



**NORTH TEXAS MUNICIPAL  
WATER DISTRICT**

*Regional Service Through Unity*

May 2, 2018

Mr. Luis Farias  
Texas Water Development Board  
Water Supply and Infrastructure-Regional Water Planning and Development  
1700 N. Congress Avenue, 5th Floor  
Austin, Texas 78711-3231

**RE: NTMWD SWIFT Funding Application  
SWIFT PIF Number 12583**

Dear Mr. Farias:

The North Texas Municipal Water District (NTMWD) is pleased to submit the enclosed SWIFT Application for a portion of the Treatment and Treated Water Distribution Improvements project. We appreciate the opportunity to provide this application for financial assistance so that we may move forward in meeting our customer's needs. Please contact Erik Felthous, Finance Manager, at 469-626-4354 or via email [efelthous@ntmwd.com](mailto:efelthous@ntmwd.com) at any time if you need further information.

Sincerely,

Rodney Rhoades  
Deputy Director (Finance & Personnel)

Enclosure



P.O. Box 13231, Austin, Texas 78711-3231

## APPLICATION FOR FINANCIAL ASSISTANCE FOR WATER AND WASTEWATER INFRASTRUCTURE PROJECTS

This application is comprehensive, covering all loan and grant assistance applications for water and wastewater infrastructure financing through the various Texas Water Development Board (TWDB) programs. The format of the application is intended to expedite the review process for both the applicant and TWDB staff. This application can be used by political subdivisions, including water supply corporations.

Please submit one double-sided original and one indexed, electronic copy, via electronic storage media such as CD or flash drive using MS Word, Excel and/or Adobe Acrobat.

Please submit your application to:

Texas Water Development Board  
Water Supply and Infrastructure-Regional Water Planning and Development  
P O Box 13231  
1700 N. Congress Avenue, 5<sup>th</sup> Floor  
Austin, Texas 78711-3231  
(78701 for courier deliveries)

A complete application consists of all of the applicable information and forms requested in this document. When preparing this application please review the Application and all Guidance and Forms, listed at the end.

For more information, please contact your Regional Project Implementation Team at:

[http://www.twdb.texas.gov/financial/programs/swift/regional\\_project\\_teams.asp](http://www.twdb.texas.gov/financial/programs/swift/regional_project_teams.asp)

Thank you.

### TWDB Use Only

Name of Applicant: \_\_\_\_\_

Date application received: \_\_\_\_\_

Date administratively complete: \_\_\_\_\_



Please label each attachment with the number of the pertinent application section (i.e. “Part D5”)

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Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part A: General Information**

1. The legal authority under which the applicant was created and operates.
  - a)  TYPE A GENERAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.001)
  - b)  TYPE B GENERAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.002)
  - c)  TYPE C GENERAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.003)
  - d)  HOME-RULE MUNICIPALITY (Texas Local Gov't Code Sec. 5.004)
  - e)  SPECIAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.005)
  - f)  NONPROFIT ORGANIZATION (Business Organization Code Chapter 22)
  - g)  NONPROFIT WATER SUPPLY OR SEWER SERVICE CORP. (Texas Water Code Chapter 67)
  - h)  ALL DISTRICTS (Texas Water Code Chapter 49)
  - i)  OTHER (attach)

2. Applicant Name and Contact Information:

<b>Name:</b>	North Texas Municipal Water District
<b>County:</b>	Collin
<b>Physical Address:</b>	501 E. Brown Street, Wylie, TX 75098
<b>Mailing Address:</b>	PO Box 2408 Wylie, TX 75098
<b>Phone:</b>	972-442-5405
<b>Fax:</b>	972-442-5400
<b>Website:</b>	www.ntmwd.com

3. Brief description of the project

**Treatment and Treated Water Distribution** is a multiphase project consisting of a conventional water treatment plant, high service pump station, and treated water pipeline.

4. Applicant's Officers and Members:

Name	Office Held
Tom Kula	Executive Director/General Manager
Mike Rickman	Deputy Director (Operations & Maintenance)
Rodney Rhoades	Deputy Director (Finance and Personnel)
Joe Stankiewicz	Deputy Director (Engineering & CIP)

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

5. Applicant's **primary contact person** for day-to-day project implementation.

<b>Name:</b>	Steve Long
<b>Title:</b>	Reservoir Project Manager
<b>Address:</b>	505 E. Brown Street, PO Box 2408, Wylie, TX 75098
<b>Phone:</b>	469-626-4713
<b>Fax:</b>	972-295-6440
<b>Email:</b>	slong@ntmwd.com

6. Applicant's Consultants (Attach copies of all draft and/or executed contracts for consultant services to be used by the Applicant in applying for financial assistance or constructing the proposed project.):

a) Applicant Engineer N/A

<b>Firm Name:</b>	Freese and Nichols, Inc.
<b>Contact:</b>	Jeff Payne
<b>Address:</b>	2711 N. Haskell, 33 <sup>rd</sup> Floor, Dallas, TX 75204
<b>Phone:</b>	972-624-9216
<b>Fax:</b>	214-217-2201
<b>Email:</b>	jp@freese.com

b) Bond Counsel N/A

<b>Firm Name:</b>	McCall, Parkhurst & Horton, L.L.P
<b>Contact:</b>	Alan Raynor
<b>Address:</b>	717 N. Harwood, 9 <sup>th</sup> Floor, Dallas, TX 75201-6514
<b>Phone:</b>	214-220-2800
<b>Fax:</b>	214-754-9250
<b>Email:</b>	<a href="mailto:araynor@mphlegal.com">araynor@mphlegal.com</a>

c) Financial Advisor N/A

<b>Firm Name:</b>	First Southwest, a Division of Hilltop Securities, Inc.
<b>Contact:</b>	David Medanich
<b>Address:</b>	777 Main Street, Suite 1200, Ft. Worth, TX 76102-5351
<b>Phone:</b>	817-332-9710
<b>Fax:</b>	817-336-5572
<b>Email:</b>	<a href="mailto:David.medanich@hilltopsecurities.com">David.medanich@hilltopsecurities.com</a>

d) Certified Public Accountant (or other appropriate rep) N/A

<b>Firm Name:</b>	Weaver & Tidwell, L.L.P
<b>Contact:</b>	Shawn Parker
<b>Address:</b>	12221 Merit Drive, Suite 1400, Dallas, TX 75251-2280
<b>Phone:</b>	972-490-1970
<b>Fax:</b>	972-702-8321
<b>Email:</b>	<a href="mailto:Shawn.parker@weaverllp.com">Shawn.parker@weaverllp.com</a>

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

e) Legal Counsel (if other than Bond Counsel) N/A

<b>Firm Name:</b>	Saunders, Walsh & Beard Attorneys & Counselors
<b>Contact:</b>	Mark A Walsh
<b>Address:</b>	6850 TPC Drive, Suite 210, McKinney, TX 75070
<b>Phone:</b>	214-919-3555
<b>Fax:</b>	214-615-9019
<b>Email:</b>	mark@saunderswalsh.com

f) Any other consultant representing the Applicant before the Board N/A

<b>Firm Name:</b>	Lloyd Gosselink, Attorneys at Law
<b>Contact:</b>	Lauren Kalisek
<b>Address:</b>	816 Congress Ave, STE 1900, Austin, TX 78701
<b>Phone:</b>	512-322-5800
<b>Fax:</b>	512.472.0532
<b>Email:</b>	lkalisek@lglawfirm.com

7. List the counties within the Applicant's service area. Collin, Hunt, Rockwall, Dallas, Kaufman, Ellis, Rains, Fannin, Denton
8. Identify the Applicant's total service area population: Over 1.7M
9. Applicant is requesting funding from which programs? Check all that apply.

	PROGRAM	AMOUNT REQUESTED
a) <input type="checkbox"/>	Drinking Water State Revolving Fund (DWSRF)	\$ _____
b) <input type="checkbox"/>	Clean Water State Revolving Fund (CWSRF)	\$ _____
c) <input type="checkbox"/>	Texas Water Development Fund (DFund)	\$ _____
d) <input type="checkbox"/>	State Participation	\$ _____
e) <input type="checkbox"/>	Rural Water Assistance Fund (RWAFF)	\$ _____
f) <input checked="" type="checkbox"/>	State Water Implementation Fund for Texas (SWIFT)	

Treatment and Treated Water Distribution - \$300,000,000

**See Attached FY 18 SWIFT Application Project Table**

- |                             |  |          |
|-----------------------------|--|----------|
| g) <input type="checkbox"/> | Economically Distressed Areas Program (EDAP) | \$ _____ |
| h) <input type="checkbox"/> | If other please explain: _____               | \$ _____ |

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

10. Other Funding Sources: Provide a list of any other funding source(s) being utilized to complete the project, including Applicant's local contribution, if any, or commitments applied for and/or received from any other funding agency for this project or any aspect of this project. **Provide commitment letters if available. Additional funding sources must be included within the Project Budget (TWDB-1201).**

Funding Source	Type of Funds (Loan/Grant)	Amount (\$)	Date Applied for Funding	Anticipated or Funding Secured Date
SWIFT I (11/2017)	Loan	\$20,477,141	Apr.2017	Nov.2017
SWIFT I (04/2018)	Loan	\$35,243,878	Apr.2017	Apr.2018
SWIFT I (11/2018)	Loan	\$201,694,874	Apr.2017	Nov.2018
SWIFT II (11/2018)	Loan	\$300,000,000	Apr.2018	Nov.2018
Rev Bonds	Loan	\$3,800,214	Misc	Misc
Cap Imp	Cash	\$6,498,559	NA	NA
<b>Total Funding from All Sources</b>		\$567,714,666		

Comments: \_\_\_\_\_

11. Applicant is requesting funding for which phase(s)? Check all that apply.

- Planning
- Acquisition
- Design
- Construction

12. Is Applicant requesting funding to refinance existing debt?

- Yes If yes, attach a copy of the document securing the debt to be refinanced.
- Attached document**
- No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part B: Legal Information**

13. Cite the legal authority under which the Applicant can issue the proposed debt including the authority to make a proposed pledge of revenues. Chapter 62, Acts of the 52<sup>nd</sup> Legislature of the State of Texas, Regular Session, as amended

14. What type of pledge will be used to repay the proposed debt?

- Systems Revenue
- Taxes
- Combination of systems revenues and taxes
- Other (Contract Revenue, etc.)

15. Provide the full legal name of the security for the proposed debt issue(s). ). North Texas Municipal Water District Water System Revenue Bonds, Series 2018A

16. Describe the pledge being offered and any existing rate covenants. Contract Revenues Payable by the Member Cities currently, Allen, Farmersville, Forney, Frisco, Garland, McKinney, Mesquite, Plano, Princeton, Richardson, Rockwall, Royse City and Wylie. Rate Covenant is 1.00 times debt service

17. Attach the resolution from the governing body requesting financial assistance.

TWDB-0201A (<http://www.twdb.texas.gov/financial/instructions/>)

**Attached Resolution**

18. Attach the Application Affidavit

TWDB-0201 (<http://www.twdb.texas.gov/financial/instructions/>)

**Attached Application Affidavit**

19. Attach the Certificate of Secretary

TWDB-201B (<http://www.twdb.texas.gov/financial/instructions/>)

**Attached Certificate of Secretary**

20. Is the applicant a Water Supply Corporation (WSC)?

Yes If yes, attach each of the following:

- Articles of Incorporation**
- Certificate of Incorporation from the Texas Secretary of State evidencing that the current Articles of Incorporation are on file with the Secretary**
- By-laws and any amendments**
- Certificate of Status from the Texas Secretary of State (i.e. Certificate of Existence)**
- Certificate of Account Status from the Texas Comptroller of Public Accounts (certifies that the WSC is exempt from the franchise tax and that the WSC is in good standing).**

No



Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

21. Is the applicant proposing to issue revenue bonds?  
 Yes If yes, attach copies of the most recent resolution/ordinance(s) authorizing any outstanding parity debt. This is essential to insure outstanding bond covenants are consistent with covenants that might be required for TWDB financing.  
 **Attached resolution/ordinance(s)**  
 No
22. Does the applicant possess a Certificate of Convenience and Necessity (CCN)?  
 Yes If yes, attach a copy of the CCN and service area map showing the areas the applicant is allowed to provide water or wastewater services.  
 **Attached CCN and service area map**  
 No If no, indicate the status of the CCN. \_\_\_\_\_  
 N/A
23. Has the applicant been the subject of any enforcement action by the Texas Commission on Environmental Quality (TCEQ), the Environmental Protection Agency (EPA), or any other entity within the past three years?  
 Yes If yes, attach a brief description of every enforcement action within the past three years and action(s) to address requirements.  
 **Attached**  
 No
24. Are any facilities to be constructed or the area to be served within the service are of a municipality or other public utility?  
 Yes If yes, has the applicant obtained an affidavit stating that the utility does not object to the construction and operation of the services and facilities in its service area?  
 If yes, attach a copy of the affidavit.  
 **Attached affidavit**  
 If no, provide an explanation as to why not. NTMWD and Bois d'Arc Municipal Water District have executed a Settlement Agreement. Agreement is Attached.  
 No

**Please label each attachment with the number of the pertinent application section (i.e. "Part D5")**

25. If the assistance requested is more than \$500,000 a Water Conservation Plan (WCP) is required. The WCP cannot be more than **FIVE** years old and must have been adopted by the applicant. Has the applicant adopted a Board-approved WCP? (Check one and attach requested information, if any.)

Yes Enter date of Applicant's WCP adoption: 2/27/14

**Reference TWDB - 2017 Application**

No If no, attach a copy of a draft Water Conservation Plan and Drought Contingency Plan prepared in accordance with the TWDB WCP Checklist (<http://www.twdb.state.tx.us/financial/instructions/doc/TWDB-1968.pdf>)

**Attached Draft WCP and Drought Contingency Plan**

**Attached Utility Profile TWDB-1965**

<http://www.twdb.state.tx.us/financial/instructions/doc/TWDB-1965.pdf>

N/A (Request is \$500,000 or less per Water Code §§ 15.106(c), 17.125(c), 17.277(c), and 17.857(c))

**Note:** If the applicant will utilize the project financed by the TWDB to furnish services to another entity that in turn will furnish services to the ultimate consumer, the requirements for the WCP may be met through contractual agreements between the applicant and the other entity providing for establishment of a water conservation plan. The provision requiring a WCP shall be included in the contract at the earliest of: the original execution, renewal or substantial amendment of that contract, or by other appropriate measures.

26. Does the applicant provide retail water services?

Yes If yes, has the applicant already submitted to the TWDB the annual water use survey of groundwater and surface water for the last **THREE** years?

Yes

No If no, please download survey forms and attach a copy of the completed water use surveys to the application.

<http://www.twdb.texas.gov/waterplanning/waterusesurvey/index.asp>

**Reference TWDB - 2017 Application**

No

27. Is the applicant a retail public utility that provides potable water?

Yes If yes, has the applicant already submitted the most recently required water loss audit to the TWDB?

Yes

No If no, and if applying for a water supply project, please complete the online TWDB Water Audit worksheet found at <http://www.twdb.texas.gov/conservation/resources/waterloss-resources.asp> and attach a copy to the application.

**Attached TWDB Water Audit worksheet**

No

28. Does the Applicant provide wastewater services?

Yes

No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part C: Financial Information**

**Regional or wholesale providers, complete questions 29-31.**

**Retail providers, complete questions 32-34.**

29. List top **TEN** customers of the system by annual usage in gallons and percentage of total usage, including whether any are in bankruptcy.

Customer Name	Annual Usage (gal)	Percent of Usage	Bankruptcy (Y/N)
Plano	21,995,403	23%	N
McKinney	10,535,941	11%	N
Garland	10,141,139	11%	N
Frisco	9,695,210	10%	N
Richardson	8,095,368	9%	N
Mesquite	5,623,217	6%	N
Allen	5,565,743	6%	N
Rockwall	2,503,815	3%	N
Rowlett	2,305,745	2%	N
Forney	1,752,242	2%	N

Comments: For 2017 Water Year (August 1 through July 31)

30. List the top TEN customers of the system by gross revenues and percent of total revenues, including whether any are in bankruptcy

Customer Name	Annual Revenue(\$)	Percent of Revenue	Bankruptcy (Y/N)
Plano	\$65,664,110	23%	N
Garland	\$33,248,412	12%	N
McKinney	\$27,136,829	10%	N
Richardson	\$26,680,040	9%	N
Frisco	\$25,652,227	9%	N
Mesquite	\$19,896,571	7%	N
Allen	\$15,025,716	5%	N
Rockwall	\$8,088,032	3%	N
Rowlett	\$7,872,080	3%	N
Wylie	\$4,690,662	2%	N

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

31. Provide a summary of the wholesale contracts with customers

Contract Type	Minimum annual amount	Usage fee per 1,000 gallons	Annual Operations and Maintenance	Annual Capital Costs	Annual Debt Service	Other
ATTACHED						

32. List top **TEN** customers of the water and/or wastewater system by annual revenue with corresponding usage and percentage of total use, including whether any are in bankruptcy.

a. **WATER**

Customer Name	Annual Usage (gal)	Percent of Total Water Revenue	Bankruptcy (Y/N)
Plano	21,995,403	23%	N
McKinney	10,535,941	11%	N
Garland	10,141,139	11%	N
Frisco	9,695,210	10%	N
Richardson	8,095,368	9%	N
Mesquite	5,623,217	6%	N
Allen	5,565,743	6%	N
Rockwall	2,503,815	3%	N
Rowlett	2,305,745	2%	N
Forney	1,752,242	2%	N

b. **WASTEWATER**

Customer Name	Annual Usage (gal)	Percent of Total Wastewater Revenue	Bankruptcy (Y/N)
N/A			

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

33. Current Average Residential Usage and Rate Information

Service	Date of Last Rate Increase	Avg. Monthly Usage (gallons)	Avg. Monthly Bill (\$)	Avg. Monthly Increase Per Customer(\$)	Projected Monthly Increase Necessary (\$)
Water	N/A				
Wastewater					

34. Provide the number of customers for each of the past five years.

Year	Number of Customers
2017	46
2016	46
2015	46
2014	46
2013	46

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

All applicants complete questions 35-51 of the financial section, as applicable.

35. Disclose all issues that may affect the project or the applicant's ability to issue and/or repay debt (such as anticipated lawsuits, judgments, bankruptcies, major customer closings, etc.).

On December 14, 2016, District member cities Garland, Mesquite, Plano, and Richardson (collectively, the "PUC Petitioners") filed a petition at the Public Utility Commission of Texas (the "PUC") to appeal the charges imposed on the PUC Petitioners for calendar year 2017 pursuant to the Regional Water Supply Facilities Amendatory Contract (the "Contract"). See Petition, PUC Docket No. 46662 (the "2017 Petition"). On December 15, 2017, the PUC Petitioners filed a similar petition to appeal the charges imposed on the PUC Petitioners for calendar year 2018 pursuant to the Contract. See Petition, PUC Docket No. 47863 (the "2018 Petition"). The District disputes the allegations contained in the 2017 Petition and 2018 Petition. On February 6, 2017, the District filed a Motion to Dismiss on jurisdictional grounds in response to the 2017 Petition. Without expressly ruling on the Motion to Dismiss the 2017 Petition, the Commission effectively denied it by subsequently referring the 2017 Petition to the State Office of Administrative Hearings ("SOAH") for a contested case hearing. That hearing is ongoing. On February 16, 2018, the District filed a Motion to Dismiss the 2018 Petition on substantially the same jurisdictional grounds. Again without ruling on the Motion to Dismiss the 2018 Petition, the Commission referred that petition to SOAH. Upon agreed motion by all parties, the Administrative Law Judges assigned to hear the 2018 Petition abated that proceeding to allow the hearing on the 2017 Petition to first conclude. All pleadings in the PUC action are available at the PUC's website: www.puc.texas.gov.

On March 28, 2018, the District filed suit for expedited declaratory judgment pursuant to Chapter 1205, Texas Government Code ("Chapter 1205") seeking a declaration, among other things, as to (1) the District's authority to issue the Series 2018A Water System Revenue Bonds, (2) the legality and validity of the District's actions authorizing the Series 2018A Water System Revenue Bonds, and (3) the legality and validity of the Series 2018A Water System Revenue Bonds. See Original Petition, In re North Tex. Mun. Water Dist., Cause No. 429-01462-2018 (429th Dist. Ct., Collin County, Tex., Mar. 28, 2018) (attached hereto as **Exhibit A**). As required by Chapter 1205, notice of this proceeding has been provided to all required parties, and trial is currently scheduled for April 23, 2018.

**Exhibit A Attached**

36. Has the applicant ever defaulted on any debt?  
 Yes If yes, disclose all circumstances surrounding prior default(s). \_\_\_\_\_  
 No

37. Does the applicant have taxing authority?  
 Yes  
 No

38. Provide the last five-years of data showing total taxable assessed valuation including net ad valorem taxes levied, corresponding tax rate (detailing debt service and general purposes), and tax collection rate.

Fiscal Year Ending	Net Taxable Assessed Value (\$)	Tax Rate	General Fund	Interest & Sinking Fund	Tax Levy \$	Percentage Current Collections	Percentage Total Collections
20							
20							
20							
20							
20							

Comments:   N/A



Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

39. Attach the last five-years of tax assessed values delineated by Classification (Residential, Commercial and Industrial). **If applicant does not have taxing authority, provide the assessed values of the county.**

- a)  2017 attached
- b)  2016 attached
- c)  2015 attached
- d)  2014 attached
- e)  2013 attached

40. Attach the direct and overlapping tax rate table:

**Attached tax rate table**

41. Provide the current top **TEN** taxpayers showing percentage of ownership to total assessed valuation. State if any are in bankruptcy and explain anticipated prospective impacts in the Comments blank, below. If any of these have changed in the past three years, please provide information on the changes to the top ten.

Taxpayer Name	Assessed Value	Percent of Total	Bankruptcy (Y/N)
SEE ATTACHED			

Comments: Per Collin County Texas 2017 CAFR for Fiscal Year Ended September 30, 2017

42. Provide the maximum tax rate permitted by law per \$100 of property value.   N/A

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

43. Does the applicant collect sales tax?

Yes Provide the sales tax collection history for the past five years.

Fiscal Year Ending	Total Collections
20	
20	
20	
20	
20	

No

44. Indicate the tax status of the proposed loan?

Tax-Exempt

Taxable

45. Proforma **(Select one of the four listed below) Please be sure the proforma reflects the schedule requested, including multi-phased funding options.**

a. System revenues are anticipated to be used to repay the proposed debt. Attach a proforma indicating the following information for each year the debt is outstanding:

- projected gross revenues
- operating and maintenance expenditures
- outstanding and proposed debt service requirements
- net revenues available for debt service and coverage of current and proposed debt paid from revenues

b. Taxes are anticipated to be used to repay the proposed debt. Attach a pro forma indicating the following information for each year the debt is outstanding:

- outstanding and proposed debt service requirements
- the tax rate necessary to repay current and proposed debt paid from taxes
- list the assumed collection rate and tax base used to prepare the schedule

c. Combination of system revenues and taxes to be used to repay the proposed debt. Attach a pro forma indicating the following information for each year the debt is outstanding:

- projected gross revenues, operating and maintenance expenditures, net revenues available for debt service
- outstanding and proposed debt service requirements
- the tax rate necessary to pay the current and proposed debt
- list the assumed collection rate and tax base used to prepare the schedule

d. Another type of pledge will be used to repay the proposed debt. Attach a pro forma with information for each year the debt is outstanding, which includes projected revenues, annual expenditures, outstanding debt requirements, and revenues available for debt service.

