,020</u>

TARRANT REGIONAL WATER DISTRICT

SCHEDULE OF CHANGES IN NET OTHER POST EMPLOYMENT BENEFITS LIABILITY AND RELATED RATIOS

LAST 10 FISCAL YEARS

	2017	2018	2019	2020	2021	2022	2023	2024	2025
<u>Other post employment benefits liability</u>									
Service cost	\$ 565,239	\$ 531,820	\$ 528,530	\$ 561,117	\$ 547,295	\$ 602,123	\$ 573,868	\$ 566,436	\$ 521,605
Interest	1,033,856	1,109,066	1,237,434	1,315,611	1,455,965	1,542,872	1,601,654	1,688,560	1,705,678
Difference between expected and actual experience of the total OPEB liability	(72,928)	190,998	(688,704)	826,908	(141,365)	(298,023)	(46,850)	(1,535,736)	(283,297)
Changes in assumptions	—	548,904	524,159	(139,716)	1,061,704	(354,102)	—	237,858	—
Benefit payments	(335,551)	(295,730)	(387,380)	(366,238)	(292,111)	(401,938)	(596,146)	(756,916)	(541,887)
Net change in total other post employment benefits liability	1,190,616	2,085,058	1,214,039	2,197,682	2,631,488	1,090,932	1,532,526	200,202	1,402,099
Total other post employment benefits liability - beginning	16,295,561	17,486,177	19,571,235	20,785,274	22,982,956	25,614,444	26,705,376	28,237,902	28,438,104
Total other post employment benefits liability - ending	\$ 17,486,177	\$ 19,571,235	\$ 20,785,274	\$ 22,982,956	\$ 25,614,444	\$ 26,705,376	\$ 28,237,902	\$ 28,438,104	\$ 29,840,203
<u>Plan fiduciary net position</u>									
Contributions - employer	\$ 1,545,551	\$ 1,626,730	\$ 1,851,480	\$ 1,976,748	\$ 2,063,672	\$ 2,350,655	\$ 2,739,735	\$ 3,114,864	\$ 3,135,630
Net investment income	417,971	296,613	501,718	686,452	1,822,450	(2,456,362)	1,186,938	4,131,196	2,423,255
Benefit payments	(335,551)	(295,730)	(387,380)	(366,238)	(292,111)	(401,938)	(596,146)	(756,916)	(541,887)
Administrative expense	(25,922)	(32,888)	(43,846)	(53,147)	(68,206)	(74,393)	(77,762)	(91,146)	(105,458)
Net changes	1,602,049	1,594,725	1,921,972	2,243,815	3,525,805	(582,038)	3,252,765	6,397,998	4,911,540
Plan fiduciary net position - beginning	3,279,665	4,881,714	6,476,439	8,398,411	10,642,226	14,168,031	13,585,993	16,838,758	23,236,756
Plan fiduciary net position - ending	4,881,714	6,476,439	8,398,411	10,642,226	14,168,031	13,585,993	16,838,758	23,236,756	28,148,296
Net other post employment benefits liability	\$ 12,604,463	\$ 13,094,796	\$ 12,386,863	\$ 12,340,730	\$ 11,446,413	\$ 13,119,383	\$ 11,399,144	\$ 5,201,348	\$ 1,691,907
Plan fiduciary net position as percentage of total OPEB liability	28%	33%	40%	46%	55%	51%	60%	82%	94%
Covered-employee payroll	\$ 19,291,600	\$ 18,513,781	\$ 18,674,165	\$ 19,662,433	\$ 20,217,028	\$ 20,106,498	\$ 20,216,906	\$ 20,870,783	\$ 21,998,257
Net OPEB liability as percentage of covered-employee payroll	65%	71%	66%	63%	57%	65%	56%	25%	8%

Note: Due to implementation of GASB 75 this schedule is newly created and the 10-year requirement will be built prospectively.

**TARRANT REGIONAL WATER DISTRICT**

**SCHEDULE OF INVESTMENTS RETURNS IN OTHER POST EMPLOYMENT BENEFITS  
LAST 10 FISCAL YEARS**

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	Annual money-weighted rate of return, net of investment expense
2017	9.50%
2018	5.27%
2019	6.56%
2020	7.07%
2021	14.95%
2022	(15.56)%
2023	7.74%
2024	21.81%
2025	9.65%

Note: Due to implementation of GASB 75 this schedule is newly created and the 10-year requirement will be built prospectively.

TARRANT REGIONAL WATER DISTRICT

SCHEDULE OF CONTRIBUTIONS IN OTHER POST EMPLOYMENT BENEFITS  
LAST 10 FISCAL YEARS

	Actuarially determined contribution	Actual contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as % of covered- employee payroll
2017	\$ 1,524,244	\$ 1,545,511	\$ (21,267)	\$ 19,291,600	8.01%
2018	1,569,476	1,626,730	(57,254)	18,513,781	8.79%
2019	1,534,834	1,851,480	(316,646)	18,674,165	9.91%
2020	1,504,889	1,976,748	(471,859)	19,662,433	10.05%
2021	1,401,562	2,063,672	(662,110)	20,217,028	10.21%
2022	2,063,672	2,350,655	(286,983)	20,106,498	11.69%
2023	1,349,443	2,739,735	(1,390,292)	20,216,906	13.55%
2024	1,240,053	3,114,864	(1,874,811)	20,870,783	14.92%
2025	1,220,799	3,135,630	(1,914,831)	21,998,257	14.25%

**Methods and Assumptions used to Determine Contribution Rates:**

Actuarial cost method	Individual entry age normal cost method
Amortization method	Level dollar, Closed
Remaining amortization period	21 years as of September 30, 2025
Asset valuation method	Market Value
Investment rate	6.00% per annum, net of expenses, including inflation
Inflation rate	2.50%
Salary increases	3.50% to 11.50%, including inflation
Demographic assumptions	Due to the size of this plan, the demographic assumptions are not based on formal experience studies. However, gains and losses are monitored and adjustments are made to the retirement and withdrawal assumptions as needed. Mortality and disability rates are based on assumptions used to value the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables, published through 2019 to account for future mortality improvements.
Healthcare trend rates	Pre-65: Initial rate of 7.00% declining to an ultimate rate of 4.15% after 13 years Post-65: Initial rate of 5.30% declining to an ultimate rate of 4.15% after 12 years
Participation rates	100% of eligible retirees are assumed to elect coverage

Note: Due to implementation of GASB 75 this schedule is newly created and the 10-year requirement will be built prospectively.

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**APPENDIX C**

FORM OF BOND COUNSEL'S OPINION

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April 28, 2026

TARRANT REGIONAL WATER DISTRICT,  
A WATER CONTROL AND IMPROVEMENT DISTRICT,  
WATER REVENUE REFUNDING AND IMPROVEMENT BONDS,  
SERIES 2026  
DATED MARCH 15, 2026,  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ \_\_\_\_\_

AS BOND COUNSEL FOR THE TARRANT REGIONAL WATER DISTRICT, A WATER CONTROL AND IMPROVEMENT DISTRICT (the "Issuer") in connection with the issuance of the Water Revenue Refunding and Improvement Bonds, Series 2026 described above (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 Initial Bond (as defined in the Resolution) and substitute Bonds and the issuance and delivery of the Initial Bond, including the executed Initial Bond, and a printed form for the substitute Bonds initially made available by the Issuer for conversion of and exchange for the Initial Bond; and we have examined and relied (i) the Issuer's Federal Tax Certificate, of even date herewith, incorporating certain schedules prepared by Hilltop Securities, Inc., Fort Worth, Texas, (ii) upon the report and mathematical verifications of Public Finance Partners LLC with respect to the sufficiency of certain escrowed funds to accomplish the refunding purposes of the Bonds, and (iii) covenants of the Issuer with respect to arbitrage, the application of proceeds of the Bonds, and certain other matters.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, and that the Initial Bond has been duly issued and delivered, all in accordance with law; and that, except as may be limited by laws applicable to the Issuer relating to sovereign immunity and to bankruptcy, reorganization, and other similar matters affecting creditors' rights, (i) the Bonds constitute valid and legally binding special obligations of the Issuer secured by and payable from, together with other outstanding bonds, a first lien on and pledge of the "Pledged Revenues" as defined in the Bond Resolution, consisting of the "Net Revenues of the District's Water System," as such term is defined in the Bond Resolution, including certain revenues and income received by the Issuer pursuant to its water supply "Contracts," as such term is defined in the Bond Resolution, and which, in the future, may, at the option of the Issuer, include other resources, and (ii) the Tarrant County Regional Water Supply Facilities Amendatory Contract," dated September 1, 1982, among the Issuer and the Cities of Fort Worth, Arlington, and Mansfield, Texas, and Trinity River Authority of Texas (collectively, the "Contracting Parties"), is authorized by law, has been duly executed, is valid, and is legally binding upon and enforceable by the parties thereto in accordance with its terms and provisions.

THE ISSUER has reserved the right, subject to the restrictions stated in the Bond Resolution, to issue Additional Bonds payable from and secured by a first lien on and pledge of the "Pledged Revenues" on a parity with the Bonds.

THE ISSUER also has reserved the right to amend the Bond Resolution, with the approval of the owners of 51% of the outstanding bonds secured by a first lien on the Pledged Revenues, subject to the restrictions stated in the Bond Resolution.

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

IT IS FURTHER 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 individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (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.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

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.

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.

WE HAVE ACTED AS BOND COUNSEL for the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds described above under the Constitution and laws of the State of Texas, and with respect to the exemption of the interest on the Bonds from federal income taxes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer or any of the Contracting Parties, the adequacy of the Pledged Revenues, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. 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,

Municipal Advisory Services  
Provided By