Attached

**Please label each attachment with the number of the pertinent application section (i.e. "Part D5")**

46. Attach a **FIVE** year comparative system operating statement (not condensed) including audited prior years and an unaudited year-to-date statement. Unaudited year-to-date statement must reflect the financial status for a period not exceeding the latest six months.  
 **Attached Operating Statement.**
47. Attach **ONE** copy of an annual audit of financial statements, including the management letter, for the preceding fiscal year prepared by a certified public accountant or firm of accountants and, if the last annual audit was more than 6 months ago, then, provide interim financial information.  
 **Attached Annual Audit**  
 **Attached Management Letter**  
 **If applicable, attached interim financial information**
48. Does the applicant have any outstanding debt? (Check all that apply)  
 Yes, General obligation debt  
 Yes, Revenue debt  
 Yes, Authorized but unissued debt  
 No
49. Attach a listing of total outstanding debt and identify the debt holder. Segregate by type (General Obligation or Revenue) and present a consolidated schedule for each, showing total annual requirements. Note any authorized but unissued debt.
- a. General Obligation Debt:  
 Yes  
 **Attached schedule. The schedule should also identify the debt holder.**  
 No
- b. Revenue:  
 Yes  
 **Attached schedule. The schedule should also identify the debt holder.**  
 No
- c. Authorized by Unissued Debt:  
 Yes  
 **Attached schedule. The schedule should also identify the debt holder.**  
 No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

50. List the ten largest employers of the Applicant's service area:

Name	Number of Employees
SEE ATTACHED	

Comments (example, any anticipated changes to the tax base, employers etc.) Per Collin County Texas 2017 CAFR for Fiscal Year Ended September 30, 2017

51. Provide any current bond ratings with date received.

	Standard & Poor's	Date Received	Moody's	Date Received	Fitch	Date Received
G.O.						
Revenue	AAA	03/02/18	Aa2	10/27/16	NA	NA

52. Is the project intended to allow the applicant to provide or receive water or sewer services to or from another entity?

Yes. If yes, the applicant must attach, at a minimum, the proposed agreement, contract, or other documentation establishing the service relationship, with the final and binding agreements provided prior to loan closing.

**Attached**

No.

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part D: Project Information**

53. Description of Project Need (for example, is the project needed to address a current compliance issue, avoid potential compliance issues, extend service, expand capacity, etc.):

**Reference TWDB - 2017 Application**

54. Description of Project, including a bulleted list of project elements/components, and alternatives considered (including existing facilities):

**Reference TWDB - 2017 Application**

A complete preliminary engineering feasibility data must include:

- a. A description and purpose of the project, including existing facilities.
- Note: CWSRF and DWSRF must address issues scored in Intended Use Plan submittal

**Reference TWDB - 2017 Application**

- b. **If project is for Construction only, then attach** the appropriate Engineering Feasibility Report:

a) **Water** (TWDB-0555 at

<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0555.pdf>)

**Attached**

b) **Wastewater** (TWDB-0556 at

<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0556.pdf>)

**Attached**

- c. DWSRF applicants must complete a Projected Draw Schedule (TWDB-1202 at <http://www.twdb.texas.gov/financial/instructions/doc/TWDB-1202.xls>)

55. Water Made Available (For projects requesting a construction component):

**a. Treatment and Treated Water Distribution**

- New supply 120,665 (acre-feet/year) 300,000,000 (\$) capital cost
- The **increase** in the total annual volume of water supply that will be made available to the recipient(s) by the proposed project.
- Water Plan project examples: new groundwater wells, reservoir development, pipelines to sources.

**b. New Conservation savings** \_\_\_\_\_ (acre-feet/year) \_\_\_\_\_ (\$) capital cost

- Annual volume of anticipated water savings resulting from implementation of the proposed conservation project including water loss) and other conservation activities,
- Water Plan project examples: municipal conservation, advanced Water Conservation, on-farm conservation, brush control, irrigation conservation.

**c. New Reuse supply** \_\_\_\_\_ (acre-feet/year) \_\_\_\_\_ (\$) capital cost

**Please label each attachment with the number of the pertinent application section (i.e. "Part D5")**

- Increase in the annual volume of (direct or indirect) reuse water supply that will be made available to the recipient(s) by the proposed project.
- Water Plan project examples: direct reuse, non-potable reuse, recycled water programs.

d. *Maintenance of Current Supply* \_\_\_\_\_ (acre-feet/year) \_\_\_\_\_ (\$) capital cost

- Volume of recipients' current supplies that will be maintained by implementing the proposed project
- Water Plan project examples: None. Not a water plan project. (Examples of these type projects: treatment rehabilitation, system storage facilities, system upgrades).

56. Project Location:

Attach a map of the service area and drawings as necessary to locate and describe the project. The map should show the project footprint and major project components.

**Reference TWDB - 2017 Application**

57. Attach the Census tract numbers in which the applicant's service area is within. The Census tracts within your area may be found at:

<http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>

**Please follow these steps:**

- Select Advanced Search.
- Select the Geographies button located below Topics (left side of page).
- On the top of the window select the Name tab.
- In the text box, type "All Census Tracts within\_\_\_\_" (Fill in the blank with the name of a County Subdivision or a Place.) Select "Go".
- If your town is a County Subdivision, select the geography labeled "All Census Tracts (or parts) within City, County, State" from the Geography Results. If your town is a place select the geography labeled "All Census Tracts (or parts) full-or-partially within City, State" from the Geography Results.
- Close the Geographies Search window.
- Use the Topics on the left side of the page to further refine your search or to select a table(s) from your search results.

**Reference TWDB - 2017 Application**

58. Project Schedule:

- a) Requested loan closing date.  
November 2018
- b) Estimated date to submit environmental planning documents.  
Actual submittal date: Leonard WTP, April 2018 (submitted to TWDB); Treated Water Pipeline from LWTP to McKinney No. 4 August 2018.
- c) Estimated date to submit engineering planning documents.  
Engineering planning documents for the dam, reservoir clearing, raw water pump station, mitigation (Riverby Ranch), FM 897, Fannin County Roads, raw water pipeline, treated water pipeline, terminal storage reservoir, Leonard WTP, FM 897



Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

Extension, Fannin County Roads **are submitted** with this application. Engineering planning documents for the Leonard High Service Pump Station will be submitted in May 2018

- d) Estimated date for completion of design.  
Design of the dam and FM 897 are complete. The design for all other components will be complete by September 2019.
- e) Estimated Construction start date for first contract.  
April 2018
- f) Estimated Construction end date for last contract.  
March 2022

59. **Attach** a copy of current and future populations and projected water use or wastewater flows. Include entities to be served.

**Treatment and Treated Water Distribution**  
**Attached**

60. Attach the most current itemized project cost estimate (include all costs and funding sources). Utilize the budget format provided (TWDB-1201 at <http://www.twdb.texas.gov/financial/instructions/>). If applying for pre-construction costs only (i.e., P, A, D) then itemize only the relevant portions in the attached budget template

---

**Treatment and Treated Water Distribution**  
**Attached**

61. Attach the appropriate Project Information Form:  
 **Wastewater:** Attached a completed Wastewater Project Information Form WRD-253a <http://www.twdb.texas.gov/financial/instructions/index.asp>

**Water:** Attached a completed Water Project Information Form WRD-253a <http://www.twdb.texas.gov/financial/instructions/index.asp>

62. If the project is for Construction only, wastewater projects that involve the construction of a new plant or the expansion of an existing plant and/or associated facilities, attach evidence that an application for a new Texas Pollution Discharge Elimination System Permit or amendment to an existing permit related to the proposed project has been filed with the Texas Commission on Environmental Quality (TCEQ). Final permit authorization must be obtained from the TCEQ before funds can be released for construction activities.

**Attached**  
 No. Provide explanation: N/A

**Please label each attachment with the number of the pertinent application section (i.e. "Part D5")**

63. If this project will result in: (a) an increase by the applicant in the use of groundwater, (b) drilling a new water well, or (c) an increase by the applicant in use of surface water, then the applicant must demonstrate that it has acquired – by contract, ownership or lease – the necessary property rights, groundwater permits, and/or surface water rights sufficient for the project before funds can be released for construction.

a) Does the applicant currently own all the property rights, groundwater permits and surface water rights needed for this project?

Yes If yes, please attach the completed, appropriate form.

1. WRD 208A (<http://www.twdb.texas.gov/financial/instructions/index.asp>) (Surface Water)

**Reference TWDB - 2017 Application**

2. WRD 208B (<http://www.twdb.texas.gov/financial/instructions/index.asp>) (Groundwater)

**Attached**

No

N/A

b) If all property rights, groundwater permits, and surface water rights, needed for this project have not yet been acquired, identify the rights and/or permits that will need to be acquired and provide the anticipated date by which the applicant expects to have acquired such rights and/or permits.

Type of Permit Water Right	Entity from which the permit or right must be acquired	Acquired by lease or full ownership	Expected acquisition date	Permit / Water Right ID No.
N/A				

c) List any major permits not identified elsewhere that are necessary for completion of project. Also, list any more necessary minor permits that may involve particular difficulty due to the nature of the proposed project.

Permit	Issuing Entity	Permit Acquired (Y/N)
N/A		

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

64. Has the applicant obtained all necessary land and easements for the project?

Yes. If yes, attach the site certificate (ED-101 at <http://www.twdb.texas.gov/financial/instructions/index.asp>)  
 **Attached**

No. If no, **fill out the table below** and describe the land or easements that will need to be acquired, provide the anticipated date by which the applicant expects to have the land or easements, and indicate if funding from TWDB is to be used for the acquisition.

Description of Land or Easement Permit	Entity from which the permit or right must be acquired	Acquired by lease or full ownership	Expected acquisition date	To Be Funded by TWDB (Yes/No)
See Attached				

Comments: \_\_\_\_\_

65. Has a Categorical Exclusion (CE), Determination of No Effect (DNE), Finding of No Significant Impact (FONSI), Record of Decision (ROD), or any other environmental determination been issued for this project?

Yes  
 Attach a copy of the finding.  
 No

66. Is the project potentially eligible for a Categorical Exclusion (CE)/ Determination of No Effect (DNE) because it involves only minor rehabilitation or the functional replacement of existing equipment?

Yes  
 No

67. Are there potentially adverse environmental or social impacts that may require mitigation or extensive regulatory agency or public coordination (e.g. known impacts to properties eligible for listing on the National Register of Historic Places; potentially significant public controversy; need for an individual permit from the U.S. Army Corps of Engineers)?

Yes  
 If yes, attach additional information  
**Reference TWDB - 2017 Application**  
 No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part E: State Water Implementation Fund for Texas (SWIFT) Applicants Only:**

68. Identify the type of SWIFT funding (If more than one funding option is being requested indicate the amount of funding for each):

Deferred \$

Treatment and Treated Water Distribution - \$300,000,000

Board Participation \$

69. For multi-year funding request or phased commitments, provide a schedule reflecting the closing dates for each loan requested.

**Attached**

**N/A**

70. **Notice to SWIFT Applicants:** Texas Water Code Sec. 15.435(h) requires all recipients of financial assistance from the SWIFT to acknowledge any applicable legal obligations in federal law, related to contracting with disadvantaged business enterprises, and state law, related to contracting with historically underutilized businesses. Checking the boxes below serves as this acknowledgement.

As an applicant for financial assistance from SWIFT, I acknowledge that this project must comply with any applicable legal obligations in federal law related to contracting with disadvantaged business enterprises.

As an applicant for financial assistance from SWIFT, I acknowledge that this project must comply with applicable legal obligations in state law (Texas Government Code Chapter 2161 and Texas Administrative Code Chapter 20, Subchapter B) related to contracting with historically underutilized businesses.

71. Provide drafts of the following documents:

a. Proposed Bond Ordinance

**Attached**

b. Private Placement Memorandum

**Attached**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part F: Economically Distressed Programs (EDAP) Applicants Only:**

In accordance with TWDB Rules (31 TAC Chapter 363), an application for EDAP will **not** be considered until the County has adopted and is enforcing the Model Subdivision Rules (MSRs) Texas Water Code § 16.343. If the proposed project is within a municipality or its extraterritorial jurisdiction (ETJ), or if the applicant is a municipality, the municipality must also have adopted and be enforcing MSRs.

72. Describe procedures for collecting monthly customer bills (include procedures for collection of delinquent accounts)  
\_\_\_\_\_
73. Is financing being requested for a **wastewater** project?  
 Yes If yes, does the applicant have the required resolution/ordinance establishing a mandatory hookup policy?  
 Yes. If yes, attach a copy of the resolution/ordinance.  
 **Attached**  
 No. If no, explain \_\_\_\_\_  
 No
74. Required documentation for the project area for Preliminary EDAP Eligibility (31 TAC Chapter 363)  
 **Attached** documentation of inadequacy of water and/or wastewater services.  
 **Attached** documentation regarding the financial resources of the residential users in the EDAP area. Census data or documentation regarding median household income should be provided.  
 **Attached** documentation demonstrating existence of a residence in the project area prior to **June 1, 2005**. This could include tax records of residence, dated aerial maps, or, other documentation demonstrating existence of a residence.
75. Has the Department of State Health Services issued a determination stating a public health nuisance exists in the project area?  
 Yes If yes, attach a copy of the determination.  
 **Attached**  
 No If no determination exists, attach documentation demonstrating a public health nuisance exists in the project area. (*Photographs may be submitted, but they **must** be labeled with location and date when taken. If the soil types are mentioned in the project area as an issue, include soil profile maps*) This documentation will be used by TWDB staff to request a determination from the Department of State Health Services  
 **Attached**
76. Is this project providing new service?  
 Yes If yes, attach plats of the affected subdivisions.  
 **Attached**  
 No
77. Attach an EDAP Facility Engineering Plan/Scope of Services report that complies with the requirements of WRD-023A. <http://www.twdb.texas.gov/financial/instructions/index.asp>  
 **Attached**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part G: CWSRF/DWSRF Applicants Only**

**Only applicants applying for funding from the CWSRF and DWSRF Programs must complete this section.**

Pursuant to Federal Funding Accountability and Transparency Act (FFATA) the applicant is required to obtain a DUNS number that will represent a universal identifier for all federal funding assistance. DUNS numbers can be obtained from Dun and Bradstreet at <http://fedgov.dnb.com/webform/>

78. Applicant's Data Universal Number System (DUNS) Number:  
DUNS \_\_\_\_\_

Pursuant to Federal Funding Accountability and Transparency Act (FFATA) the applicant is required to register with System for Award Management (SAM) and maintain current registration at all times during which the Board loan agreement is active or under consideration by the Board. Register at: <https://sam.gov>.

79. The applicant has registered and will maintain current SAM registration at all times during which a federal subaward is active or under consideration by the Board.  
 Yes  
 No

80. Federal Awards information:

1. Did applicant receive over 80% of their revenue from Federal Awards last year?

Yes  
 No

2. Did applicant receive over \$25 million in Federal Awards last year?

Yes  
 No

3. Public does not have access to executive compensation information via SEC or IRS reports?

Yes  
 No

81. If applicant checked **YES** to **ALL** three boxes in 3 above, applicant is required to disclose the name and compensation of the five most highly compensated officers.

Officer's Name	Officer's Compensation (\$)

82. Complete form WRD 213 (<http://www.twdb.texas.gov/financial/instructions/index.asp>) - Certification Regarding Lobbying

**Attached**  Yes  
 No  
 N/A



**Please label each attachment with the number of the pertinent application section (i.e. "Part D5")**

83. If applying for CWSRF Equivalency or DWSRF, **attach** the Certification Regarding Debarment, Suspension and Other Responsibility. SRF-404  
(<http://www.twdb.texas.gov/financial/instructions/doc/SRF-404.pdf>)

**Attached**  Yes  
 No  
 N/A

84. If applying for CWSRF Equivalency or DWSRF, **attach** the Assurances – Construction Programs. EPA-424D (<http://www.twdb.texas.gov/financial/doc/EPA-424D.pdf>)

**Attached**  Yes  
 No  
 N/A

85. The applicant must comply with the Davis-Bacon Act regarding prevailing wage rates. The applicant acknowledges that they are aware of, and will abide by, the Davis-Bacon Act requirements.

Yes  
 No

Further information on the Davis-Bacon requirement is available through the TWDB Guidance document, DB-0156 (<http://www.twdb.texas.gov/financial/instructions/index.asp>)

All project costs funded by the TWDB through CWSRF Equivalency or DWSRF must comply with the federal Disadvantaged Business Enterprise (DBE) program rules and requirements. The federal DBE program requires a good faith effort to contract with DBE's for all procurements including: professional and non-professional consulting services, equipment, supplies and construction to be funded by federal equivalency dollars. Guidance and forms are found at:

TWDB-0210 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0210.pdf>)

86. **At a minimum, you must complete and attach** the Applicant Affirmative Steps Certification and Goals. This form is required to obtain a financial assistance commitment.

TWDB-0215 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0215.pdf>)

**Attached**  Yes  
 No

87. If you have already solicited contractors, complete and attach the Affirmative Steps Solicitation Report. This form is required prior to loan closing and release of any funds; therefore, if this question is not applicable at this time, select N/A.

TWDB-216 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0216.pdf>)

**Attached**  Yes  
 No  
 N/A

**Please label each attachment with the number of the pertinent application section (i.e. "Part D5")**

88. If you have awarded contracts to contractors, complete and attach the Loan/Grant Participation Summary. This form must be submitted for review prior to loan closing and release of funds. This form is required prior to loan closing and release of any funds; therefore, if this question is not applicable at this time, select N/A.

TWDB-0373 (<http://www.twdb.texas.gov/financial/doc/TWDB-0373.pdf>)

<b>Attached</b>	<input type="checkbox"/>	Yes
	<input type="checkbox"/>	No
	<input type="checkbox"/>	N/A

89. All Contractors that have been awarded will need to complete and attach the Prime Contractor Affirmative Steps Certification and Goals This form is required prior to loan closing and release of any funds; therefore, if this question is not applicable at this time, select N/A.

TWDB-217 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0217.pdf>)

<b>Attached</b>	<input type="checkbox"/>	Yes
	<input type="checkbox"/>	No
	<input type="checkbox"/>	N/A

90. **All CWSRF applicants** must be a Designated Management Agency (DMA) for wastewater collection and treatment. Please complete and attach DMA resolutions. WRD-210 (<http://www.twdb.texas.gov/financial/doc/WRD-210.pdf>) is an example of this type of resolution.

<input type="checkbox"/>	<b>Attached</b>
<input type="checkbox"/>	N/A

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

## Part H: Documentation of "Green" Projects and Project Components

CWSRF and DWSRF Applicants Only

All SRF applicants must complete this section if green benefits are all or part of the project (**more than an incidental benefit**). Project is defined as the entire project or a stand-alone component of the project. This section is required so that the TWDB may determine whether the project qualifies as "green" pursuant to Environmental Protection Agency (EPA) Guidance.

A project (or project component) is "green" if the primary purpose qualifies under EPA Guidance as one of the following:

- a. Green Infrastructure,
- b. Water Efficiency-related,
- c. Energy Efficiency-related, or
- d. Environmentally Innovative.

You must use the Green Project Reserve guidance to complete this section. Current guidance may be found at: **Green Project Reserve: Guidance for determining project eligibility**  
TWDB-0161 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0161.pdf>)

91. Does your project or a component of your project qualify as Green, per EPA guidance?
- Yes  
 No

If Yes, Please complete the remainder of Section G.

92. Type of Green Project
- Water Efficiency       Energy Efficiency       Green Infrastructure       Environmentally Innovative

93. The correct worksheets must be completed.  
**Green Project Reserve: CWSRF Green Project Worksheets**  
TWDB-0162 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0162.pdf>)
- Attached**       Yes  
                          No  
                          N/A

- Green Project Reserve: DWSRF Green Project Worksheets**  
TWDB-0163 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0163.pdf>)
- Attached**       Yes  
                          No  
                          N/A

TWDB will make the final determination whether your project (or project component) meets federal criteria as "green". You may be required to submit a **business case, utilizing the Green guidance**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

### Part I: Summary of attachments to application

Following is a list of the documents that may be necessary in order to process this application. While not all of the listed information below may be required for all projects, an applicant should review the application carefully because incomplete applications will not be processed until all of this information has been provided. In addition, please make sure your entity system name appears on every attachment. **Label each attachment with the number of the pertinent application section (i.e. "Part B5").**

Check list for your convenience

- Part A                      General Information**
- No. 6                      Draft or executed consulting contracts (engineering, financial advisor, bond counsel)
  - No. 12 N/A                Existing security document for refinancing

- Part B                      Legal**
- No. 17                      Resolution (TWDB-0201A)
  - No. 18                      Application Affidavit (TWDB-0201)
  - No. 19                      Certificate of Secretary (TWDB-201B)
  - No. 20 N/A                Water Supply Corporations
    - Articles of Incorporation
    - Certificate of incorporation from the Texas Secretary of State
    - By-laws and any amendments
    - Certificate of status from the Texas Secretary of State
    - Certificate of account status from Texas Comptroller
  - No. 21                      Resolution/ordinance authorizing the issuance of parity debt
  - No. 22 N/A                Certificate of Convenience & Necessity
  - No. 23 N/A                Enforcement Actions
  - No. 24                      Affidavit of No Objection
  - No. 25 TWDB                Two copies of the Water Conservation Plan (TWDB-1968 and TWDB-1965)
  - No. 26                      Water use surveys  
<http://www.twdb.texas.gov/waterplanning/waterusesurvey/index.asp>
  - No. 27 N/A                Water Loss Audit  
<http://www.twdb.texas.gov/conservation/resources/waterloss-resources.asp>

- Part C                      Financial**
- No. 39                      Assessed Values by Classifications
  - No. 40                      Direct and Overlapping Tax Table
  - No. 45                      Proforma for each year of debt outstanding
  - No. 46                      Five year comparative system operating statement.
  - No. 47                      Annual audit and management letter
  - No. 49                      Outstanding debt schedule
  - No. 52                      Service provider contracts

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part D Project Information**

- No. 54a TWDB Preliminary Engineering Feasibility Data (PEFD)
- No. 54b TWDB Engineering Feasibility Report
  - Water (TWDB-0555)
  - Wastewater (TWDB-0556)
- No. 54c N/A Project Draw Schedule (TWDB-1202)
- No. 56 TWDB Project Map
- No. 57 TWDB Census Tract(s)
- No. 59 Current and future populations and projected water use or wastewater flows
- No. 60 Project Cost Estimate Budget (TWDB-1201)
- No. 61 Wastewater Project Information Form (WRD-253a)  
Water Project Information Form (WRD-253d)
- No. 62 N/A Texas Pollution Discharge Elimination System Permit
- No. 63 TWDB If applicant has property rights and permits
  - a. WRD-208A (Surface Water)
  - b. WRD-208B (Groundwater)
- No. 63c N/A Additional Permits
- No. 64 Site certificate, evidencing land ownership for the project. (ED-101)
- No. 65 Categorical Exclusion (CE), Finding of No Significant Impact (FONSI), Record of Decision or any other supporting document
- No. 67 TWDB Social or environmental issues

**Part E State Water Implementation Fund for Texas**

- No. 69 N/A Multi-year/phased commitment schedule
- No. 71a Draft Bond Ordinance
- No. 71b Private Placement Memorandum

**Part F Economically Distressed Areas Program**

- No. 73 Resolution/ordinance establishing a mandatory hookup policy
- No. 74 EDAP applicants
  - Inadequacy documentation
  - Financial resources documentation
  - Existence of residences prior to 06/01/2005
- No. 75 Public health nuisance
- No. 76 Plats
- No. 77 EDAP Planning Phase – Facility Engineering Plan/Scope of Services (WRD-023A)

**Part G CWSRF/DWSRF Applicants Only**

- No. 82 Lobbying Activities (WRD-213)
- No. 83 Certification Regarding Debarment, Suspension and Other Responsibility Requirements. (SRF-404)
- No. 84 Assurances – Construction Programs (EPA-424D)  
Disadvantaged Business Requirements Guidance (TWDB-0210)
- No. 86 Affirmative Steps Certification and Goals (TWDB-0215)
- No. 87 Affirmative Steps Solicitation Report (TWDB-216)
- No. 88 Loan/ Grant Participation Summary (TWDB-0373)
- No. 89 Prime Contractor Affirmative Steps Certification and Goals (TWDB-217)
- No. 90 Designated Management Agency (WRD-210)

**Part H Green Projects**

- No. 93 Guidance (TWDB-0161)  
CWSRF Green Project Worksheets (TWDB-0162)  
DWSRF Green Project Worksheets (TWDB-0163)

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

## Part J: Guidance and Forms

### Part A

#### General Information

CWSRF – 31 TAC 375

DWSRF – 31 TAC 371

EDAP and SWIFT - 31 TAC 363

For more information visit, <http://www.twdb.texas.gov/about/rules/index.asp>.

### Part D

#### Project Information

[State Programs - 31 TAC 363](#)

[Drinking Water State Revolving Fund - 31 TAC 371](#)

[Clean Water State Revolving Fund / Equivalency - 31 TAC 375](#)

[Clean Water State Revolving Fund / Non-Equivalency - 31 TAC 375](#)

Guidelines for Environmental Assessment, Clean Water Non-Equivalency (ED-001A)

Clean Water EID Instructions (SRF-099)

Guidelines for Environmental Assessment, State Participation, DFund, RWF and WIF,  
(ED-001B)

Guidelines for Environmental Assessment, EDAP (ED-001C)

Drinking Water EID Instructions (DW-001)

### Part H

#### Green Projects and Project Components

Green Project Reserve: Guidance for determining project eligibility  
(TWDB-0161)

**SAUNDERS, WALSH & BEARD**

ATTORNEYS &amp; COUNSELORS

CRAIG RANCH PROFESSIONAL PLAZA  
6850 TPC DRIVE, SUITE 210  
MCKINNEY, TEXAS 75070  
(214) 919-3555  
E-FAX (214) 615-9019  
[WWW.SAUNDERSWALSH.COM](http://WWW.SAUNDERSWALSH.COM)

MARK A. WALSH

[MARK@SAUNDERSWALSH.COM](mailto:MARK@SAUNDERSWALSH.COM)

September 2, 2015

**Via Email** [tkula@ntmwd.com](mailto:tkula@ntmwd.com)

Tom Kula, Executive Director

North Texas Municipal Water District

505 East Brown Street

Wylie, Texas 75098

**Re: Proposed rates for fiscal year 2015-2016.**

Dear Mr. Kula,

The purpose of this letter is to advise the District of Saunders Walsh & Beard's (SWB) proposed billing rates for NTMWD's fiscal year 2015-2016. My rate charged to the District has remained firm at \$200/hour since 2005. However, it is necessary that it now be adjusted to keep pace with overhead growth from the last ten years. As such, SWB proposes the following rates to begin on the October 1 invoices:

**Mark Walsh / Partners: \$250/hour.****Associate Attorneys: \$200/hour.****Paralegals: \$125/hour.**

Because of our longstanding relationship, public interest nature of the District, and historical volume of work, these rates represent a significant discount from our typical partner rate of \$300/hour, which is scheduled to be adjusted to \$325/hour in 2016. If you would like to discuss the proposed adjustment, please do not hesitate to give me a call. I would love to answer any questions you may have.

Thank you again for your continued business. I sincerely appreciate the opportunity to serve such an important organization. If these rates are agreeable to the

Tom Kula  
NTMWD  
September 2, 2015  
Page 2

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District, please indicate same by signing in the space below and returning the signed page to me for our records.

Very truly yours,



Mark A. Walsh, Member  
Saunders Walsh & Beard

AGREED:



NORTH TEXAS MUNICIPAL WATER DISTRICT  
By: Thomas W. Kula, Executive Director

9/14/2015  
DATE

cc: Joe Stankiewicz (via email)



SWIFT 2018 full	TWDB BUDGET Fund Category	Contracts	Total
Local Contributions	Construction-WTP	Project No. 384 - 70 MGD Leonard WTP Site Phase I - CMAR Pre-Construction Services - Construction	\$ 1,322,670
		Project No. 428 - 90 MGD Leonard Water Treatment Plant HSPS - CMAR Pre-Construction Services - Construction	\$ 368,167
	<b>Construction-WTP Total</b>		<b>\$ 1,690,837</b>
	Design-WTP	Project No. 384 - 70 MGD Leonard WTP Site Phase I - Initial Design Criteria & Conceptual Design	\$ 3,157,443
		Project No. 428 - 90 MGD Leonard Water Treatment Plant HSPS - Preliminary Design	\$ 1,185,000
	<b>Design-WTP Total</b>		<b>\$ 4,342,443</b>
	Land/Easements Acquisition-WTP	Project No. 154 - 70 MGD Leonard WTP Site Phase I	\$ 2,600,214
		Project No. 154 - 70 MGD Leonard WTP Site Phase I	\$ 399,608
		Project No. 154 - 70 MGD Leonard WTP Site Phase I - Additional Property Acquisition - Property	\$ 1,200,000
		Project No. 154 - 70 MGD Leonard WTP Site Phase I - Title Co. Settlement	\$ 65,672
	<b>Land/Easements Acquisition-WTP Total</b>		<b>\$ 4,265,493</b>
<b>Local Contributions Total</b>			<b>\$ 10,298,773</b>
SWIFT I (11/2017)	Planning	70 MGD Leonard WTP Site Phase I - CMAR Procurement Svcs - Construction	\$ 412,000
		90 MGD Leonard WTP HSPS - CMAR Procurement Svcs - Construction	\$ 145,000
		Lower Bois d'Arc Reservoir PS - CMAR Procurement Svcs - Construction	\$ 120,000
	<b>Planning Total</b>		<b>\$ 677,000</b>
	Design-WTP	70 MGD Leonard WTP Site Phase I - Final Design	\$ 15,360,000
		90 MGD Leonard WTP HSPS - Final Design	\$ 4,133,000
	<b>Design-WTP Total</b>		<b>\$ 19,493,000</b>
	Construction Engineering	Construction Management Services - Construction	\$ 113,400
	<b>Construction Engineering Total</b>		<b>\$ 113,400</b>
	Legal	70 MGD Leonard WTP - Legal Svcs Agreement	\$ 20,000
	<b>Legal Total</b>		<b>\$ 20,000</b>
	Escalated Cost	Escalated Cost	\$ 60,004
	<b>Escalated Cost Total</b>		<b>\$ 60,004</b>
FISCAL SERVICES-COI	Financial Services	\$ 113,736	
<b>FISCAL SERVICES-COI Total</b>		<b>\$ 113,736</b>	
<b>SWIFT I (11/2017) Total</b>			<b>\$ 20,477,141</b>
SWIFT I (04/2018)	Construction-WTP	Leonard WTP Electrical/Transmission Line - Construction	\$ 20,400,000
		<b>Construction-WTP Total</b>	
	Design-WTP	84" PL from Leonard WTP to Hwy 5 Pump Station (McKinney No. 4) - Final Design	\$ 7,350,000
	<b>Design-WTP Total</b>		<b>\$ 7,350,000</b>
	Inspection-WTP	Leonard WTP Electrical/Transmission Line - Inspection	\$ 402,000
	<b>Inspection-WTP Total</b>		<b>\$ 402,000</b>
	Land/Easements Acquisition-WTP	84" PL from Leonard WTP to Hwy 5 Pump Station (McKinney No. 4) - Property	\$ 4,810,000
	<b>Land/Easements Acquisition-WTP Total</b>		<b>\$ 4,810,000</b>
	Escalated Cost	Escalated Cost	\$ 377,600
	<b>Escalated Cost Total</b>		<b>\$ 377,600</b>
	FISCAL SERVICES-COI	Financial Services	\$ 77,977
	<b>FISCAL SERVICES-COI Total</b>		<b>\$ 77,977</b>
	FISCAL SERVICES-DSRF	Financial Services	\$ 1,826,301
<b>FISCAL SERVICES-DSRF Total</b>		<b>\$ 1,826,301</b>	
<b>SWIFT I (04/2018) Total</b>			<b>\$ 35,243,878</b>
SWIFT I (11/2018)	Construction-WTP	70 MGD Leonard WTP Site Phase I - Early Bid Package - Construction	\$ 6,000,000
		84" PL from Leonard WTP to Hwy 5 Pump Station (McKinney No. 4) - Construction	\$ 65,286,000
		84" PL from Leonard WTP to Hwy 5 Pump Station (McKinney No. 4) - Pipe Procurement Services - Construction	\$ 52,114,000
		90 MGD Leonard WTP HSPS - Construction	\$ 58,800,000
	<b>Construction-WTP Total</b>		<b>\$ 182,200,000</b>
	Inspection-WTP	Construction Management Services - Inspection	\$ 39,600
	<b>Inspection-WTP Total</b>		<b>\$ 39,600</b>
	Escalated Cost	Escalated Cost	\$ 11,800,960
	<b>Escalated Cost Total</b>		<b>\$ 11,800,960</b>
	FISCAL SERVICES-COI	Financial Services	\$ 546,220
<b>FISCAL SERVICES-COI Total</b>		<b>\$ 546,220</b>	
FISCAL SERVICES-DSRF	Financial Services	\$ 7,108,093	
<b>FISCAL SERVICES-DSRF Total</b>		<b>\$ 7,108,093</b>	
<b>SWIFT I (11/2018) Total</b>			<b>\$ 201,694,874</b>
SWIFT II (11/2018)	Construction-WTP	70 MGD Leonard WTP Site Phase I - Addt'l Construction	\$ 40,000,000
		70 MGD Leonard WTP Site Phase I - Construction	\$ 235,000,000
	<b>Construction-WTP Total</b>		<b>\$ 275,000,000</b>
	Escalated Cost	Escalated Cost	\$ 7,819,907
	<b>Escalated Cost Total</b>		<b>\$ 7,819,907</b>
	FISCAL SERVICES-COI	Financial Services	\$ 815,000
	<b>FISCAL SERVICES-COI Total</b>		<b>\$ 815,000</b>
FISCAL SERVICES-DSRF	Financial Services	\$ 16,365,093	
<b>FISCAL SERVICES-DSRF Total</b>		<b>\$ 16,365,093</b>	
<b>SWIFT II (11/2018) Total</b>			<b>\$ 300,000,000</b>
<b>Grand Total</b>			<b>\$ 567,714,666</b>

**A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
AMENDING TEXAS WATER DEVELOPMENT BOARD RESOLUTION 17-078 TO INCREASE  
THE COMMITMENT FOR FINANCIAL ASSISTANCE GRANTED TO  
THE NORTH TEXAS MUNICIPAL WATER DISTRICT  
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS  
THROUGH THE PROPOSED PURCHASE OF UP TO \$1,132,330,000 NORTH TEXAS MUNICIPAL  
WATER DISTRICT WATER SYSTEM REVENUE BONDS,  
PROPOSED SERIES 2018**

**(18-015)**

WHEREAS, the North Texas Municipal Water District (District) filed an application for financial assistance in the amount of \$1,176,980,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT) to finance the planning, acquisition, design, and construction of a reservoir and a water treatment plant identified as Project No. 51050 (Project); and

WHEREAS, the TWDB through Resolution No. 17-078, made a commitment to the District to provide financial assistance in the amount of \$677,120,000 through the TWDB's purchase of \$44,650,000 North Texas Municipal Water District Water System Revenue Bonds, Series 2017 and \$632,470,000 North Texas Municipal Water District Water System Revenue Bonds, Proposed Series 2018; and

WHEREAS, the permitting phase for the reservoir was not complete at the time of TWDB Resolution No. 17-078, therefore, pursuant to 31 TAC § 363.1307(b), TWDB Resolution No. 17-078 did not commit financial assistance for the construction of the reservoir;

WHEREAS, Project No. 51050 in its entirety, including the construction phase was prioritized in accordance with 31 TAC §§ 363.1303 and 363.1304; and

WHEREAS, the District has completed the permitting phase for the reservoir and therefore, the commitment remaining from the District's 2017 Application for construction of the reservoir in the amount of \$499,860,000, may now be made to provide financial assistance for construction of the reservoir; and

WHEREAS, on November 14, 2017, the TWDB through Resolution No. 17-078 purchased \$44,650,000 North Texas Municipal Water District Water System Revenue Bonds, Series 2017; and

WHEREAS, the District has offered a pledge of net revenues as sufficient security for the repayment of the Obligations; and

WHEREAS, interest rate subsidies are available to the District at the following levels: 35% for a term of 20 years, 25% for a term of 21 to 25 years, and 20% for a term of 26 to 30 years. The interest rate subsidy applicable to each proposed series will be set through each financing agreement executed between the TWDB and the District, pursuant to this Resolution; and

WHEREAS, these interest rate subsidies given above are based on assumptions necessary to generate an optimum debt service structure for the anticipated TWDB SWIRFT bond issuance, and are subject to modification as necessary to preserve and maintain the integrity of the SWIRFT Program; and

WHEREAS, the TWDB hereby finds that the amendment to TWDB Resolution No. 17-078 as requested by the District, is reasonable and within the public interest and will serve a public purpose; and

WHEREAS, in accordance with the Texas Water Code, the TWDB has carefully considered all matters required by law.

NOW THEREFORE, based on these findings, the TWDB resolves as follows:

1. The commitment made through TWDB Resolution No. 17-078 to the North Texas Municipal Water District for financial assistance from the State Water Implementation Revenue Fund for Texas is amended to include an additional \$499,860,000.
2. The commitment made through TWDB Resolution No. 17-078 as hereby amended shall be evidenced by the TWDB's proposed purchase of up to \$1,132,330 North Texas Municipal Water District Water System Revenue Bonds, Proposed Series 2018.
3. TWDB Resolution No. 17-078 Special Condition No. 35 has been met.
4. All other terms and conditions of TWDB Resolution No. 17-078 shall remain in full force and effect.

APPROVED and ordered of record this, the 15th day of February 2018.



TEXAS WATER DEVELOPMENT BOARD



Peter Lake  
Authorized Representative of the  
Texas Water Development Board

DATE SIGNED: 2/15/18

ATTEST:

  
  
Jeff Walker  
Executive Administrator

# NORTH TEXAS MUNICIPAL WATER DISTRICT

## RESOLUTION NO. 18-19

### Application Filing and Authorized Representative Resolution

A RESOLUTION by the Board of Directors of the North Texas Municipal Water District requesting financial assistance from the Texas Water Development Board; authorizing the filing of an application for assistance; and making certain findings in connection therewith.

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE NORTH TEXAS MUNICIPAL WATER DISTRICT:

SECTION 1: That an application is hereby approved and authorized to be filed with the Texas Water Development Board seeking financial assistance in an amount not-to-exceed \$300,000,000 (in addition to \$1,200,000,000 authorized by the District's Resolution No. 17-16) to provide for the costs of financing, acquiring, and constructing the Lower Bois d'Arc Creek Reservoir, the Leonard Water Treatment Plant, a raw water pipeline from such Reservoir to such Treatment Plant, and a treated water pipeline from such Treatment Plant to the Highway 5 Pump Station including design, construction, inspection, testing, right-of-way, mitigation costs, and legal expenses.

SECTION 2: That the Executive Director or his designee, be and is hereby designated the authorized representative of the North Texas Municipal Water District for purposes of furnishing such information and executing such documents as may be required in connection with the preparation and filing of such application for financial assistance and the rules of the Texas Water Development Board.

SECTION 3: That the following firms and individuals are hereby authorized and directed to aid and assist in the preparation and submission of such application and appear on behalf of and represent the North Texas Municipal Water District before any hearing held by the Texas Water Development Board on such application, to wit:

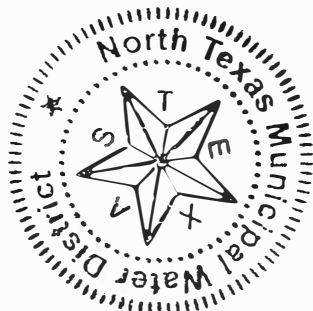
- Financial Advisor: Hilltop Securities, Inc., Fort Worth, Texas
- Engineer: North Texas Municipal Water District Project Team
- Bond Counsel: McCall, Parkhurst & Horton L.L.P., Dallas, Texas

PASSED AND APPROVED, this 26th day of April, 2018.

  
DON GORDON, Secretary

  
ROBERT THIRMOND, President

(Seal)







### Application Resolution - Certificate of Secretary

THE STATE OF TEXAS §  
 COUNTY OF Collin §  
 APPLICANT North Texas Municipal Water District §

I, the undersigned, Secretary of the North Texas Municipal Water District (the "District"), Wylie,                      Texas, DO HEREBY CERTIFY as follows:

1. That on the 26th day of April, 2018, a regular/special meeting of the North Texas Water District Board of Directors (the "Board") was held; the duly constituted members of the The Board being as follows:  
See Attached

all of whom were present at the meeting, except the following:

Among other business considered at the meeting, the attached resolution entitled:

"A RESOLUTION by the Board of the District requesting financial participation from the Texas Water Development Board; authorizing the filing of an application for financial participation; and making certain findings in connection therewith."

was introduced and submitted to the Board for passage and adoption. After presentation and consideration of the resolution, and upon a motion made by Larry Parks and seconded by Lynn Shoyler, the resolution was passed and adopted by the Board by the following vote:

24 voted "For"                      0 voted "Against"                      0 abstained

all as shown in the official minutes of the Board for this meeting.

2. That the attached resolution is a true and correct copy of the original on file in the official records of the District; the qualified and acting members of the Board on the date of this meeting are those persons shown above and, according to the records of my office, advance notice of the time, place, and purpose of meeting was given to each member of the Board; and that the meeting, and the deliberations of the public business described above, was open to the public and written notice of the meeting, including the subject of the resolution described above, was posted and given in advance of the meeting in compliance with the provisions of Chapter 551 of the Texas Government Code.

IN WITNESS WHEREOF, I have signed my name and affixed the seal of the North Texas Municipal Water District, this the 26 day of April, 2018.



(SEAL)

[Signature]  
Secretary

# NORTH TEXAS MUNICIPAL WATER DISTRICT

## BOARD OF DIRECTORS

ROBERT THURMOND  
JOHN SWEEDEN  
DON GORDON

PRESIDENT  
VICE-PRESIDENT  
SECRETARY

WYLIE  
RICHARDSON  
GARLAND

TERRY SAM ANDERSON  
PHIL DYER  
JOE FARMER  
MARVIN FULLER  
BILL GLASS  
DARRELL GROOMS  
ROD HOGAN  
DAVID HOLLIFIELD  
DAVE ISLAND  
BLAIR JOHNSON  
JOE JOPLIN  
JAMES KERR  
BILL LOFLAND  
JACK MAY  
WAYNE MAY  
CHARLES MCKISSICK  
JOHN MURPHY  
LARRY PARKS  
DAVID PASCHALL  
RICHARD PEASLEY  
LYNN SHUYLER  
VACANT

MESQUITE  
PLANO  
ALLEN  
WYLIE  
PRINCETON  
FORNEY  
PLANO  
ROYSE CITY  
PRINCETON  
ROYSE CITY  
MCKINNEY  
ALLEN  
ROCKWALL  
GARLAND  
FARMERSVILLE  
MCKINNEY  
RICHARDSON  
ROCKWALL  
MESQUITE  
FRISCO  
FRISCO  
FORNEY

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THOMAS W. KULA  
EXECUTIVE DIRECTOR / GENERAL MANAGER

## RESOLUTION NO. 18-14

## RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF NORTH TEXAS MUNICIPAL WATER DISTRICT WATER SYSTEM REVENUE BONDS, SERIES 2018A; AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO

WHEREAS, North Texas Municipal Water District (the "Issuer") is a political subdivision of the State of Texas, being a conservation and reclamation district created and functioning under Article 16, Section 59 of the Texas Constitution, pursuant to Chapter 62, Acts of 1951, 52nd Legislature of Texas, Regular Session, as amended (the "Act"); and

WHEREAS, the Board of Directors of the Issuer is authorized to issue the bonds hereinafter authorized pursuant to the Act, Chapter 791, Texas Government Code, as amended, and other applicable laws.

THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF NORTH TEXAS MUNICIPAL WATER DISTRICT THAT:

Section 1. AMOUNT AND PURPOSE OF THE BONDS. The bond or bonds of North Texas Municipal Water District (the "Issuer") are hereby authorized to be issued and delivered in the aggregate principal amount not to exceed \$700,000,000, FOR THE PURPOSE OF PROVIDING FUNDS (i) FOR CONSTRUCTION OF THE LOWER BOIS D'ARC CREEK RESERVOIR RAW WATER PIPELINES, CONSTRUCTION OF PHASE I OF THE LEONARD WATER TREATMENT PLANT AND HIGH SERVICE PUMP STATION, CONSTRUCTION OF TREATED WATER PIPELINES FROM THE LEONARD WATER TREATMENT PLANT TO THE HIGHWAY 5 PUMP STATION, AND TO FARMERSVILLE, AND ACQUISITION OF NECESSARY PROPERTY, AND OTHER SYSTEM IMPROVEMENTS, (ii) TO FUND A RESERVE FUND FOR THE BONDS, AND (iii) TO PAY COSTS OF ISSUANCE OF THE BONDS. The refunding of any bond anticipation notes issued for any of the foregoing purposes with proceeds of the bonds authorized hereby shall constitute improving the North Texas Municipal Water District Water System.

Section 2. DESIGNATION OF THE BONDS. Each bond issued pursuant to this Resolution shall be designated: "NORTH TEXAS MUNICIPAL WATER DISTRICT WATER SYSTEM REVENUE BOND, SERIES 2018A", and initially there shall be issued, sold, and delivered hereunder a single fully registered bond, without interest coupons, payable in installments of principal (the "Initial Bond"), but the Initial Bond may be assigned and transferred and/or converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, having serial maturities, and in the denomination or denominations of \$5,000 or any integral multiple of \$5,000, all in the manner hereinafter provided. The term "Bonds" as used in this Resolution shall mean and include collectively the Initial Bond and all substitute bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term "Bond" shall mean any of the Bonds.



**SETTLEMENT AGREEMENT BETWEEN  
NORTH TEXAS MUNICIPAL WATER DISTRICT  
AND BOIS D'ARC MUNICIPAL UTILITY DISTRICT**

THIS SETTLEMENT AGREEMENT is made and entered into as of November 14, 2014 (the "Effective Date"), by and between the North Texas Municipal Water District ("NTMWD") and the Bois D'Arc Municipal Utility District ("MUD"). NTMWD and MUD are also referred to herein individually as a "Party", or collectively as the "Parties."

**RECITALS**

**WHEREAS**, on December 29, 2006, NTMWD filed Application No. 12151 (the "TCEQ Application") with the Texas Commission on Environmental Quality ("TCEQ") to appropriate state water in the Red River Basin for the Lower Bois d'Arc Creek Reservoir Project and to authorize an interbasin transfer of state water to the Trinity River and Sulphur River basins (the "Reservoir Project");

**WHEREAS**, NTMWD is pursuing the Reservoir Project to meet the current and future water supply needs of its member cities and customers for whom NTMWD supplies potable water;

**WHEREAS**, NTMWD filed with the U.S. Army Corps of Engineers ("USACE") a Clean Water Act Section 404 permit application (the "USACE Application") on July 1, 2008 for the Reservoir Project;

**WHEREAS**, the MUD has requested a contested case hearing on the TCEQ Application and has been referred by TCEQ Commissioners to the State Office of Administrative Hearings as a recommended party in a contested case hearing concerning the TCEQ Application;

**WHEREAS**, the Executive Director of TCEQ has found the TCEQ Application to be administratively complete, has prepared a draft permit, and has recommended that TCEQ grant the TCEQ Application;

**WHEREAS**, based on the agreements set out herein, the MUD wishes to formally withdraw its hearing request with respect to the TCEQ Application, to take other actions, and to abstain from further challenging, protesting, or contesting the TCEQ Application or the USACE Application.

**NOW THEREFORE**, for good and valuable consideration, the sufficiency and adequacy of which the Parties acknowledge by their execution of this Settlement Agreement, and in consideration of the mutual promises and covenants contained in this Settlement Agreement, including the recitals set forth above which are hereby incorporated for all purposes, the Parties agree as follows:

## AGREEMENT

A. NTMWD agrees as follows:

1. Ongoing Communication and Coordination

In order to maintain the cooperative relationship established with the MUD through the negotiation and execution of this Settlement Agreement, NTMWD will continue to regularly communicate and coordinate with the MUD by and through the MUD's Board President, engineer and/or legal counsel regarding the Reservoir Project as it relates to the MUD's water supply system. By this coordination and communication, NTMWD seeks ensure that any actions it pursues will have minimal impacts to the MUD's operations, if any, and in the event of such impacts, NTMWD will pursue mitigation so as to ensure such impacts are sufficiently offset, as provided for herein. Through this coordination and communication, NTMWD will seek to avoid any delay in informing the MUD of any performance required under this Settlement Agreement.

2. Mitigation of Impacts to MUD Water Supply System

The Parties acknowledge that NTMWD's construction of the Reservoir Project, which will occur following the issuance and finality of permits related to the TCEQ Application and the USACE Application, may impact the MUD's water supply system and its ability to serve some customers on the north side of the Reservoir Project. Pursuant to this Settlement Agreement, within sixty (60) calendar days following the issuance and finality of permits issued to NTMWD pursuant to the TCEQ Application and the USACE Application, NTMWD agrees to tender a onetime \$2,357,240.00 payment to the MUD to mitigate such impacts, in accordance with the list of projects and identified project costs identified in Exhibit 1, attached hereto, which exhibit has been prepared by the MUD's engineering consultant and verified by NTMWD's engineering consultant (the "Construction Payment"). It is anticipated by the Parties that the construction cost of the facilities detailed on Exhibit 1 will increase between the Effective Date and the time that the Construction Payment is due and payable. Therefore, the Engineering News Record Construction Cost Index for Dallas, Texas, will be used to determine what increase, if any, will be made to the Construction Payment.

NTMWD agrees to contract with the MUD in the future and at the MUD's request, to allow the MUD to connect to NTMWD's treated water system as a customer of NTMWD, at NTMWD's Customer City wholesale rates and pursuant to NTMWD's standard Customer City contract in effect at the time of such contracting. The MUD agrees to be responsible for funding all costs associated with the infrastructure necessary to connect to NTMWD's treated water system.

NTMWD agrees to contract with the MUD in the future and at the MUD's request, to afford the MUD without a subscription payment a right to take up to 5 million gallons per day of raw water at NTMWD's take point on the Reservoir or at an agreed point of the

NTMWD's raw water transmission line, at NTMWD's wholesale raw water rate and pursuant to NTMWD's standard wholesale raw water contract in effect at the time of such contracting. The MUD agrees to be responsible for funding all costs associated with the infrastructure necessary to divert raw water at NTMWD's take point on the Reservoir or to connect to the NTMWD's raw water transmission line.

Within thirty (30) calendar days of the Effective Date, NTMWD agrees to pay the MUD the amount of \$14,000.00 to compensate the MUD for costs it incurs in evaluating the impacts of construction of the Reservoir on the MUD and identifying the projects and project costs associated with mitigating such impacts, as depicted in Exhibit 1. Such acceptance of payment will also represent part of the consideration for the MUD's agreement to undertake its obligations under this Settlement Agreement.

B. The MUD agrees as follows:

1. Ongoing Communication and Coordination

In order to maintain the cooperative relationship established with NTMWD through the negotiation and execution of this Settlement Agreement, the MUD will continue to regularly communicate and coordinate with NTMWD by and through the MUD's president, engineer and/or legal counsel regarding the MUD's water supply system and the Reservoir Project. Through this coordination and communication, the MUD will seek to avoid any delay in informing NTMWD of any performance required under this Settlement Agreement.

2. Withdraw Request for Contested Case Hearing

The MUD agrees that it shall execute and deliver to NTMWD a Notice of Withdrawal letter addressed to TCEQ, to unconditionally withdraw its request for hearing and comments on the TCEQ Application, within three (3) business days of the Effective Date of this Settlement Agreement. The Notice of Withdrawal letter shall take the form of the letter attached hereto as Exhibit 2. The MUD acknowledges that the provisions of this paragraph are material to NTMWD's agreement to undertake the obligations it has agreed to in this Settlement Agreement.

C. Additional Conditions

1. The Parties expressly agree that NTMWD's obligations to make the payments specified in Section A.2 of this Settlement Agreement are conditioned on the receipt by NTMWD of final permits that are not subject to appeal from TCEQ and USACE regarding the TCEQ Application and USACE Application.
2. The Parties acknowledge that the provisions of Section A of this Settlement Agreement are critical to the decision by the MUD to withdraw its hearing request and comments, and represent the consideration for the MUD to enter into this Settlement Agreement.

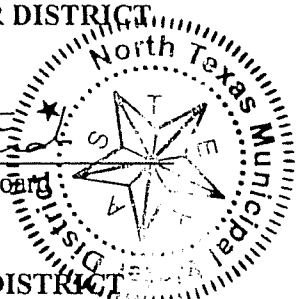
3. The Parties acknowledge that the provisions of Section B of this Settlement Agreement are critical to NTMWD's decision to enter into this Settlement Agreement, and represent the consideration for NTMWD to enter into this Settlement Agreement.
4. The agreement by the MUD herein to withdraw its hearing request and comments to the TCEQ Application includes a commitment by the MUD to not further participate in any proceeding relating to the TCEQ Application or the USACE Application, and to not directly or indirectly assist, encourage, fund, or otherwise support any individual or entity in challenging the TCEQ Application or the USACE Application.
5. The obligations under this Settlement Agreement shall be conditioned upon the execution of the Settlement Agreement by authorized representatives of the Parties. By their execution of this Settlement Agreement, each person signing on behalf of the Party indicated hereby confirms that he/she has the authority to execute same on behalf of such Party, and to bind such Party by his/her signature. The Parties further agree to execute such memoranda, documents, or agreements as may be required in the future to implement this Settlement Agreement.

IN WITNESS WHEREOF, the Parties hereto acting under authority of their respective governing bodies have caused this Settlement Agreement to be duly executed in several counterparts, each of which shall constitute an original, all as of the day and year first above written, which is the Effective Date of this Settlement Agreement.

**NORTH TEXAS MUNICIPAL WATER DISTRICT**

November 6, 2014  
Date

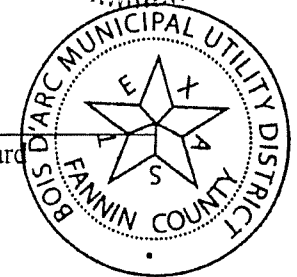
By: Darwin Whiteside  
Darwin Whiteside, President of the Board



**BOIS D'ARC MUNICIPAL UTILITY DISTRICT**

November 14, 2014  
Date

By: Larry D. Franklin  
Larry D. Franklin, President of the Board



**EXHIBIT 1**  
**(10/13/14 Daniel & Brown, Inc. Construction**  
**Estimates)**

4564812.1  
4588178.1

**BOIS D' ARC MUNICIPAL UTILITY DISTRICT  
CONSTRUCTION ESTIMATES FOR PROPOSED CAPITAL IMPROVEMENTS  
200,000 GALLON LEGGED ELEVATED WATER STORAGE TANK,  
300 GPM WATER WELL & WATERLINE WORK**

**Estimated Construction Costs:**

**Project #1:**

200,000 gallon "Legged" Elevated Water Storage Tank	\$ 675,000.00
300 GPM Water Well	\$ 525,000.00
Disinfection & Control Building	\$ 150,000.00
Yard Piping, Fencing & Appurtenances	\$ 55,000.00
Electrical & Controls	\$ 50,000.00

**Project #2:**

Encasement Pipe for Applicable Waterlines 5 ea. @ \$5000.00	\$ 25,000.00
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**Project #3:**

Cap Existing Waterlines 2 ea. @ \$1,500.00	\$ 3,000.00
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**Project #4:**

22,000 L.F. 6" PVC Waterline @ \$18.00 / L.F.	\$ 396,000.00
Valves, Fittings & Bore for 6" PVC Waterline	\$ 65,000.00
	<u>\$ 1,944,000.00</u>
Estimated Construction Cost	\$ 1,944,000.00
Contingency @ 10%	\$ 194,400.00

**Total Estimated Construction Cost: \$ 2,138,400.00**

**Estimated Engineering & Testing Costs:**

Section A - Engineering Design & Contract Administration Services:  
Elevated Tank & Water Well @ 7.0% \* \$ 149,688.00

Section B - Compensation for Resident Construction Inspection:  
Elevated Tank & Water Well @ 2.5% \* \$ 53,460.00

Section C - Additional Engineering Services:  
Geotechnical Analysis (Elevated Tank) \$ 5,000.00

**Total Estimated Engineering & Testing Costs: \$ 208,148.00**

**Total Estimated Administrative Costs @ 0.05%\*: \$ 10,692.00**

**Total Estimated Non-construction Costs: \$ 218,840.00**

**Total Estimated Project Cost: \$ 2,357,240.00**

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\* Percentage of Total Estimated Construction Cost.

**EXHIBIT 2**  
**(Withdrawal Letter)**

4564812.1  
4588178.1

October \_\_, 2014

VIA FIRST-CLASS MAIL

Ms. Bridget C. Bohac  
Office of the Chief Clerk - MC 105  
Texas Commission on Environmental Quality  
P.O. Box 13087  
Austin, Texas 78711-3087

Re: *Withdrawal of Hearing Request and Comments, North Texas Municipal Water District Water Use Permit Application No. 12151, Lower Bois d'Arc Creek Reservoir*

Dear Ms. Bohac:

Please accept this letter as notice that Bois d'Arc Municipal Utility District ("Bois d'Arc MUD") unconditionally withdraws its comments, request for a contested case hearing, and protest of the above-referenced application.

Sincerely,

Larry D. Franklin  
President of Bois d'Arc MUD Board

cc: Mr. Thomas W. Kula, NTMWD  
Mr. Mike Rickman, NTMWD

4564812.1  
4588178.1





**NORTH TEXAS MUNICIPAL  
WATER DISTRICT**

*Regional Service Through Unity*

February 28, 2018

Texas Commission on Environmental Quality  
Water Rights Permitting MC 160  
P.O. Box 13087  
Austin, TX 78711-3087

**CMRRR 7014 1820 0000 1025 5808**

RE: North Texas Municipal Water District (NTMWD)  
Surface Water Reports for Year Ending 12/31/2017

Water Rights Permitting Section:

Please find the applicable TCEQ Surface Water Reports for NTMWD fully completed and enclosed with this transmittal letter. We are pleased to submit this information as directed and in compliance with the March 1, 2018 deadline.


If you have any questions concerning these reports, please contact my office at 972-442-5405.

Sincerely,

**BUFORD GREEN**  
Assistant Water System Manager - Treatment

BG/kr

Enclosures

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none"> <li>Complete items 1, 2, and 3.</li> <li>Print your name and address on the reverse so that we can return the card to you.</li> <li>Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul>	A. Signature <b>X</b> <span style="float: right;"><input type="checkbox"/> Agent <input type="checkbox"/> Addressee</span>	
1. Article Addressed to:  <b>TCEQ            Water Rights Permitting MC 160            P.O. Box 13087            Austin, TX 78711-3087</b>	B. Received by (Printed Name)	C. Date of Delivery  <b>MAR 05 2018</b>
 9590 9401 0017 5205 2069 80	D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
2. Article Number (Transfer from service label) <b>7014 1820 0000 1025 5808</b>	3. Service Type <input type="checkbox"/> Adult Signature <span style="float: right;"><input type="checkbox"/> Priority Mail Express®</span> <input type="checkbox"/> Adult Signature Restricted Delivery <span style="float: right;"><input type="checkbox"/> Registered Mail™</span> <input checked="" type="checkbox"/> Certified Mail® <span style="float: right;"><input type="checkbox"/> Registered Mail Restricted Delivery</span> <input type="checkbox"/> Certified Mail Restricted Delivery <span style="float: right;"><input checked="" type="checkbox"/> Return Receipt for Merchandise</span> <input type="checkbox"/> Collect on Delivery <span style="float: right;"><input type="checkbox"/> Signature Confirmation™</span> <input type="checkbox"/> Collect on Delivery Restricted Delivery <span style="float: right;"><input type="checkbox"/> Signature Confirmation Restricted Delivery</span> <small>(over \$500)</small>	
PS Form 3811, April 2015 PSN 7530-02-000-9053		Domestic Return Receipt

U.S. Postal Service™ <b>CERTIFIED MAIL® RECEIPT</b> Domestic Mail Only	
For delivery information, visit our website at <a href="http://www.usps.com">www.usps.com</a> ®	
<b>OFFICIAL USE</b>	
<b>ops</b> Postage Certified Fee Return Receipt Fee (Endorsement Required) Restricted Delivery Fee (Endorsement Required) Total Postage & Fees	\$ 2.05 3.45 2.75 \$ 8.25
<div style="border: 1px solid black; border-radius: 50%; padding: 10px; text-align: center;">             Postmark Here  <b>MAR - 1 2018</b>              USPS           </div>	
Sent To <b>TCEQ - Water Rights Permitting MC160</b> Street & Apt. No. or PO Box No. <b>P.O. Box 13087</b> City, State, ZIP+4 <b>Austin, TX 78711-3087</b>	
PS Form 3800, July 2014 <span style="float: right;">See Reverse for Instructions</span>	

## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY REPORT OF SURFACE WATER USED FOR THE YEAR ENDING 2017

for  
Certificate of Adjudication

WATER RIGHT NO:2410  
B 8

WUR USE: MUNICIPAL/DOMESTIC  
AUTH USE: MUNICIPAL/DOMESTIC

I am reporting water used for the water right holder(s) listed below.  
CN601365448 North Texas Municipal Water District  
Additional water right holders may be listed on the back.  
 Please check the box if you have a change in name, address or ownership and indicate the changes on the back of this form.

NORTH TEXAS MUNICIPAL WATER DISTRICT  
PO BOX 2408  
WYLIE, TX 75098-2408

Instructions for completing the form are enclosed. 1 Acre-Foot = 325,851 Gallons

If you are receiving this Water Use Report form, you must complete, sign, and return this form to TCEQ. Even if your water use is zero, indicate that on this form, provide a reason or explanation in the comment field, and submit the form to TCEQ. Please coordinate your water use reporting with all holders of this Water Right in order to avoid duplicative reporting.

Complete the table below by entering the amount of water that you diverted (even if zero). **EXCLUDE GROUNDWATER and WATER THAT YOU PURCHASED UNDER A CONTRACT.**

USE: MUNICIPAL/DOMESTIC	
Month	Diverted Amount (acre-feet)
Jan	13,397
Feb	14,302
Mar	16,713
Apr	15,719
May	20,727
Jun	21,005
Jul	25,758
Aug	25,227
Sept	27,254
Oct	24,430
Nov	19,167
Dec	16,380
<b>Total:</b>	<b>240,079</b>
Maximum Diversion Rate (Specify <input type="checkbox"/> CFS or <input checked="" type="checkbox"/> GPM)	
237,583	

Please answer the following questions.

If you have a permitted on-channel impoundment or reservoir, what is the condition of your dam?  

N A  
(e.g., Good, Fair, Poor)

Do you have working low flow outlet(s) on your impoundment(s)? Yes No

Comments:

1953 PRIORITY - 60,000 ACRE FT

1965 PRIORITY - 27,447 ACRE FT

2005 PRIORITY - 0 ACRE FT

---

The Lake Lavon dam is owned, operated and maintained by the USACE.

A water right holder who fails to file a completed form by the due date is liable for a penalty for each day past the due date in an amount not to exceed: (1) \$100 per day for a water right authorization of 5,000 acre-feet or less per year; or (2) \$500 per day for a water right authorizing more than 5,000 acre-feet per year.

Signature: Thomas W. Kula Date: 2/26/19

Contact Name: Thomas W. Kula ( 972 ) 442-4505

Print Name Telephone Number

**Return completed form by March 01, 2018 to:**  
 Texas Commission on Environmental Quality ★ Water Rights Permitting MC 160 ★ PO Box 13087 ★ Austin TX 78711-3087  
 Forms may be submitted electronically to WUR@tceq.texas.gov Telephone: (512) 239-4691

If you have a change in name, address or ownership, please indicate the changes on this form.

**Return completed form by March 01, 2018 to:**

Texas Commission on Environmental Quality ★ Water Rights Permitting MC 160 ★ PO Box 13087 ★ Austin TX 78711-3087  
Forms may be submitted electronically to [WUR@tceq.texas.gov](mailto:WUR@tceq.texas.gov) Telephone: (512) 239-4691

## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY REPORT OF SURFACE WATER USED FOR THE YEAR ENDING 2017

for  
Certificate of Adjudication

WATER RIGHT NO:2410  
B 8

WUR USE: INDUSTRIAL  
AUTH USE: INDUSTRIAL, INDUSTRIAL - POWER  
GENERATION

I am reporting water used for the water right holder(s) listed below.  
CN601365448 North Texas Municipal Water District  
Additional water right holders may be listed on the back.  
 Please check the box if you have a change in name, address or ownership and indicate the changes on the back of this form.

NORTH TEXAS MUNICIPAL WATER DISTRICT  
PO BOX 2408  
WYLIE, TX 75098-2408

Instructions for completing the form are enclosed. 1 Acre-Foot = 325,851 Gallons

If you are receiving this Water Use Report form, you must complete, sign, and return this form to TCEQ. Even if your water use is zero, indicate that on this form, provide a reason or explanation in the comment field, and submit the form to TCEQ. Please coordinate your water use reporting with all holders of this Water Right in order to avoid duplicative reporting.

Complete the table below by entering the amount of water that you diverted and consumed (even if zero). **EXCLUDE GROUNDWATER and WATER THAT YOU PURCHASED UNDER A CONTRACT.**

USE: INDUSTRIAL		
Month	Diverted Amount (acre-feet)	Consumed Amount (acre-feet)
Jan	0	0
Feb	0	0
Mar	1	1
Apr	2	2
May	3	3
Jun	0	0
Jul	5	5
Aug	6	6
Sept	0	0
Oct	3	3
Nov	1	1
Dec	1	1
<b>Total:</b>	<b>22</b>	<b>22</b>
Maximum Diversion Rate (Specify <input type="checkbox"/> CFS or <input checked="" type="checkbox"/> GPM) N A		

Please answer the following questions.

If you have a permitted on-channel impoundment or reservoir, what is the condition of your dam?  

N A  
(e.g., Good, Fair, Poor)

Do you have working low flow outlet(s) on your impoundment(s)?  Yes  No

Comments: \_\_\_\_\_  
 The Lake Lavon dam is owned, operated, and maintained by the USACE.  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

A water right holder who fails to file a completed form by the due date is liable for a penalty for each day past the due date in an amount not to exceed: (1) \$100 per day for a water right authorization of 5,000 acre-feet or less per year; or (2) \$500 per day for a water right authorizing more than 5,000 acre-feet per year.

Signature: Thomas W. Kula Date: 2/26/18  
 Contact Name: Thomas W. Kula (972) 442-5405  
Print Name Telephone Number

**Return completed form by March 01, 2018 to:**  
 Texas Commission on Environmental Quality ★ Water Rights Permitting MC 160 ★ PO Box 13087 ★ Austin TX 78711-3087  
 Forms may be submitted electronically to WUR@tceq.texas.gov Telephone: (512) 239-4691

If you have a change in name, address or ownership, please indicate the changes on this form.

**Return completed form by March 01, 2018 to:**

Texas Commission on Environmental Quality ★ Water Rights Permitting MC 160 ★ PO Box 13087 ★ Austin TX 78711-3087  
Forms may be submitted electronically to [WUR@tceq.texas.gov](mailto:WUR@tceq.texas.gov) Telephone: (512) 239-4691

## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY REPORT OF SURFACE WATER USED FOR THE YEAR ENDING 2017

for  
Certificate of Adjudication

WATER RIGHT NO:2410  
B 8

WUR USE: AGRICULTURE  
AUTH USE: AGRICULTURE

I am reporting water used for the water right holder(s) listed below.  
CN601365448 North Texas Municipal Water District  
Additional water right holders may be listed on the back.  
 Please check the box if you have a change in name, address or ownership and indicate the changes on the back of this form.

NORTH TEXAS MUNICIPAL WATER DISTRICT  
PO BOX 2408  
WYLIE, TX 75098-2408

Instructions for completing the form are enclosed. 1 Acre-Foot = 325,851 Gallons

If you are receiving this Water Use Report form, you must complete, sign, and return this form to TCEQ. Even if your water use is zero, indicate that on this form, provide a reason or explanation in the comment field, and submit the form to TCEQ. Please coordinate your water use reporting with all holders of this Water Right in order to avoid duplicative reporting.

Complete the table below by entering the amount of water that you diverted (even if zero). **EXCLUDE GROUNDWATER and WATER THAT YOU PURCHASED UNDER A CONTRACT.**

USE	AGRICULTURE	
	Irrigation	Wildlife, Aquaculture, Stockraising and/or Other Agriculture
Month	Diverted Amount (acre-feet)	Diverted Amount (acre-feet)
Jan	0	0
Feb	0	0
Mar	0	0
Apr	0	0
May	0	0
Jun	0	0
Jul	0	0
Aug	0	0
Sept	0	0
Oct	0	0
Nov	0	0
Dec	0	0
<b>Total:</b>	<b>0</b>	<b>0</b>
	Maximum Diversion Rate (Specify <input type="checkbox"/> CFS or <input checked="" type="checkbox"/> GPM) 0	Maximum Diversion Rate (Specify <input type="checkbox"/> CFS or <input checked="" type="checkbox"/> GPM) 0

Please answer the following questions.

If you have a permitted on-channel impoundment or reservoir, what is the condition of your dam?  
N A  
(e.g., Good, Fair, Poor)

Do you have working low flow outlet(s) on your impoundment(s)?  Yes  No

Comments: \_\_\_\_\_  
 \_\_\_\_\_  
 The Lake Lavon dam is owned, operated, and maintained by the USACE.  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

A water right holder who fails to file a completed form by the due date is liable for a penalty for each day past the due date in an amount not to exceed: (1) \$100 per day for a water right authorization of 5,000 acre-feet or less per year; or (2) \$500 per day for a water right authorizing more than 5,000 acre-feet per year.

Signature: Thomas W. Kula Date: 2/26/18  
 Contact Name: Thomas W. Kula ( 972 ) 442-5405  
Print Name Telephone Number

**Return completed form by March 01, 2018 to:**  
 Texas Commission on Environmental Quality ★ Water Rights Permitting MC 160 ★ PO Box 13087 ★ Austin TX 78711-3087  
 Forms may be submitted electronically to WUR@tceq.texas.gov Telephone: (512) 239-4691

If you have a change in name, address or ownership, please indicate the changes on this form.


**Return completed form by March 01, 2018 to:**

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Forms may be submitted electronically to [WUR@tceq.texas.gov](mailto:WUR@tceq.texas.gov) Telephone: (512) 239-4691



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY REPORT OF SURFACE WATER USED FOR THE YEAR ENDING 2017

for  
Certificate of Adjudication

WATER RIGHT NO:2410  
B 8

WUR USE: OTHER  
AUTH USE: WETLANDS

I am reporting water used for the water right holder(s) listed below.  
CN601365448 North Texas Municipal Water District  
Additional water right holders may be listed on the back.  
 Please check the box if you have a change in name, address or ownership and indicate the changes on the back of this form.

NORTH TEXAS MUNICIPAL WATER DISTRICT  
PO BOX 2408  
WYLIE, TX 75098-2408

Instructions for completing the form are enclosed. 1 Acre-Foot = 325,851 Gallons

If you are receiving this Water Use Report form, you must complete, sign, and return this form to TCEQ. Even if your water use is zero, indicate that on this form, provide a reason or explanation in the comment field, and submit this form to TCEQ. Please coordinate your water use reporting with all owners of this Water Right in order to avoid duplicative reporting.

Please answer the following questions. When answering all questions below and completing the table on the right, **EXCLUDE GROUNDWATER and WATER THAT YOU PURCHASED UNDER A CONTRACT**.

1. If you have a permitted on-channel impoundment or reservoir, what is the condition of your dam? NA  
(eg., Good, Fair, Poor)  
Do you have working low flow outlet(s) on your impoundment(s)?  Yes  No

2. Did you divert any permitted water from a watercourse (i.e., a stream and/or on-channel reservoir)?  Yes  No (If No, skip to question 3 below) If Yes, Complete the Diverted Column in the table on the right by entering the total amount of water diverted (even if zero).

Check all uses for which water was diverted:

- Recreation  Instream  Wetlands  Public Parks  Game Preserves  
 Hydroelectric  Flood Control  Navigation  Water Quality  Other

3. Did you allow permitted water to remain in the watercourse under the terms of your permit?

Yes  No

If Yes,

Complete the Used Column in the table on the right by entering the total amount of water used (even if zero).

Check all uses for which water was used:

- Recreation  Instream  Wetlands  Public Parks  Game Preserves  
 Hydroelectric  Flood Control  Navigation  Water Quality  Other

Complete the Diverted column below if you answered 'Yes' to question 2.  
Complete the Used column below if you answered 'Yes' to question 3.

Month	Diverted (acre-feet)	Used (acre-feet)
Jan	4,029	4,572
Feb	4,344	4,835
Mar	4,624	5,074
Apr	4,822	5,225
May	4,675	4,986
Jun	4,946	4,867
Jul	1,524	893
Aug	2,058	1,199
Sept	637	114
Oct	4,266	3,378
Nov	3,633	4,590
Dec	3,522	4,339
<b>Total:</b>	<b>43,080</b>	<b>44,072</b>

Maximum Diversion Rate  
(Specify  CFS or  GPM)

59,027

Comments:

Used water for municipal supply and to maintain wetlands.

A water right holder who fails to file a completed form by the due date is liable for a penalty for each day past the due date in an amount not to exceed: (1) \$100 per day for a water right authorization of 5,000 acre-feet or less per year; or (2) \$500 per day for a water right authorizing more than 5,000 acre-feet per year.

Signature: Thomas W. Kula Date: 2/26/18

Contact Name: Thomas W. Kula ( 972 ) 442-5405

Print Name

Telephone Number

**Return completed form by March 01, 2018 to:**

Texas Commission on Environmental Quality ★ Water Rights Permitting MC 160 ★ PO Box 13087 ★ Austin TX 78711-3087  
Forms may be submitted electronically to WUR@tceq.texas.gov Telephone: (512) 239-4691

If you have a change in name, address or ownership, please indicate the changes on this form.


**Return completed form by March 01, 2018 to:**

Texas Commission on Environmental Quality ★ Water Rights Permitting MC 160 ★ PO Box 13087 ★ Austin TX 78711-3087  
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## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY REPORT OF SURFACE WATER USED FOR THE YEAR ENDING 2017

for  
Permit

WATER RIGHT NO:4033  
B 2

WUR USE: AGRICULTURE  
AUTH USE: AGRICULTURE - IRRIGATION

I am reporting water used for the water right holder(s) listed below.  
CN601365448 North Texas Municipal Water District  
Additional water right holders may be listed on the back.  
 Please check the box if you have a change in name, address or ownership and indicate the changes on the back of this form.

NORTH TEXAS MUNICIPAL WATER DISTRICT  
PO BOX 2408  
WYLIE, TX 75098-2408

Instructions for completing the form are enclosed. 1 Acre-Foot = 325,851 Gallons

If you are receiving this Water Use Report form, you must complete, sign, and return this form to TCEQ. Even if your water use is zero, indicate that on this form, provide a reason or explanation in the comment field, and submit the form to TCEQ. Please coordinate your water use reporting with all holders of this Water Right in order to avoid duplicative reporting.

Complete the table below by entering the amount of water that you diverted (even if zero). **EXCLUDE GROUNDWATER and WATER THAT YOU PURCHASED UNDER A CONTRACT.**

USE	AGRICULTURE	
	Irrigation	Wildlife, Aquaculture, Stockraising and/or Other Agriculture
Month	Diverted Amount (acre-feet)	Diverted Amount (acre-feet)
Jan	0	0
Feb	0	0
Mar	0	0
Apr	0	0
May	0	0
Jun	0	0
Jul	0	0
Aug	0	0
Sept	0	0
Oct	0	0
Nov	0	0
Dec	0	0
<b>Total:</b>	<b>0</b>	<b>0</b>
	Maximum Diversion Rate (Specify <input type="checkbox"/> CFS or <input checked="" type="checkbox"/> GPM) 0	Maximum Diversion Rate (Specify <input type="checkbox"/> CFS or <input checked="" type="checkbox"/> GPM) 0

Please answer the following questions.

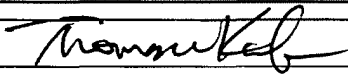
If you have a permitted on-channel impoundment or reservoir, what is the condition of your dam?  

N A  
(eg., Good, Fair, Poor)

Do you have working low flow outlet(s) on your impoundment(s)?  Yes  No

Comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

A water right holder who fails to file a completed form by the due date is liable for a penalty for each day past the due date in an amount not to exceed: (1) \$100 per day for a water right authorization of 5,000 acre-feet or less per year; or (2) \$500 per day for a water right authorizing more than 5,000 acre-feet per year.

Signature:  Date: 2/27/18  
Contact Name: Thomas W. Kula ( 972 ) 442-5405  
Print Name Telephone Number

**Return completed form by March 01, 2018 to:**  
Texas Commission on Environmental Quality ★ Water Rights Permitting MC 160 ★ PO Box 13087 ★ Austin TX 78711-3087  
Forms may be submitted electronically to WUR@tceq.texas.gov Telephone: (512) 239-4691

If you have a change in name, address or ownership, please indicate the changes on this form.

**Return completed form by March 01, 2018 to:**

Texas Commission on Environmental Quality ★ Water Rights Permitting MC 160 ★ PO Box 13087 ★ Austin TX 78711-3087  
Forms may be submitted electronically to [WUR@tceq.texas.gov](mailto:WUR@tceq.texas.gov) Telephone: (512) 239-4691

## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY REPORT OF SURFACE WATER USED FOR THE YEAR ENDING 2017

for  
Permit

WATER RIGHT NO:4044  
B 2

WUR USE: AGRICULTURE  
AUTH USE: AGRICULTURE - IRRIGATION

I am reporting water used for the water right holder(s) listed below.  
CN601365448 North Texas Municipal Water District  
Additional water right holders may be listed on the back.  
 Please check the box if you have a change in name, address or ownership and indicate the changes on the back of this form.

NORTH TEXAS MUNICIPAL WATER DISTRICT  
PO BOX 2408  
WYLIE, TX 75098-2408

Instructions for completing the form are enclosed. 1 Acre-Foot = 325,851 Gallons

If you are receiving this Water Use Report form, you must complete, sign, and return this form to TCEQ. Even if your water use is zero, indicate that on this form, provide a reason or explanation in the comment field, and submit the form to TCEQ. Please coordinate your water use reporting with all holders of this Water Right in order to avoid duplicative reporting.

Complete the table below by entering the amount of water that you diverted (even if zero). **EXCLUDE GROUNDWATER and WATER THAT YOU PURCHASED UNDER A CONTRACT.**

USE	AGRICULTURE	
	Irrigation	Wildlife, Aquaculture, Stockraising and/or Other Agriculture
Month	Diverted Amount (acre-feet)	Diverted Amount (acre-feet)
Jan	0	0
Feb	0	0
Mar	0	0
Apr	0	0
May	92	0
Jun	199	0
Jul	0	0
Aug	0	0
Sept	44	0
Oct	0	0
Nov	0	0
Dec	0	0
<b>Total:</b>	<b>335</b>	<b>0</b>
	Maximum Diversion Rate (Specify <input type="checkbox"/> CFS or <input checked="" type="checkbox"/> GPM) NA	Maximum Diversion Rate (Specify <input type="checkbox"/> CFS or <input checked="" type="checkbox"/> GPM) 0

Please answer the following questions.

If you have a permitted on-channel impoundment or reservoir, what is the condition of your dam?  

N A

(eg. Good, Fair, Poor)

Do you have working low flow outlet(s) on your impoundment(s)?  Yes  No

Comments: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

A water right holder who fails to file a completed form by the due date is liable for a penalty for each day past the due date in an amount not to exceed: (1) \$100 per day for a water right authorization of 5,000 acre-feet or less per year; or (2) \$500 per day for a water right authorizing more than 5,000 acre-feet per year.

Signature: Thomas W. Kula Date: 2/27/18  
 Contact Name: Thomas W. Kula ( 972 ) 442-5405  
Print Name Telephone Number

**Return completed form by March 01, 2018 to:**  
 Texas Commission on Environmental Quality ★ Water Rights Permitting MC 160 ★ PO Box 13087 ★ Austin TX 78711-3087  
 Forms may be submitted electronically to WUR@tceq.texas.gov Telephone: (512) 239-4691

If you have a change in name, address or ownership, please indicate the changes on this form.

**Return completed form by March 01, 2018 to:**

Texas Commission on Environmental Quality ★ Water Rights Permitting MC 160 ★ PO Box 13087 ★ Austin TX 78711-3087  
Forms may be submitted electronically to [WUR@tceq.texas.gov](mailto:WUR@tceq.texas.gov) Telephone: (512) 239-4691

## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY REPORT OF SURFACE WATER USED FOR THE YEAR ENDING 2017

for  
Certificate of Adjudication

WATER RIGHT NO: 4798  
B 3

WUR USE: MUNICIPAL/DOMESTIC  
AUTH USE: MUNICIPAL/DOMESTIC

I am reporting water used for the water right holder(s) listed below.  
CN601365448 North Texas Municipal Water District  
Additional water right holders may be listed on the back.  
 Please check the box if you have a change in name, address or ownership and indicate the changes on the back of this form.

NORTH TEXAS MUNICIPAL WATER DISTRICT  
PO BOX 2408  
WYLIE, TX 75098-2408

Instructions for completing the form are enclosed. 1 Acre-Foot = 325,851 Gallons

If you are receiving this Water Use Report form, you must complete, sign, and return this form to TCEQ. Even if your water use is zero, indicate that on this form, provide a reason or explanation in the comment field, and submit the form to TCEQ. Please coordinate your water use reporting with all holders of this Water Right in order to avoid duplicative reporting.

Complete the table below by entering the amount of water that you diverted (even if zero). **EXCLUDE GROUNDWATER and WATER THAT YOU PURCHASED UNDER A CONTRACT.**

USE: MUNICIPAL/DOMESTIC	
Month	Diverted Amount (acre-feet)
Jan	1,617
Feb	1,874
Mar	4,744
Apr	4,509
May	4,724
Jun	4,770
Jul	901
Aug	1,987
Sept	0
Oct	162
Nov	326
Dec	178
<b>Total:</b>	<b>25,792</b>
	Maximum Diversion Rate (Specify <input type="checkbox"/> CFS or <input checked="" type="checkbox"/> GPM)
	45,736

Please answer the following questions.

If you have a permitted on-channel impoundment or reservoir, what is the condition of your dam?  

N A  
(e.g., Good, Fair, Poor)

Do you have working low flow outlet(s) on your impoundment(s)? Yes No

Comments: \_\_\_\_\_  
Lake Chapman (Cooper) dam is owned, operated, and maintained by the USACE.  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

A water right holder who fails to file a completed form by the due date is liable for a penalty for each day past the due date in an amount not to exceed: (1) \$100 per day for a water right authorization of 5,000 acre-feet or less per year; or (2) \$500 per day for a water right authorizing more than 5,000 acre-feet per year.

Signature: Thomas W. Kula Date: 2/26/18  
 Contact Name: Thomas W. Kula ( 972 ) 442-5405  
Print Name Telephone Number

**Return completed form by March 01, 2018 to:**  
 Texas Commission on Environmental Quality ★ Water Rights Permitting MC 160 ★ PO Box 13087 ★ Austin TX 78711-3087  
 Forms may be submitted electronically to WUR@tceq.texas.gov Telephone: (512) 239-4691

•

If you have a change in name, address or ownership, please indicate the changes on this form.

**Return completed form by March 01, 2018 to:**

Texas Commission on Environmental Quality ★ Water Rights Permitting MC 160 ★ PO Box 13087 ★ Austin TX 78711-3087  
Forms may be submitted electronically to [WUR@tceq.texas.gov](mailto:WUR@tceq.texas.gov) Telephone: (512) 239-4691



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY REPORT OF SURFACE WATER USED FOR THE YEAR ENDING 2017

for  
Certificate of Adjudication

WATER RIGHT NO:4920  
B 2

WUR USE: AGRICULTURE  
AUTH USE: AGRICULTURE - IRRIGATION

I am reporting water used for the water right holder(s) listed below.  
CN601365448 North Texas Municipal Water District  
Additional water right holders may be listed on the back.  
 Please check the box if you have a change in name, address or ownership and indicate the changes on the back of this form.

NORTH TEXAS MUNICIPAL WATER DISTRICT  
PO BOX 2408  
WYLIE, TX 75098-2408

Instructions for completing the form are enclosed. 1 Acre-Foot = 325,851 Gallons

If you are receiving this Water Use Report form, you must complete, sign, and return this form to TCEQ. Even if your water use is zero, indicate that on this form, provide a reason or explanation in the comment field, and submit the form to TCEQ. Please coordinate your water use reporting with all holders of this Water Right in order to avoid duplicative reporting.

Complete the table below by entering the amount of water that you diverted (even if zero). **EXCLUDE GROUNDWATER and WATER THAT YOU PURCHASED UNDER A CONTRACT.**

USE	AGRICULTURE	
	Irrigation	Wildlife, Aquaculture, Stockraising and/or Other Agriculture
Month	Diverted Amount (acre-feet)	Diverted Amount (acre-feet)
Jan	0	0
Feb	0	0
Mar	0	0
Apr	0	0
May	0	0
Jun	0	0
Jul	0	0
Aug	0	0
Sept	0	0
Oct	0	0
Nov	0	0
Dec	0	0
<b>Total:</b>	<b>0</b>	<b>0</b>
	Maximum Diversion Rate (Specify <input type="checkbox"/> CFS or <input checked="" type="checkbox"/> GPM)	Maximum Diversion Rate (Specify <input type="checkbox"/> CFS or <input checked="" type="checkbox"/> GPM)
	0	0

Please answer the following questions.

If you have a permitted on-channel impoundment or reservoir, what is the condition of your dam?  
N A  
(e.g., Good, Fair, Poor)

Do you have working low flow outlet(s) on your impoundment(s)?  Yes  No

Comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

A water right holder who fails to file a completed form by the due date is liable for a penalty for each day past the due date in an amount not to exceed: (1) \$100 per day for a water right authorization of 5,000 acre-feet or less per year; or (2) \$500 per day for a water right authorizing more than 5,000 acre-feet per year.

Signature: Thomas W. Kula Date: 2/26/18  
Contact Name: Thomas W. Kula ( 972 ) 442-5405  
Print Name Telephone Number

**Return completed form by March 01, 2018 to:**  
Texas Commission on Environmental Quality ★ Water Rights Permitting MC 160 ★ PO Box 13087 ★ Austin TX 78711-3087  
Forms may be submitted electronically to WUR@tceq.texas.gov Telephone: (512) 239-4691

If you have a change in name, address or ownership, please indicate the changes on this form.

## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY REPORT OF SURFACE WATER USED FOR THE YEAR ENDING 2017

for  
Certificate of Adjudication

WATER RIGHT NO:4925  
B 2

WUR USE: MUNICIPAL/DOMESTIC  
AUTH USE: MUNICIPAL/DOMESTIC

I am reporting water used for the water right holder(s) listed below.  
CN601365448 North Texas Municipal Water District  
Additional water right holders may be listed on the back.  
 Please check the box if you have a change in name, address or ownership and indicate the changes on the back of this form.

NORTH TEXAS MUNICIPAL WATER DISTRICT  
PO BOX 2408  
WYLIE, TX 75098-2408

Instructions for completing the form are enclosed. 1 Acre-Foot = 325,851 Gallons

If you are receiving this Water Use Report form, you must complete, sign, and return this form to TCEQ. Even if your water use is zero, indicate that on this form, provide a reason or explanation in the comment field, and submit the form to TCEQ. Please coordinate your water use reporting with all holders of this Water Right in order to avoid duplicative reporting.

Complete the table below by entering the amount of water that you diverted (even if zero). **EXCLUDE GROUNDWATER and WATER THAT YOU PURCHASED UNDER A CONTRACT.**

USE: MUNICIPAL/DOMESTIC	
Month	Diverted Amount (acre-feet)
Jan	126
Feb	111
Mar	127
Apr	117
May	123
Jun	131
Jul	137
Aug	135
Sept	145
Oct	121
Nov	108
Dec	120
<b>Total:</b>	<b>1,501</b>
Maximum Diversion Rate (Specify <input type="checkbox"/> CFS or <input checked="" type="checkbox"/> GPM)	
2,334	

Please answer the following questions.

If you have a permitted on-channel impoundment or reservoir, what is the condition of your dam?  

N A  
(eg, Good, Fair, Poor)

Do you have working low flow outlet(s) on your impoundment(s)? Yes No

Comments: \_\_\_\_\_  
Lake Bonham is owned, operated, and maintained by  
City of Bonham.  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

A water right holder who fails to file a completed form by the due date is liable for a penalty for each day past the due date in an amount not to exceed: (1) \$100 per day for a water right authorization of 5,000 acre-feet or less per year; or (2) \$500 per day for a water right authorizing more than 5,000 acre-feet per year.

Signature: Thomas W. Kula Date: 2/26/18  
 Contact Name: Thomas W. Kula (972) 442-5405  
Print Name Telephone Number

**Return completed form by March 01, 2018 to:**  
 Texas Commission on Environmental Quality ★ Water Rights Permitting MC 160 ★ PO Box 13087 ★ Austin TX 78711-3087  
 Forms may be submitted electronically to WUR@tceq.texas.gov Telephone: (512) 239-4691

If you have a change in name, address or ownership, please indicate the changes on this form.

**Return completed form by March 01, 2018 to:**

Texas Commission on Environmental Quality ★ Water Rights Permitting MC 160 ★ PO Box 13087 ★ Austin TX 78711-3087  
Forms may be submitted electronically to [WUR@tceq.texas.gov](mailto:WUR@tceq.texas.gov) Telephone: (512) 239-4691

## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY REPORT OF SURFACE WATER USED FOR THE YEAR ENDING 2017

for  
Permit

WATER RIGHT NO:5003  
B 2

WUR USE: MINING  
AUTH USE: MINING

I am reporting water used for the water right holder(s) listed below.  
CN601365448 North Texas Municipal Water District  
Additional water right holders may be listed on the back.  
 Please check the box if you have a change in name, address or ownership and indicate the changes on the back of this form.

NORTH TEXAS MUNICIPAL WATER DISTRICT  
PO BOX 2408  
WYLIE, TX 75098-2408

Instructions for completing the form are enclosed. 1 Acre-Foot = 325,851 Gallons

If you are receiving this Water Use Report form, you must complete, sign, and return this form to TCEQ. Even if your water use is zero, indicate that on this form, provide a reason or explanation in the comment field, and submit the form to TCEQ. Please coordinate your water use reporting with all holders of this Water Right in order to avoid duplicative reporting.

Complete the table below by entering the amount of water that you diverted and consumed (even if zero). **EXCLUDE GROUNDWATER and WATER THAT YOU PURCHASED UNDER A CONTRACT.**

USE: MINING		
Month	Diverted Amount (acre-feet)	Consumed Amount (acre-feet)
Jan	0	0
Feb	0	0
Mar	0	0
Apr	0	0
May	0	0
Jun	0	0
Jul	0	0
Aug	0	0
Sept	0	0
Oct	0	0
Nov	0	0
Dec	0	0
<b>Total:</b>	<b>0</b>	<b>0</b>
Maximum Diversion Rate (Specify <input type="checkbox"/> CFS or <input checked="" type="checkbox"/> GPM)		
0		

Please answer the following questions.

If you have a permitted on-channel impoundment or reservoir, what is the condition of your dam?  

N A  
(e.g., Good, Fair, Poor)

Do you have working low flow outlet(s) on your impoundment(s)?  Yes  No

Comments: \_\_\_\_\_  
Lake Texoma dam is owned, operated, and maintained by the USACE.  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

A water right holder who fails to file a completed form by the due date is liable for a penalty for each day past the due date in an amount not to exceed: (1) \$100 per day for a water right authorization of 5,000 acre-feet or less per year; or (2) \$500 per day for a water right authorizing more than 5,000 acre-feet per year.

Signature: Thomas W. Kula Date: 2/26/18  
 Contact Name: Thomas W. Kula ( 972 ) 442-5405  
Print Name Telephone Number

**Return completed form by March 01, 2018 to:**  
 Texas Commission on Environmental Quality ★ Water Rights Permitting MC 160 ★ PO Box 13087 ★ Austin TX 78711-3087  
 Forms may be submitted electronically to WUR@tceq.texas.gov Telephone: (512) 239-4691

If you have a change in name, address or ownership, please indicate the changes on this form.

**Return completed form by March 01, 2018 to:**

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Forms may be submitted electronically to [WUR@tceq.texas.gov](mailto:WUR@tceq.texas.gov) Telephone: (512) 239-4691

## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY REPORT OF SURFACE WATER USED FOR THE YEAR ENDING 2017

for  
Permit

WATER RIGHT NO:5003  
B 2

WUR USE: INDUSTRIAL  
AUTH USE: INDUSTRIAL

I am reporting water used for the water right holder(s) listed below.  
CN601365448 North Texas Municipal Water District  
Additional water right holders may be listed on the back.  
 Please check the box if you have a change in name, address or ownership and indicate the changes on the back of this form.

NORTH TEXAS MUNICIPAL WATER DISTRICT  
PO BOX 2408  
WYLIE, TX 75098-2408

Instructions for completing the form are enclosed. 1 Acre-Foot = 325,851 Gallons

If you are receiving this Water Use Report form, you must complete, sign, and return this form to TCEQ. Even if your water use is zero, indicate that on this form, provide a reason or explanation in the comment field, and submit the form to TCEQ. Please coordinate your water use reporting with all holders of this Water Right in order to avoid duplicative reporting.

Complete the table below by entering the amount of water that you diverted and consumed (even if zero). **EXCLUDE GROUNDWATER and WATER THAT YOU PURCHASED UNDER A CONTRACT.**

USE: INDUSTRIAL		
Month	Diverted Amount (acre-feet)	Consumed Amount (acre-feet)
Jan	0	0
Feb	0	0
Mar	0	0
Apr	0	0
May	0	0
Jun	0	0
Jul	0	0
Aug	0	0
Sept	0	0
Oct	0	0
Nov	0	0
Dec	0	0
<b>Total:</b>	0	0
Maximum Diversion Rate (Specify <input type="checkbox"/> CFS or <input checked="" type="checkbox"/> GPM) <div style="text-align: center; margin-top: 5px;">0</div>		

Please answer the following questions.

If you have a permitted on-channel impoundment or reservoir, what is the condition of your dam?  

N A

(e.g., Good, Fair, Poor)

Do you have working low flow outlet(s) on your impoundment(s)?  Yes  No

Comments: \_\_\_\_\_  
 The Lake Texoma dam is owned, operated, and maintained by the USACE.  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

A water right holder who fails to file a completed form by the due date is liable for a penalty for each day past the due date in an amount not to exceed: (1) \$100 per day for a water right authorization of 5,000 acre-feet or less per year; or (2) \$500 per day for a water right authorizing more than 5,000 acre-feet per year.

Signature: Thomas W. Kula Date: 2/26/18  
 Contact Name: Thomas W. Kula ( 972 ) 442-5405  
Print Name Telephone Number

If you have a change in name, address or ownership, please indicate the changes on this form.

**Return completed form by March 01, 2018 to:**

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Forms may be submitted electronically to [WUR@tceq.texas.gov](mailto:WUR@tceq.texas.gov) Telephone: (512) 239-4691



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY REPORT OF SURFACE WATER USED FOR THE YEAR ENDING 2017

for  
Permit

WATER RIGHT NO:5003  
B 2

WUR USE: MUNICIPAL/DOMESTIC  
AUTH USE: MUNICIPAL/DOMESTIC

I am reporting water used for the water right holder(s) listed below.  
CN601365448 North Texas Municipal Water District  
Additional water right holders may be listed on the back.  
 Please check the box if you have a change in name, address or ownership and indicate the changes on the back of this form.

NORTH TEXAS MUNICIPAL WATER DISTRICT  
PO BOX 2408  
WYLIE, TX 75098-2408

Instructions for completing the form are enclosed. 1 Acre-Foot = 325,851 Gallons

If you are receiving this Water Use Report form, you must complete, sign, and return this form to TCEQ. Even if your water use is zero, indicate that on this form, provide a reason or explanation in the comment field, and submit the form to TCEQ. Please coordinate your water use reporting with all holders of this Water Right in order to avoid duplicative reporting.

Complete the table below by entering the amount of water that you diverted (even if zero). **EXCLUDE GROUNDWATER and WATER THAT YOU PURCHASED UNDER A CONTRACT.**

USE: MUNICIPAL/DOMESTIC	
Month	Diverted Amount (acre-feet)
Jan	3,563
Feb	2,412
Mar	4,455
Apr	5,255
May	6,022
Jun	5,658
Jul	5,747
Aug	6,062
Sept	6,786
Oct	5,970
Nov	4,328
Dec	2,967
<b>Total:</b>	<b>59,225</b>
	Maximum Diversion Rate (Specify <input type="checkbox"/> CFS or <input type="checkbox"/> GPM)
	75,000

Please answer the following questions.

If you have a permitted on-channel impoundment or reservoir, what is the condition of your dam?  

N A  
(e.g., Good, Fair, Poor)

Do you have working low flow outlet(s) on your impoundment(s)? Yes No

Comments: \_\_\_\_\_  
 The Lake Texoma dam is owned, operated, and maintained by the USACE.  
 \_\_\_\_\_  
 \_\_\_\_\_  
 1986 Priority - 77,300 acre ft. includes 37,665 acre ft. spill credit.  
 \_\_\_\_\_  
 2005 Priority - 19,590 acre ft.  
 \_\_\_\_\_  
 \_\_\_\_\_

A water right holder who fails to file a completed form by the due date is liable for a penalty for each day past the due date in an amount not to exceed: (1) \$100 per day for a water right authorization of 5,000 acre-feet or less per year; or (2) \$500 per day for a water right authorizing more than 5,000 acre-feet per year.

Signature: Thomas W. Kula Date: 2/26/18  
 Contact Name: Thomas W. Kula (972) 442-5405  
Print Name Telephone Number

**Return completed form by March 01, 2018 to:**

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## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY REPORT OF SURFACE WATER USED FOR THE YEAR ENDING 2017

for  
Permit

WATER RIGHT NO:12151  
B 2

WUR USE: AGRICULTURE  
AUTH USE: AGRICULTURE - IRRIGATION

I am reporting water used for the water right holder(s) listed below.  
CN601365448 North Texas Municipal Water District  
Additional water right holders may be listed on the back.  
 Please check the box if you have a change in name, address or ownership and indicate the changes on the back of this form.

NORTH TEXAS MUNICIPAL WATER DISTRICT  
PO BOX 2408  
WYLIE, TX 75098-2408

Instructions for completing the form are enclosed. 1 Acre-Foot = 325,851 Gallons

If you are receiving this Water Use Report form, you must complete, sign, and return this form to TCEQ. Even if your water use is zero, indicate that on this form, provide a reason or explanation in the comment field, and submit the form to TCEQ. Please coordinate your water use reporting with all holders of this Water Right in order to avoid duplicative reporting.

Complete the table below by entering the amount of water that you diverted (even if zero). **EXCLUDE GROUNDWATER and WATER THAT YOU PURCHASED UNDER A CONTRACT.**

USE	AGRICULTURE	
	Irrigation	Wildlife, Aquaculture, Stockraising and/or Other Agriculture
Month	Diverted Amount (acre-feet)	Diverted Amount (acre-feet)
Jan	0	0
Feb	0	0
Mar	0	0
Apr	0	0
May	0	0
Jun	0	0
Jul	0	0
Aug	0	0
Sept	0	0
Oct	0	0
Nov	0	0
Dec	0	0
<b>Total:</b>	<b>0</b>	<b>0</b>
	Maximum Diversion Rate (Specify <input type="checkbox"/> CFS or <input checked="" type="checkbox"/> GPM)	Maximum Diversion Rate (Specify <input type="checkbox"/> CFS or <input checked="" type="checkbox"/> GPM)
	0	0

Please answer the following questions.

If you have a permitted on-channel impoundment or reservoir, what is the condition of your dam?  

N A  
(eg., Good, Fair, Poor)

Do you have working low flow outlet(s) on your impoundment(s)?  Yes  No

Comments: \_\_\_\_\_  
Lake Fork dam is owned, operated, and maintained by Sabine River Authority.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

A water right holder who fails to file a completed form by the due date is liable for a penalty for each day past the due date in an amount not to exceed: (1) \$100 per day for a water right authorization of 5,000 acre-feet or less per year; or (2) \$500 per day for a water right authorizing more than 5,000 acre-feet per year.

Signature: Thomas W. Kula Date: 2/26/18

Contact Name: Thomas W. Kula (972) 442-5405

Print Name Telephone Number

**Return completed form by March 01, 2018 to:**  
Texas Commission on Environmental Quality ★ Water Rights Permitting MC 160 ★ PO Box 13087 ★ Austin TX 78711-3087  
Forms may be submitted electronically to WUR@tceq.texas.gov Telephone: (512) 239-4691

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**Return completed form by March 01, 2018 to:**

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Forms may be submitted electronically to [WUR@tceq.texas.gov](mailto:WUR@tceq.texas.gov) Telephone: (512) 239-4691

## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY REPORT OF SURFACE WATER USED FOR THE YEAR ENDING 2017

for  
Permit

WATER RIGHT NO:12151  
B 2

WUR USE: INDUSTRIAL  
AUTH USE: INDUSTRIAL

I am reporting water used for the water right holder(s) listed below.  
CN601365448 North Texas Municipal Water District  
Additional water right holders may be listed on the back.  
 Please check the box if you have a change in name, address or ownership and indicate the changes on the back of this form.

NORTH TEXAS MUNICIPAL WATER DISTRICT  
PO BOX 2408  
WYLIE, TX 75098-2408

Instructions for completing the form are enclosed. 1 Acre-Foot = 325,851 Gallons

If you are receiving this Water Use Report form, you must complete, sign, and return this form to TCEQ. Even if your water use is zero, indicate that on this form, provide a reason or explanation in the comment field, and submit the form to TCEQ. Please coordinate your water use reporting with all holders of this Water Right in order to avoid duplicative reporting.

Complete the table below by entering the amount of water that you diverted and consumed (even if zero). **EXCLUDE GROUNDWATER and WATER THAT YOU PURCHASED UNDER A CONTRACT.**

USE: INDUSTRIAL		
Month	Diverted Amount (acre-feet)	Consumed Amount (acre-feet)
Jan	0	0
Feb	0	0
Mar	0	0
Apr	0	0
May	0	0
Jun	0	0
Jul	0	0
Aug	0	0
Sept	0	0
Oct	0	0
Nov	0	0
Dec	0	0
<b>Total:</b>	<b>0</b>	<b>0</b>
Maximum Diversion Rate (Specify <input type="checkbox"/> CFS or <input checked="" type="checkbox"/> GPM) <div style="text-align: center; margin-top: 5px;">0</div>		

Please answer the following questions.

If you have a permitted on-channel impoundment or reservoir, what is the condition of your dam?  

N A

(e.g., Good, Fair, Poor)

Do you have working low flow outlet(s) on your impoundment(s)?  Yes  No

Comments: \_\_\_\_\_  
Lake Fork dam is owned, operated, and maintained by Sabine River Authority.  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

A water right holder who fails to file a completed form by the due date is liable for a penalty for each day past the due date in an amount not to exceed: (1) \$100 per day for a water right authorization of 5,000 acre-feet or less per year; or (2) \$500 per day for a water right authorizing more than 5,000 acre-feet per year.

Signature: Thomas W. Kula Date: 2/26/18  
 Contact Name: Thomas W. Kula ( 972 ) 442-5405  
Print Name Telephone Number

If you have a change in name, address or ownership, please indicate the changes on this form.


**Return completed form by March 01, 2018 to:**

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Forms may be submitted electronically to [WUR@tceq.texas.gov](mailto:WUR@tceq.texas.gov) Telephone: (512) 239-4691

## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY REPORT OF SURFACE WATER USED FOR THE YEAR ENDING 2017

for  
Permit

WATER RIGHT NO:12151

B 2

WUR USE: OTHER  
AUTH USE: RECREATION

I am reporting water used for the water right holder(s) listed below.  
CN601365448 North Texas Municipal Water District  
Additional water right holders may be listed on the back.  
 Please check the box if you have a change in name, address or ownership and indicate the changes on the back of this form.

NORTH TEXAS MUNICIPAL WATER DISTRICT  
PO BOX 2408  
WYLIE, TX 75098-2408

Instructions for completing the form are enclosed. 1 Acre-Foot = 325,851 Gallons

If you are receiving this Water Use Report form, you must complete, sign, and return this form to TCEQ. Even if your water use is zero, indicate that on this form, provide a reason or explanation in the comment field, and submit this form to TCEQ. Please coordinate your water use reporting with all owners of this Water Right in order to avoid duplicative reporting.

Please answer the following questions. When answering all questions below and completing the table on the right, **EXCLUDE GROUNDWATER and WATER THAT YOU PURCHASED UNDER A CONTRACT.**

1. If you have a permitted on-channel impoundment or reservoir, what is the condition of your dam? NA  
(e.g., Good, Fair, Poor)

Do you have working low flow outlet(s) on your impoundment(s)?  Yes  No

2. Did you divert any permitted water from a watercourse (i.e., a stream and/or on-channel reservoir)?  Yes  No (If No, skip to question 3 below) If Yes, Complete the Diverted Column in the table on the right by entering the total amount of water diverted (even if zero).  
Check all uses for which water was diverted:  
 Recreation  Instream  Wetlands  Public Parks  Game Preserves  
 Hydroelectric  Flood Control  Navigation  Water Quality  Other

3. Did you allow permitted water to remain in the watercourse under the terms of your permit?  
 Yes  No  
If Yes, Complete the Used Column in the table on the right by entering the total amount of water used (even if zero).  
Check all uses for which water was used:  
 Recreation  Instream  Wetlands  Public Parks  Game Preserves  
 Hydroelectric  Flood Control  Navigation  Water Quality  Other

Complete the Diverted column below if you answered 'Yes' to question 2.  
Complete the Used column below if you answered 'Yes' to question 3.

Month	Diverted (acre-feet)	Used (acre-feet)
Jan	0	0
Feb	0	0
Mar	0	0
Apr	0	0
May	0	0
Jun	0	0
Jul	0	0
Aug	0	0
Sept	0	0
Oct	0	0
Nov	0	0
Dec	0	0
<b>Total:</b>	0	0
Maximum Diversion Rate (Specify <input type="checkbox"/> CFS or <input checked="" type="checkbox"/> GPM)		
0		

Comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

A water right holder who fails to file a completed form by the due date is liable for a penalty for each day past the due date in an amount not to exceed: (1) \$100 per day for a water right authorization of 5,000 acre-feet or less per year; or (2) \$500 per day for a water right authorizing more than 5,000 acre-feet per year.

Signature: Thomas W. Kula Date: 2/26/18  
Contact Name: Thomas W. Kula ( 972 ) 442-5405  
Print Name Telephone Number

If you have a change in name, address or ownership, please indicate the changes on this form.


**Return completed form by March 01, 2018 to:**

Texas Commission on Environmental Quality ★ Water Rights Permitting MC 160 ★ PO Box 13087 ★ Austin TX 78711-3087  
Forms may be submitted electronically to [WUR@tceq.texas.gov](mailto:WUR@tceq.texas.gov) Telephone: (512) 239-4691



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY REPORT OF SURFACE WATER USED FOR THE YEAR ENDING 2017

for  
Permit

WATER RIGHT NO: 12151  
B 2

WUR USE: MUNICIPAL/DOMESTIC  
AUTH USE: MUNICIPAL/DOMESTIC

I am reporting water used for the water right holder(s) listed below.  
CN601365448 North Texas Municipal Water District  
Additional water right holders may be listed on the back.  
 Please check the box if you have a change in name, address or ownership and indicate the changes on the back of this form.

NORTH TEXAS MUNICIPAL WATER DISTRICT  
PO BOX 2408  
WYLIE, TX 75098-2408

Instructions for completing the form are enclosed. 1 Acre-Foot = 325,851 Gallons

If you are receiving this Water Use Report form, you must complete, sign, and return this form to TCEQ. Even if your water use is zero, indicate that on this form, provide a reason or explanation in the comment field, and submit the form to TCEQ. Please coordinate your water use reporting with all holders of this Water Right in order to avoid duplicative reporting.

Complete the table below by entering the amount of water that you diverted (even if zero). **EXCLUDE GROUNDWATER and WATER THAT YOU PURCHASED UNDER A CONTRACT.**

USE: MUNICIPAL/DOMESTIC	
Month	Diverted Amount (acre-feet)
Jan	0
Feb	0
Mar	0
Apr	0
May	0
Jun	0
Jul	0
Aug	0
Sept	0
Oct	0
Nov	0
Dec	0
<b>Total:</b>	<b>0</b>
	Maximum Diversion Rate (Specify <input type="checkbox"/> CFS or <input checked="" type="checkbox"/> GPM)
	0

Please answer the following questions.

If you have a permitted on-channel impoundment or reservoir, what is the condition of your dam?  

N A  
(e.g., Good, Fair, Poor)

Do you have working low flow outlet(s) on your impoundment(s)?  Yes  No

Comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

A water right holder who fails to file a completed form by the due date is liable for a penalty for each day past the due date in an amount not to exceed: (1) \$100 per day for a water right authorization of 5,000 acre-feet or less per year; or (2) \$500 per day for a water right authorizing more than 5,000 acre-feet per year.

Signature: Thomas W. Kula Date: 2/26/18  
Contact Name: Thomas W. Kula (972) 442-5405  
Print Name Telephone Number

**Return completed form by March 01, 2018 to:**  
Texas Commission on Environmental Quality ★ Water Rights Permitting MC 160 ★ PO Box 13087 ★ Austin TX 78711-3087  
Forms may be submitted electronically to WUR@tceq.texas.gov Telephone: (512) 239-4691

If you have a change in name, address or ownership, please indicate the changes on this form.


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## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY REPORT OF SURFACE WATER USED FOR THE YEAR ENDING 2017

for  
Permit

WATER RIGHT NO:12152  
B 8

WUR USE: INDUSTRIAL  
AUTH USE: INDUSTRIAL

I am reporting water used for the water right holder(s) listed below.  
CN601365448 North Texas Municipal Water District  
Additional water right holders may be listed on the back.  
 Please check the box if you have a change in name, address or ownership and indicate the changes on the back of this form.

NORTH TEXAS MUNICIPAL WATER DISTRICT  
PO BOX 2408  
WYLIE, TX 75098-2408

Instructions for completing the form are enclosed. 1 Acre-Foot = 325,851 Gallons

If you are receiving this Water Use Report form, you must complete, sign, and return this form to TCEQ. Even if your water use is zero, indicate that on this form, provide a reason or explanation in the comment field, and submit the form to TCEQ. Please coordinate your water use reporting with all holders of this Water Right in order to avoid duplicative reporting.

Complete the table below by entering the amount of water that you diverted and consumed (even if zero). **EXCLUDE GROUNDWATER and WATER THAT YOU PURCHASED UNDER A CONTRACT.**

USE: INDUSTRIAL		
Month	Diverted Amount (acre-feet)	Consumed Amount (acre-feet)
Jan	0	0
Feb	0	0
Mar	0	0
Apr	0	0
May	0	0
Jun	0	0
Jul	0	0
Aug	0	0
Sept	0	0
Oct	0	0
Nov	0	0
Dec	0	0
<b>Total:</b>	0	0
Maximum Diversion Rate (Specify <input type="checkbox"/> CFS or <input checked="" type="checkbox"/> GPM) <div style="text-align: center; margin-top: 5px;">0</div>		

Please answer the following questions.

If you have a permitted on-channel impoundment or reservoir, what is the condition of your dam?  

N A

(e.g., Good, Fair, Poor)

Do you have working low flow outlet(s) on your impoundment(s)?  Yes  No

Comments: \_\_\_\_\_  
 The Lake Tawakoni dam is owned, operated, and maintained by the Sabine River Authority.  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

A water right holder who fails to file a completed form by the due date is liable for a penalty for each day past the due date in an amount not to exceed: (1) \$100 per day for a water right authorization of 5,000 acre-feet or less per year; or (2) \$500 per day for a water right authorizing more than 5,000 acre-feet per year.

Signature: Thomas W. Kula Date: 2/26/18  
 Contact Name: Thomas W. Kula ( 972 ) 442-5405  
Print Name Telephone Number

**Return completed form by March 01, 2018 to:**  
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## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY REPORT OF SURFACE WATER USED FOR THE YEAR ENDING 2017

for  
Permit

WATER RIGHT NO:12152  
B 8

WUR USE: MUNICIPAL/DOMESTIC  
AUTH USE: MUNICIPAL/DOMESTIC

I am reporting water used for the water right holder(s) listed below.  
CN601365448 North Texas Municipal Water District  
Additional water right holders may be listed on the back.  
 Please check the box if you have a change in name, address or ownership and indicate the changes on the back of this form.

NORTH TEXAS MUNICIPAL WATER DISTRICT  
PO BOX 2408  
WYLIE, TX 75098-2408

Instructions for completing the form are enclosed. 1 Acre-Foot = 325,851 Gallons

If you are receiving this Water Use Report form, you must complete, sign, and return this form to TCEQ. Even if your water use is zero, indicate that on this form, provide a reason or explanation in the comment field, and submit the form to TCEQ. Please coordinate your water use reporting with all holders of this Water Right in order to avoid duplicative reporting.

Complete the table below by entering the amount of water that you diverted (even if zero). **EXCLUDE GROUNDWATER and WATER THAT YOU PURCHASED UNDER A CONTRACT.**

USE: MUNICIPAL/DOMESTIC	
Month	Diverted Amount (acre-feet)
Jan	1,585
Feb	1,021
Mar	982
Apr	1,320
May	2,308
Jun	3,639
Jul	1,581
Aug	1,171
Sept	1,236
Oct	995
Nov	1,033
Dec	821
<b>Total:</b>	<b>17,692</b>
Maximum Diversion Rate (Specify <input type="checkbox"/> CFS or <input checked="" type="checkbox"/> GPM)	
33,708	

Please answer the following questions.

If you have a permitted on-channel impoundment or reservoir, what is the condition of your dam?  

N A

(e.g., Good, Fair, Poor)

Do you have working low flow outlet(s) on your impoundment(s)? Yes No

Comments: \_\_\_\_\_  
 Lake Tawakoni dam is owned, operated, and maintained by the Sabine River Authority.  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

A water right holder who fails to file a completed form by the due date is liable for a penalty for each day past the due date in an amount not to exceed: (1) \$100 per day for a water right authorization of 5,000 acre-feet or less per year; or (2) \$500 per day for a water right authorizing more than 5,000 acre-feet per year.

Signature: Thomas W. Kula Date: 2/26/18  
 Contact Name: Thomas W. Kula (972) 442-5405  
Print Name Telephone Number

If you have a change in name, address or ownership, please indicate the changes on this form.

**Return completed form by March 01, 2018 to:**

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## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY REPORT OF SURFACE WATER USED FOR THE YEAR ENDING 2017

for  
Permit

WATER RIGHT NO:12472  
B 8

WUR USE: MUNICIPAL/DOMESTIC  
AUTH USE: MUNICIPAL/DOMESTIC

I am reporting water used for the water right holder(s) listed below.  
CN601365448 North Texas Municipal Water District  
Additional water right holders may be listed on the back.  
 Please check the box if you have a change in name, address or ownership and indicate the changes on the back of this form.

NORTH TEXAS MUNICIPAL WATER DISTRICT  
PO BOX 2408  
WYLIE, TX 75098-2408

Instructions for completing the form are enclosed. 1 Acre-Foot = 325,851 Gallons

If you are receiving this Water Use Report form, you must complete, sign, and return this form to TCEQ. Even if your water use is zero, indicate that on this form, provide a reason or explanation in the comment field, and submit the form to TCEQ. Please coordinate your water use reporting with all holders of this Water Right in order to avoid duplicative reporting.

Complete the table below by entering the amount of water that you diverted (even if zero). **EXCLUDE GROUNDWATER and WATER THAT YOU PURCHASED UNDER A CONTRACT.**

USE: MUNICIPAL/DOMESTIC	
Month	Diverted Amount (acre-feet)
Jan	0
Feb	0
Mar	0
Apr	0
May	0
Jun	0
Jul	0
Aug	0
Sept	0
Oct	0
Nov	0
Dec	0
<b>Total:</b>	<b>0</b>
	Maximum Diversion Rate (Specify <input type="checkbox"/> CFS or <input checked="" type="checkbox"/> GPM)
	0

Please answer the following questions.

If you have a permitted on-channel impoundment or reservoir, what is the condition of your dam?  
**N A**  
(eg. Good, Fair, Poor)

Do you have working low flow outlet(s) on your impoundment(s)? Yes No

Comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

A water right holder who fails to file a completed form by the due date is liable for a penalty for each day past the due date in an amount not to exceed: (1) \$100 per day for a water right authorization of 5,000 acre-feet or less per year; or (2) \$500 per day for a water right authorizing more than 5,000 acre-feet per year.

Signature: Thomas W. Kula Date: 2/26/18  
Contact Name: Thomas W. Kula (972) 442-5405  
Print Name Telephone Number

**Return completed form by March 01, 2018 to:**  
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Forms may be submitted electronically to WUR@tceq.texas.gov Telephone: (512) 239-4691

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## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY REPORT OF SURFACE WATER USED FOR THE YEAR ENDING 2017

for  
Permit

WATER RIGHT NO: 12472  
B 8

WUR USE: INDUSTRIAL  
AUTH USE: INDUSTRIAL

I am reporting water used for the water right holder(s) listed below.  
CN601365448 North Texas Municipal Water District  
Additional water right holders may be listed on the back.  
 Please check the box if you have a change in name, address or ownership and indicate the changes on the back of this form.

NORTH TEXAS MUNICIPAL WATER DISTRICT  
PO BOX 2408  
WYLIE, TX 75098-2408

Instructions for completing the form are enclosed. 1 Acre-Foot = 325,851 Gallons

If you are receiving this Water Use Report form, you must complete, sign, and return this form to TCEQ. Even if your water use is zero, indicate that on this form, provide a reason or explanation in the comment field, and submit the form to TCEQ. Please coordinate your water use reporting with all holders of this Water Right in order to avoid duplicative reporting.

Complete the table below by entering the amount of water that you diverted and consumed (even if zero). **EXCLUDE GROUNDWATER and WATER THAT YOU PURCHASED UNDER A CONTRACT.**

USE: INDUSTRIAL		
Month	Diverted Amount (acre-feet)	Consumed Amount (acre-feet)
Jan	0	0
Feb	0	0
Mar	0	0
Apr	0	0
May	0	0
Jun	0	0
Jul	0	0
Aug	0	0
Sept	0	0
Oct	0	0
Nov	0	0
Dec	0	0
<b>Total:</b>	<b>0</b>	<b>0</b>
Maximum Diversion Rate (Specify <input type="checkbox"/> CFS or <input checked="" type="checkbox"/> GPM) <div style="text-align: center; margin-top: 5px;">0</div>		

Please answer the following questions.

If you have a permitted on-channel impoundment or reservoir, what is the condition of your dam?  

N A

(e.g., Good, Fair, Poor)

Do you have working low flow outlet(s) on your impoundment(s)?  Yes  No

Comments: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

A water right holder who fails to file a completed form by the due date is liable for a penalty for each day past the due date in an amount not to exceed: (1) \$100 per day for a water right authorization of 5,000 acre-feet or less per year; or (2) \$500 per day for a water right authorizing more than 5,000 acre-feet per year.

Signature: Thomas W. Kula Date: 2/26/18  
 Contact Name: Thomas W. Kula (972) 442-5405  
Print Name Telephone Number

If you have a change in name, address or ownership, please indicate the changes on this form.

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## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY REPORT OF SURFACE WATER USED FOR THE YEAR ENDING 2017

for  
Permit

WATER RIGHT NO:12472  
B 8

WUR USE: AGRICULTURE  
AUTH USE: AGRICULTURE - IRRIGATION

I am reporting water used for the water right holder(s) listed below.  
CN601365448 North Texas Municipal Water District  
Additional water right holders may be listed on the back.  
 Please check the box if you have a change in name, address or ownership and indicate the changes on the back of this form.

NORTH TEXAS MUNICIPAL WATER DISTRICT  
PO BOX 2408  
WYLIE, TX 75098-2408

Instructions for completing the form are enclosed. 1 Acre-Foot = 325,851 Gallons

If you are receiving this Water Use Report form, you must complete, sign, and return this form to TCEQ. Even if your water use is zero, indicate that on this form, provide a reason or explanation in the comment field, and submit the form to TCEQ. Please coordinate your water use reporting with all holders of this Water Right in order to avoid duplicative reporting.

Complete the table below by entering the amount of water that you diverted (even if zero). **EXCLUDE GROUNDWATER and WATER THAT YOU PURCHASED UNDER A CONTRACT.**

USE	AGRICULTURE	
	Irrigation	Wildlife, Aquaculture, Stockraising and/or Other Agriculture
Month	Diverted Amount (acre-feet)	Diverted Amount (acre-feet)
Jan	0	0
Feb	0	0
Mar	0	0
Apr	0	0
May	0	0
Jun	0	0
Jul	0	0
Aug	0	0
Sept	0	0
Oct	0	0
Nov	0	0
Dec	0	0
<b>Total:</b>	<b>0</b>	<b>0</b>
	Maximum Diversion Rate (Specify <input type="checkbox"/> CFS or <input checked="" type="checkbox"/> GPM)	Maximum Diversion Rate (Specify <input type="checkbox"/> CFS or <input checked="" type="checkbox"/> GPM)
	0	0

Please answer the following questions.

If you have a permitted on-channel impoundment or reservoir, what is the condition of your dam?  

N A  
(eg., Good, Fair, Poor)

Do you have working low flow outlet(s) on your impoundment(s)? Yes No

Comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

A water right holder who fails to file a completed form by the due date is liable for a penalty for each day past the due date in an amount not to exceed: (1) \$100 per day for a water right authorization of 5,000 acre-feet or less per year; or (2) \$500 per day for a water right authorizing more than 5,000 acre-feet per year.

Signature: Thomas W. Kula Date: 2/26/18  
Contact Name: Thomas W. Kula (972) 442-5405  
Print Name Telephone Number

If you have a change in name, address or ownership, please indicate the changes on this form.

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## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY REPORT OF SURFACE WATER USED FOR THE YEAR ENDING 2017

for  
Permit

WATER RIGHT NO:13037

B 8

WUR USE: MUNICIPAL/DOMESTIC  
AUTH USE: MUNICIPAL/DOMESTIC

I am reporting water used for the water right holder(s) listed below.  
CN601365448 North Texas Municipal Water District  
Additional water right holders may be listed on the back.  
 Please check the box if you have a change in name, address or ownership and indicate the changes on the back of this form.

NORTH TEXAS MUNICIPAL WATER DISTRICT  
PO BOX 2408  
WYLIE, TX 75098-2408

Instructions for completing the form are enclosed. 1 Acre-Foot = 325,851 Gallons

If you are receiving this Water Use Report form, you must complete, sign, and return this form to TCEQ. Even if your water use is zero, indicate that on this form, provide a reason or explanation in the comment field, and submit the form to TCEQ. Please coordinate your water use reporting with all holders of this Water Right in order to avoid duplicative reporting.

Complete the table below by entering the amount of water that you diverted (even if zero). **EXCLUDE GROUNDWATER and WATER THAT YOU PURCHASED UNDER A CONTRACT.**

USE: MUNICIPAL/DOMESTIC	
Month	Diverted Amount (acre-feet)
Jan	0
Feb	0
Mar	0
Apr	0
May	0
Jun	0
Jul	0
Aug	0
Sept	0
Oct	0
Nov	0
Dec	0
<b>Total:</b>	<b>0</b>
	Maximum Diversion Rate (Specify <input type="checkbox"/> CFS or <input checked="" type="checkbox"/> GPM)
	0

Please answer the following questions.

If you have a permitted on-channel impoundment or reservoir, what is the condition of your dam?

N A

(e.g., Good, Fair, Poor)

Do you have working low flow outlet(s) on your impoundment(s)? Yes No

Comments: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

A water right holder who fails to file a completed form by the due date is liable for a penalty for each day past the due date in an amount not to exceed: (1) \$100 per day for a water right authorization of 5,000 acre-feet or less per year; or (2) \$500 per day for a water right authorizing more than 5,000 acre-feet per year.

Signature: Thomas W. Kula Date: 2/26/18  
 Contact Name: Thomas W. Kula ( 972 ) 442-5405  
Print Name Telephone Number

**Return completed form by March 01, 2018 to:**

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Table 6 - Water Right Reporting for Water Rights Associated with Lake Lavon for 2017

(6.1) Col. No. --> Units-->	Diversions from Lake Lavon				CA-4797 & 4798			P-5003		P-4301A	
	(6.2) ac-ft Total	(6.3) ac-ft Industrial	(6.4) ac-ft Municipal	(6.5) ac-ft Diversion from Texoma	(6.6) ac-ft Texoma Inflow to Lake Lavon	(6.7) ac-ft Diversion from Chapman	(6.8) ac-ft Chapman Inflow to Lake Lavon	(6.9) ac-ft GTUA Diversion from Texoma for NTMWD	(6.10) ac-ft GTUA Inflow to Lake Lavon		
January	13,397	0	13,397	3,563	0	1,617	1,617	0	0		
February	14,302	0	14,302	2,412	0	1,874	1,874	0	0		
March	16,714	1	16,713	4,455	0	4,744	4,744	0	0		
April	15,721	2	15,719	5,255	0	4,509	4,509	0	0		
May	20,730	3	20,727	6,022	0	4,724	4,724	0	0		
June	21,005	0	21,005	5,658	0	4,770	4,770	0	0		
July	25,763	5	25,758	5,747	0	901	901	0	0		
August	25,233	6	25,227	6,062	0	1,987	1,987	0	0		
September	27,254	0	27,254	6,786	0	0	0	0	0		
October	24,433	3	24,430	5,970	0	162	162	0	0		
November	19,168	1	19,167	4,328	0	326	326	0	0		
December	16,381	1	16,380	2,967	0	178	178	0	0		
<b>Total</b>	<b>240,101</b>	<b>22</b>	<b>240,079</b>	<b>59,225</b>	<b>0</b>	<b>25,792</b>	<b>25,792</b>	<b>0</b>	<b>0</b>		

(6.1) Col. No. --> Units-->	CA-4669C & 4670A		Other Data							
	(6.11) ac-ft Diversion from Upper Sabine	(6.12) ac-ft Lake Lavon Inflow from Upper Sabine	(6.13) ac-ft Texoma Overdraft	(6.14) ac-ft Chapman Overdraft	(6.15) ac-ft East Fork and Main Stem PS Overdraft	(6.16) ac-ft Upper Sabine Overdraft	(6.17) ac-ft Wilson Creek WWTP	(6.18) ac-ft Other WWTPs to Lavon	(6.19) ac-ft East Fork Conveyance PS to Lake Lavon	(6.20) ac-ft Use of Stored RF and Imported Water
January	3,964	2,829	0	0	0	0	4,665	41	4,572	0
February	3,246	2,133	0	0	0	0	4,551	37	4,835	872
March	3,284	2,439	0	0	0	0	4,567	34	5,074	0
April	3,622	2,563	0	0	0	0	4,898	38	5,225	0
May	4,303	2,743	0	0	0	0	4,338	32	4,986	3,907
June	3,639	2,388	6,038	0	0	0	5,161	39	4,867	0
July	1,581	0	9,804	0	0	0	5,023	38	893	0
August	1,171	0	13,932	0	0	0	4,904	48	1,199	0
September	1,236	0	7,991	0	0	0	4,021	30	114	0
October	995	0	0	0	0	0	4,199	30	3,378	0
November	1,033	0	0	0	0	0	3,987	29	4,590	0
December	821	0	0	0	0	0	4,605	39	4,339	0
<b>Total</b>	<b>28,895</b>	<b>15,095</b>	<b>37,665</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>54,919</b>	<b>435</b>	<b>44,072</b>	<b>4,779</b>

Entity	2017-2018 Water Rates			
	Minimum Annual Demand 1,000 gallons	Water Rate per 1,000 gallons	Minimum Annual Charge	Excess Water Rate per 1,000 gallons
<b>Members:</b>				
Allen	6,011,208	\$ 2.78	\$ 16,711,158.24	\$0.40
Farmersville	280,467	\$ 2.78	\$ 779,698.26	\$0.40
Forney	1,849,256	\$ 2.78	\$ 5,140,931.68	\$0.40
Frisco	10,225,090	\$ 2.78	\$ 28,425,750.20	\$0.40
Garland	13,721,955	\$ 2.78	\$ 38,147,034.90	\$0.40
McKinney	10,762,780	\$ 2.78	\$ 29,920,528.40	\$0.40
Mesquite	8,297,666	\$ 2.78	\$ 23,067,511.48	\$0.40
Plano	26,719,809	\$ 2.78	\$ 74,281,069.02	\$0.40
Princeton	485,886	\$ 2.78	\$ 1,350,763.08	\$0.40
Richardson	11,019,311	\$ 2.78	\$ 30,633,684.58	\$0.40
Rockwall	3,330,881	\$ 2.78	\$ 9,259,849.18	\$0.40
Royse City	448,255	\$ 2.78	\$ 1,246,148.90	\$0.40
Wylie	1,877,558	\$ 2.78	\$ 5,219,611.24	\$0.40
<b>Total Members</b>	<b>95,030,122</b>		<b>\$ 264,183,739.16</b>	
<b>Customers:</b>				
Ables Springs SUI	80,879	\$ 2.83	\$ 228,887.57	\$0.45 a
Bear Creek SUD	235,321	\$ 2.83	\$ 665,958.43	\$0.45
BHP WSC	138,023	\$ 2.83	\$ 390,605.09	d
Bonham	640,000	\$ 2.78 b	\$ 1,779,200.00	c
Caddo Basin SUD	334,397	\$ 2.83	\$ 946,343.51	\$0.45
Cash SUD	305,643	\$ 2.83	\$ 864,969.69	\$0.45
College Mound SL	66,769	\$ 2.83	\$ 188,956.27	\$0.45
Copeville SUD	88,587	\$ 2.83	\$ 250,701.21	c
East Fork SUD	407,636	\$ 2.83	\$ 1,153,609.88	\$0.45
Fairview	887,811	\$ 2.83	\$ 2,512,505.13	\$0.45
Fate	279,932	\$ 2.83	\$ 792,207.56	\$0.45
Fate No. 2	529,453	\$ 2.83	\$ 1,498,351.99	\$0.45
Forney Lake WSC	329,424	\$ 2.83	\$ 932,269.92	\$0.45
Gastonia Scurry S	110,490	\$ 2.83	\$ 312,686.70	e
GTUA	557,465	\$ 2.83	\$ 1,577,625.95	\$0.45
Josephine	62,039	\$ 2.83	\$ 175,570.37	\$0.45
Kaufman	459,989	\$ 2.83	\$ 1,301,768.87	d
Kaufman Four-On-	528,801	\$ 2.83	\$ 1,496,506.83	\$0.45
Little Elm	1,351,428	\$ 2.83	\$ 3,824,541.24	c
Lucas	628,590	\$ 2.83	\$ 1,778,909.70	\$0.45
Melissa	282,555	\$ 2.83	\$ 799,630.65	\$0.45
Milligan WSC	149,894	\$ 2.83	\$ 424,200.02	c
Mt. Zion WSC	159,302	\$ 2.83	\$ 450,824.66	\$0.45
Murphy	1,404,775	\$ 2.83	\$ 3,975,513.25	\$0.45
Nevada SUD	47,179	\$ 2.83	\$ 133,516.57	\$0.45
Nevada SUD No. 1	70,985	\$ 2.83	\$ 200,887.55	\$0.45
North Collin SUD	346,058	\$ 2.83	\$ 979,344.14	d
Parker	533,654	\$ 2.83	\$ 1,510,240.82	\$0.45
Prosper	1,484,478	\$ 2.83	\$ 4,201,072.74	d
Rose Hill SUD	143,271	\$ 2.83	\$ 405,456.93	c
Rowlett	3,192,039	\$ 2.83	\$ 9,033,470.37	c
Sachse	1,332,153	\$ 2.83	\$ 3,769,992.99	\$0.45
Seis Lagos MUD	133,220	\$ 2.83	\$ 377,012.60	\$0.45
Sunnyvale	595,071	\$ 2.83	\$ 1,684,050.93	c
Terrell	1,400,000	\$ 2.83	\$ 3,962,000.00	c
Wylie N.E. SUD	222,387	\$ 2.83	\$ 629,355.21	\$0.45
<b>Total Customers</b>	<b>19,519,698</b>		<b>\$ 55,208,745.34</b>	
<b>Total</b>	<b>114,549,820</b>		<b>\$ 319,392,484.50</b>	

a Water consumed over 365,000,000 gallons shall be charged at a rate of \$2.83 / 1,000 gallons.

b Pays Member Rate.

c Excess Water Rate Subject to Contract Minimums.

d Water consumed over Minimum Annual Demand shall be charged at a rate of \$2.83 / 1,000 gallons.

e Water consumed over Minimum Annual Demand shall be charged at a rate of \$5.66 / 1,000 gallons.

CAUSE NO. 429-01462-2018

**EX PARTE,**

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**IN THE DISTRICT COURT**

**OF COLLIN COUNTY, TEXAS**

**NORTH TEXAS MUNICIPAL  
WATER DISTRICT**

**\_\_\_\_\_ JUDICIAL DISTRICT**

**NORTH TEXAS MUNICIPAL WATER DISTRICT’S  
ORIGINAL PETITION FOR EXPEDITED DECLARATORY JUDGMENT**

TO THE HONORABLE JUDGE OF SAID COURT:

North Texas Municipal Water District (the “District”) files this Original Petition, seeking an expedited declaratory judgment pursuant to Chapter 1205 of the Texas Government Code (the “Expedited Declaratory Judgment Act” or “EDJA”).

**I.  
RELIEF SOUGHT BY THIS SUIT**

1. By this EDJA suit, the District seeks the following declaratory judgments: (1) the District is authorized to issue the Series 2018A Water System Revenue Bonds (the “Series 2018A Bonds”), the Series 2019 Water System Revenue Bonds (the “Series 2019 Bonds”), and the Series 2019 Water System Revenue Refunding Bonds (the “Series 2019 Refunding Bonds,” and together with the Series 2018A Bonds and the Series 2019 Bonds, the “Bonds”); (2) the

District's actions authorizing the Bonds were legal and valid; and (3) the Bonds are legal and valid.

## **II. DISCOVERY LEVEL**

2. Limited discovery in this case, if any, shall be conducted under Level 3, as provided for in Tex. R. Civ. P. 190.4. If allowed, discovery in this case should be expedited to meet the statutory requirement for prompt action by the Court. *See* Tex. Gov't Code § 1205.065(a) (“[t]he court shall *with the least possible delay*: (1) hear and determine each legal or factual question in the declaratory judgment action; and (2) render a final judgment.”) (emphasis added).

## **III. VENUE AND JURISDICTION**

3. Collin County, Texas, is the proper venue for this lawsuit. Tex. Gov't Code § 1205.022.

4. This Court has jurisdiction over the subject matter of this action, over all interested parties, and over the Attorney General of Texas pursuant to the EDJA.

## **IV. NATURE OF THE PROCEEDING**

5. This is an *in rem* proceeding. As provided in the EDJA, any judgment in this action is a class action binding on all persons who (1) reside in the District's territory; (2) own property located within the District's boundaries; (3) are



taxpayers of the District;<sup>1</sup> or (4) have or claim a right, title, or interest in any property or money to be affected by the public security authorization or the issuance of the public securities (the “Interested Parties”). Tex. Gov’t Code § 1205.023.

**V.**  
**SERVICE ON ATTORNEY GENERAL**

6. In accordance with Section 1205.042 of the EDJA, the Attorney General of Texas (the “Attorney General”) must be served a copy of this Petition and the accompanying Order before the twentieth (20th) day before the trial date set in such order. The Attorney General of Texas may be served with citation at the following address: Office of the Attorney General, 300 W. 15<sup>th</sup> Street, Austin, Texas 78701.

**VI.**  
**INTERESTED PARTIES AND NOTICE TO INTERESTED PARTIES**

7. Subject to the notice requirements imposed by the EDJA and described below, all Interested Parties are parties to this action, and the Court’s jurisdiction extends to each of them as though they were individually named and personally served in this action. Tex. Gov’t Code § 1205.044. Any Interested Party may become a named party to this action by filing an answer to this Petition on or before the time set for trial, or thereafter with leave of Court. Tex. Gov’t Code § 1205.062.

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<sup>1</sup> The District does not levy taxes, and therefore does not have any taxpayers.

8. Section 1205.041 of the EDJA requires the Court, upon receipt of this Petition, to “immediately issue” an order, in the form of a notice, advising all Interested Parties and the Attorney General of their right to appear for trial at 10:00 a.m., on the first Monday after the 20<sup>th</sup> day after the date of the Court’s order and to show cause why this Petition should not be granted and the public securities or public security authorization validated and confirmed. A copy of the proposed order is attached hereto as Exhibit A.

9. Pursuant to Section 1205.043 of the EDJA, the Clerk of the Court is required to publish “a substantial copy of the order” in a “newspaper of general circulation” in Travis County, Texas; the county of the District’s principal office, which is Collin County; and each county in which the District has territory, which are Dallas, Denton, Collin, Hunt, Kaufman, and Rockwall counties. Act of April 4, 1951, 52nd Leg., R.S., ch. 62, §§ 2, 5, 1951 Tex. Gen. Laws 96, 103-04 (the “Original Enabling Act”). Such notice shall be published “once in each of two consecutive calendar weeks, with the date of first publication before the 14<sup>th</sup> day before the trial date.” *Id.*

## **VII. AUTHORITY TO BRING ACTION**

10. Each of the Bonds constitutes a “public security” within the meaning of Section 1205.001 of the Government Code. The EDJA affords issuers of public securities, such as the District, and Interested Parties with an efficient method of

adjudicating the validity of public securities and their associated contracts. Section 1205.021 provides in pertinent part, “An issuer may bring an action under [the EDJA] to obtain a declaratory judgment as to: (1) the authority of the issuer to issue the public securities . . . and (4) the legality and validity of the public securities.” Tex. Gov’t Code § 1205.021. The EDJA affords issuers such as the District the ability to bring an EDJA suit before or after the public securities at issue are authorized, issued, or delivered. Tex. Gov’t Code § 1205.025.

## **VIII. FACTUAL BACKGROUND**

### **A. North Texas Municipal Water District.**

11. The District is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Article 16, Section 59, of the Texas Constitution. The District is comprised of 13 Member Cities<sup>2</sup> and it provides wholesale water service to those Member Cities and other non-member regional customers. The District’s water system consists of water treatment plants, water transmission pipelines, pump stations, and water supply reservoirs and ultimately serves a population of approximately 1.7 million people in one of the fastest growing areas of the nation (the “Water System”).

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<sup>2</sup> The Member Cities are the Cities of Allen, Farmersville, Forney, Frisco, Garland, McKinney, Mesquite, Plano, Princeton, Richardson, Rockwall, Royse City, and Wylie.

12. By enacting the Original Enabling Act,<sup>3</sup> the Legislature created the District at the urging of the residents of the Original Member Cities,<sup>4</sup> because each Original Member City required a municipal water supply, but none of the Original Member Cities were individually able to secure bonds and meet the revenue requirements necessary to own and operate such a system.<sup>5</sup>

13. The District's principal office is located in Collin County, Texas.

**B. The Series 2018A Bonds, Series 2019 Bonds, and Series 2019 Refunding Bonds.**

14. On March 22, 2018, the District authorized the issuance, sale, and delivery of the Bonds, as well as approved and authorized the instruments and procedures relating to the Bonds, through Resolution Nos. 18-14, 18-15 and 18-16.<sup>6</sup> The District's authority to issue the Bonds is derived from its Enabling Act and Chapters 791 and 1371 of the Texas Government Code.

15. As described in more detail below, the Series 2018A Bonds are for the purpose of providing funds for construction and improvements to the Lower Bois

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<sup>3</sup> The Original Enabling Act has since been amended. Act of April 4, 1951, 52nd Leg., R.S., ch. 62, 1951 Tex. Gen. Laws 96, 103-04; Act of April 24, 1969, 61st Leg., R.S., ch. 122, 1969 Tex. Gen. Laws 334, 334-337; Act of April 23, 1975, 64th Leg., R.S., ch. 90, 1975 Tex. Gen. Laws 238, 238-242; Act of April 28, 2009, 81st Leg., R.S., ch. 20, 2009 Tex. Gen. Laws 37, 37-40. The Original Enabling Act, as amended and as it currently exists, is hereinafter referred to collectively as the "Enabling Act."

<sup>4</sup> The Original Member Cities are the cities of Farmersville, Forney, Garland, McKinney, Mesquite, Plano, Princeton, Rockwall, Royse City, and Wylie.

<sup>5</sup> BILL SLOAN, GIFT OF WATER, LEGACY OF SERVICE: A HISTORY OF THE NORTH TEXAS MUNICIPAL WATER DISTRICT, 23-46 (Taylor Publishing Co., 1994), <https://www.ntmwd.com/documents/gift-water-legacy-service-book/>.

<sup>6</sup> District Resolutions Nos. 18-14, 18-15 and 18-16 with the Certificates of Resolution are attached as Exhibits B, C, and D respectively. Copies of the proposed Closing Documents (Approval Certificate, Signature Identification and No-Litigation Certificate, and General Certificate) for the Series 2018A Bonds, Series 2019 Bonds, and Series 2019 Refunding Bonds are attached as Exhibits E, F, and G respectively.

d’Arc Creek Reservoir and the Leonard Water Treatment Plant, funding a reserve fund for the Series 2018 Bonds, and paying costs of issuance of the Series 2018A Bonds. (Ex. B, § 1.)

16. As also described in more detail below, the Series 2019 Bonds are for the purpose of providing funds for construction and improvements of District pipelines, meter vault improvements, construction of the Wylie Water Treatment Plant III chemical feed and plant water system, funding a reserve fund for the Series 2019 Bonds, and paying costs of issuance of the Series 2019 Bonds. (Ex. C, § 1.)

17. As also described in more detail below, the Series 2019 Refunding Bonds are for the purpose of providing funds for refunding the District’s outstanding Series 2009 Bonds, making a deposit to the reserve fund, and paying the costs of issuance of the Series 2019 Refunding Bonds. (Ex. D, § 1.)

## **IX. CAUSE OF ACTION: DECLARATORY JUDGMENT**

### **A. Pleading Requirements.**

Section 1205.024 of the EDJA provides that this pleading contain at least certain information. That information is set forth and summarized as follows:

18. Section 1205.024(1): “the issuer’s authority to issue the public securities”—The District has authority to issue the Bonds pursuant to the Enabling Act and Chapters 791 and 1371 of the Texas Government Code. Specifically,

pursuant to the Enabling Act, the District has broad powers to (1) purchase, construct, acquire, own, operate, maintain, repair, or improve any and all property, works, improvements, facilities, plants, equipment, and appliances incident, helpful, or necessary to (a) provide for the control, storage, preservation, transmission, treatment, and distribution and use of storm water and flood water, the water of rivers and streams, and underground water, for irrigation, power, hydroelectric, and all other useful purposes, and to supply water for municipal, domestic, power, hydroelectric, industrial and commercial uses and purposes, and all other beneficial uses and purposes; (b) collect, transport, process, treat, dispose of, and control, all municipal, domestic, industrial, or communal waste whether in fluid, solid, or composite state, including specifically the control, abatement, or reduction of all types of pollution; and (2) issue bonds to borrow money for any of the foregoing purposes. Enabling Act, §§ 27(a), (h). Chapter 791 authorizes local governments such as the District to contract with each other and agencies of the state to contract with each other for various purposes, including to obtain or provide part or all of water supply or wastewater treatment facility. Tex. Gov't Code §§ 791.001, 791.026. Chapter 1371 authorizes local governments such as the District to issue, sell, and deliver a bond obligation to finance a project cost. Tex. Gov't Code § 1371.051.

19. Section 1205.024(2): “the purpose of the public securities”—The Series 2018A Bonds are for the purpose of providing funds (i) for construction of the Lower Bois d’Arc Creek Reservoir raw water pipelines, construction of phase I of the Leonard Water Treatment Plant and high service pump station, construction of treated water pipelines from the Leonard Water Treatment Plant to the highway 5 pump station, and to Farmersville, and acquisition of necessary property, and other system improvements; (ii) to fund a reserve fund for the Series 2018 Bonds; and (iii) to pay costs of issuance of the Series 2018A Bonds. (Ex. B, § 1.) The Series 2019 Bonds are for the purpose of providing funds (i) for construction and inspection of Wylie, Rockwall, Farmersville pipeline improvements phase II, construction of system-wide meter vault improvements, construction and inspection of expansion of high service pump station 3-1, construction of Wylie Water Treatment Plant III chemical feed and plant water system, and other system improvements; (ii) to fund a reserve fund for the Series 2019 Bonds; and (iii) to pay costs of issuance of the Series 2019 Bonds. (Ex. C, § 1.) The Series 2019 Refunding Bonds are for the purpose of providing funds for (i) refunding the District’s outstanding Series 2009 Bonds; (ii) making a deposit to the reserve fund; and (iii) paying the costs of issuance of the Series 2019 Refunding Bonds. (Ex. D, § 1.)

20. Section 1205.024(3): “the holding and result of any required election”—Not applicable because no elections are required to affect any revenue bond issuance of the District.

21. Section 1205.024(4): “a copy of or a pertinent excerpt from each public security authorization, including any essential action or expenditure of money”—Attached as Exhibits B, C, and D are the Board’s actions authorizing the issuance of the District’s Bonds. Attached as Exhibit H is the District’s application to the Texas Water Development Board for funds from the State Water Implementation Fund for Texas (also known as “SWIFT”) for the Series 2018A Bond. Attached as Exhibit I is the August 1, 1988 Regional Water Supply Facilities Amendatory Contract between the District and Member Cities. Attached as Exhibit J is the October 1, 1998 Regional Water Supply Facilities Contract between the District and the City of Allen. Attached as Exhibit K is the October 1, 2001 Regional Water Supply Facilities Contract between the District and the City of Frisco.

22. Section 1205.024(5): “the amount or proposed maximum amount of the public securities”—The total amount of the Bonds is \$880,000,000.00. Specifically, the amount of the Series 2018A Bond is \$700,000,000.00, the Series 2019 Bond is \$75,000,000.00 and the amount of the Series 2019 Refunding Bond is \$105,000,000 (Ex. B, § 1; Ex. C, § 1; Ex. D, §1.).



23. Section 1205.024(6): “the interest rate or rates or the proposed maximum interest rate of the public securities”—The proposed maximum interest rate for the Bonds is 6.00 percent. (Ex. B, § 3(a); Ex. C, § 3(a).)

24. Section 1205.024(7): “in a suit relating to the validity or organization of an issuer, the authority for and the proceedings relating to the creation of the issuer or a boundary change”—Not applicable because the validity or organization of the District is not in dispute.

**B. Declaratory Judgment.**

25. The District has brought this action under the EDJA in order to obtain the following declaratory judgments:

- (1) the District is authorized to issue the Bonds;
- (2) the District’s actions authorizing the Bonds were legal and valid;  
and
- (3) the Bonds are legal and valid.

**X.  
OPPOSING PARTIES MUST POST BOND**

26. The District would further request, pursuant to Texas Government Code Sections 1205.101-104, this Court to require any party opposing this action, or any intervenor, other than the Attorney General, to post a bond, with sufficient surety approved by the Court, payable to the District, for the payment of any damages or costs because of the delay that will be caused by the continued

participation of such opposing party or intervenor in this proceeding in the event the District finally prevails and obtains substantially the judgment prayed for in this Petition. The District further requests that if said opposing parties be ordered to post a bond by this Court and they do not comply within ten (10) days from such order to post a bond, such opposing parties or intervenors be dismissed from this suit.

## **XI. COSTS OF SUIT**

27. The District would further show and request that, pursuant to Texas Government Code Section 1205.066(b), all costs of this suit should be taxed against any opposing or intervening party, other than the Attorney General, to this suit.

## **XII. PRAYER**

WHEREFORE, PREMISES CONSIDERED, the District respectfully prays for the following:

(a) This Court, upon presentation of this Petition, immediately enter and issue the Notice of Proceeding and Order in the form and having the terms attached hereto as Exhibit A, in accordance with Sections 1205.041 and 1205.042 of the EDJA, directed to all Interested Parties and the Attorney General of Texas;

(b) The District further prays the Court, prior to the date set for hearing and trial, to order the Clerk of the Court to provide the required notice of this proceeding pursuant to Section 1205.043 of the EDJA by publishing a substantial copy of the Notice of Proceeding and Order in a newspaper of general circulation in Travis County and Dallas, Denton, Collin, Hunt, Kaufman, and Rockwall counties, said notice to be so published once in each of two consecutive calendar weeks, with the date of the first publication to be not less than 14 days prior to the date set for the hearing and trial;

(c) The District further prays the Court, pursuant to Section 1205.101 of the EDJA, to require any party who intervenes or opposes this action, other than the Attorney General, to post a bond, with sufficient surety, payable to the District, for the payment of all damages and costs incurred by the continued participation of such opposing or intervening party in the event the District prevails and obtains substantially the judgment prayed for in this Petition, and further that if said opposing parties do not comply with this Court's order to post a bond within ten (10) days of the bond order, that such opposing parties or intervenors be dismissed from suit;

(d) The District further prays the Court, pursuant to Section 1205.065 of the EDJA, to hear and determine "with the least possible delay" each factual and legal question raised by this Petition and render judgment;

(e) The District further prays the Court, upon trial and final hearing, to enter the following declaratory judgments:

- i. the District is authorized to issue the Bonds;
- ii. the District's actions authorizing the Bonds were legal and valid; and
- iii. the Bonds are legal and valid.

(f) Upon trial and final hearing, the District further prays the Court to award the District the following additional relief:

- i. an award of all costs of this suit incurred by the District against any party that opposes or intervenes in this suit pursuant to Section 1205.066(b) of the EDJA;
- ii. a decree, pursuant to Section 1205.151 of the EDJA, that the judgment herein prayed for shall, as to all matters adjudicated, be forever binding and conclusive against the District, the Attorney General of Texas, the Comptroller of Texas, and all parties to the cause, whether mentioned in and served with notice of the proceeding, a resident in the District's territory, a property owner located within the District's boundaries; or who have or claim a right, title, or interested in any

- property or money to be affected by the public security authorization or the issuance of the Bonds; and
- iii. grant the District such other and further relief and orders to which it may be entitled at law and equity.

Respectfully submitted,

**LLOYD GOSSELINK**  
**ROCHELLE & TOWNSEND, P.C.**  
816 Congress Avenue, Suite 1900  
Austin, Texas 78701  
Telephone: (512) 322-5800  
Fax: (512) 472-0532

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**ATTORNEYS FOR PLAINTIFF**

# **EXHIBIT A**

CAUSE NO. \_\_\_\_\_

EX PARTE,

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IN THE DISTRICT COURT

OF COLLIN COUNTY, TEXAS

NORTH TEXAS MUNICIPAL  
WATER DISTRICT

\_\_\_\_\_ JUDICIAL DISTRICT

**NOTICE OF PROCEEDING AND ORDER**

The Court issues the following Notice of Proceedings and Order pursuant to Chapter 1205 of the Texas Government Code.

NOTICE IS HEREBY GIVEN to all persons who (i) reside in North Texas Municipal Water District’s (the “District”) territory; (ii) own property located within the District’s boundaries; (iii) are taxpayers of the District;<sup>1</sup> or (iv) have or claim a right, title, or interest in any property or money to be affected by the public security authorization or the issuance of the public securities described below. For purposes of this Notice of Proceedings and Order, the persons named in sections (i), (ii), (iii), and (iv) above shall be referred to as the “Interested Parties.”

The District is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Article 16, Section 59, of the Texas Constitution. Pursuant to the District’s Enabling Act<sup>2</sup> and

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<sup>1</sup> The District does not levy taxes, and therefore does not have any taxpayers.

<sup>2</sup> Act of April 4, 1951, 52nd Leg., R.S., ch. 62, 1951 Tex. Gen. Laws 96, 103-04; Act of April 24, 1969, 61st Leg., R.S., ch. 122, 1969 Tex. Gen. Laws 334, 334-337; Act of April 23, 1975, 64th Leg., R.S., ch. 90, 1975 Tex. Gen. Laws 238, 238-242; Act of April 28, 2009, 81st Leg., R.S., ch. 20, 2009 Tex. Gen. Laws 37, 37-40.



Chapters 791 and 1371 of the Texas Government Code, the District has the authority to issue public securities.

The District's Board has authorized the issuance of the Series 2018A Water System Revenue Bonds (the "Series 2018A Bonds"), the Series 2019 Water System Revenue Bonds (the "Series 2019 Bonds"), and the Series 2019 Water System Revenue Refunding Bonds (the "Series 2019 Refunding Bonds") and together are the Series 2018A Bonds, the Series 2019 Bonds and the Series 2019 Refunding Bonds are the "Bonds" in the aggregate amount of is \$880,000,000. The Series 2018A Bonds are for the purpose of providing funds for (1) improving the District's Water System, including paying preconstruction costs relating to the Lower Bois d'Arc Creek Reservoir, Leonard Water Treatment Plant, and associated pipelines; (2) funding a reserve fund; and (3) paying the costs of issuance of the Series 2018A Bonds. The Series 2019 Bonds are for the purpose of providing funds (i) for construction and inspection of Wylie, Rockwall, Farmersville pipeline improvements phase II, construction of system-wide meter vault improvements, construction and inspection of expansion of high service pump station 3-1, construction of Wylie Water Treatment Plant III chemical feed and plant water system, and other system improvements; (ii) to fund a reserve fund for the Series 2019 Bonds; and (iii) to pay costs of issuance of the Series 2019 Bonds. The Series 2019 Refunding Bonds are for the purpose of providing funds for (i) refunding the District's outstanding Series 2009 Bonds; (ii) making a deposit to the reserve fund; and (iii) paying the costs of issuance of the Series 2019 Refunding Bonds.

The District has filed an *in rem* action for declaratory judgment (the “Petition”) seeking, among other things, the following declarations:

- (1) the District is authorized to issue the Bonds;
- (2) the District’s actions authorizing the Bonds were legal and valid;  
and
- (3) the Bonds are legal and valid.

A full description of the lawsuit and the relief sought is contained District’s Petition, *Ex Parte North Texas Municipal Water District*, Cause No. \_\_\_\_\_, filed in the \_\_\_\_\_ Judicial District Court of Collin County, Texas.

IT IS HEREBY ORDERED and Notice is hereby given, that any Interested Party or the Attorney General of the State of Texas may become a named party to these proceedings by pleading to the Petition on or before, and may appear for hearing and trial in the courtroom of the \_\_\_\_\_ Judicial District Court of Collin County, Texas at, 10:00am on Monday, April 23, 2018, it being the first Monday after the expiration of 20 days from the date this Order is issued. After said date, Interested Parties may become named parties by intervention on leave of Court.

IT IS FURTHER ORDERED, that, at such hearing and trial, any Interested Parties desiring to do so may appear, and the Attorney General of the State Texas shall appear, and show cause why the prayers of the District’s Petition filed in this action and generally described above should not be granted and the Bonds described above should not be validated and confirmed as therein prayed. Be on further notice that, at such time, place, and date the Court will proceed to full and final hearing on the merits of all matters and prayers within the District’s Petition.

**SO ORDERED**

SIGNED this 28th day of March, 2018.

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DISTRICT JUDGE PRESIDING

# **EXHIBIT B**

CERTIFICATE FOR RESOLUTION NO. 18-14

THE STATE OF TEXAS :  
COUNTIES OF COLLIN, DALLAS, KAUFMAN, AND ROCKWALL :  
NORTH TEXAS MUNICIPAL WATER DISTRICT :

We, the undersigned officers of the Board of Directors of North Texas Municipal Water District, hereby certify as follows:

1. The Board of Directors of North Texas Municipal Water District convened in REGULAR MEETING ON THE 22ND DAY OF MARCH, 2018, in the Board of Directors room at the District's principal office at Wylie, Collin County, Texas, and the roll was called of the duly constituted officers and members of said Board of Directors, to-wit:

- |                              |                   |
|------------------------------|-------------------|
| Robert Thurmond, President   | Joe Joplin        |
| John Sweeden, Vice President | James Kerr        |
| Don Gordon, Secretary        | Bill Lofland      |
| Terry Sam Anderson           | Jack May          |
| Phil Dyer                    | Wayne May         |
| Joe Farmer                   | John Murphy       |
| Marvin Fuller                | Charles McKissick |
| Bill Glass                   | Larry Parks       |
| Darrell Grooms               | David Paschall    |
| Rod Hogan                    | Richard Peasley   |
| David Hollifield             | Lynn Shuyler      |
| Dave Island                  | vacant            |
| Blair Johnson                |                   |

and all of said persons were present, except the following absentees: none, thus constituting a quorum. Whereupon, among other business, the following was transacted at said Meeting: a written

RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF NORTH TEXAS MUNICIPAL WATER DISTRICT WATER SYSTEM REVENUE BONDS, SERIES 2018A; AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO

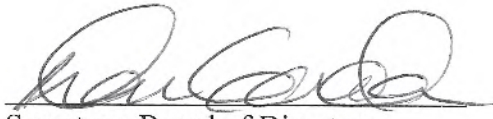
was duly introduced for the consideration of said Board and duly read. It was then duly moved and seconded that said Resolution be adopted; and, after due discussion, said motion, carrying with it the adoption of said Resolution, prevailed and carried by the following vote:

AYES: Each member of said Board of Directors shown present above voted "Aye".

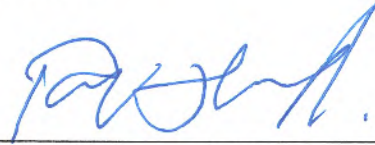
NOES: -0-.

2. That a true, full, and correct copy of the aforesaid Resolution adopted at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; that said Resolution has been duly recorded in said Board's minutes of said Meeting; that the above and foregoing paragraph is a true, full, and correct excerpt from said Board's minutes of said Meeting pertaining to the adoption of said Resolution; that the persons named in the above and foregoing paragraph are the duly chosen, qualified, and acting officers and members of said Board as indicated therein; and that each of the officers and members of said Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the aforesaid Meeting, and that said Resolution would be introduced and considered for adoption at said Meeting; and that said Meeting was open to the public, and public notice of the time, place, and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code.

SIGNED AND SEALED the 22nd day of March, 2018.



Secretary, Board of Directors



President, Board of Directors



RESOLUTION NO. 18-14

RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF NORTH TEXAS MUNICIPAL WATER DISTRICT WATER SYSTEM REVENUE BONDS, SERIES 2018A; AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO

WHEREAS, North Texas Municipal Water District (the "Issuer") is a political subdivision of the State of Texas, being a conservation and reclamation district created and functioning under Article 16, Section 59 of the Texas Constitution, pursuant to Chapter 62, Acts of 1951, 52nd Legislature of Texas, Regular Session, as amended (the "Act"); and

WHEREAS, the Board of Directors of the Issuer is authorized to issue the bonds hereinafter authorized pursuant to the Act, Chapter 791, Texas Government Code, as amended, and other applicable laws.

THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF NORTH TEXAS MUNICIPAL WATER DISTRICT THAT:

Section 1. AMOUNT AND PURPOSE OF THE BONDS. The bond or bonds of North Texas Municipal Water District (the "Issuer") are hereby authorized to be issued and delivered in the aggregate principal amount not to exceed \$700,000,000, FOR THE PURPOSE OF PROVIDING FUNDS (i) FOR CONSTRUCTION OF THE LOWER BOIS D'ARC CREEK RESERVOIR RAW WATER PIPELINES, CONSTRUCTION OF PHASE I OF THE LEONARD WATER TREATMENT PLANT AND HIGH SERVICE PUMP STATION, CONSTRUCTION OF TREATED WATER PIPELINES FROM THE LEONARD WATER TREATMENT PLANT TO THE HIGHWAY 5 PUMP STATION, AND TO FARMERSVILLE, AND ACQUISITION OF NECESSARY PROPERTY, AND OTHER SYSTEM IMPROVEMENTS, (ii) TO FUND A RESERVE FUND FOR THE BONDS, AND (iii) TO PAY COSTS OF ISSUANCE OF THE BONDS. The refunding of any bond anticipation notes issued for any of the foregoing purposes with proceeds of the bonds authorized hereby shall constitute improving the North Texas Municipal Water District Water System.

Section 2. DESIGNATION OF THE BONDS. Each bond issued pursuant to this Resolution shall be designated: "NORTH TEXAS MUNICIPAL WATER DISTRICT WATER SYSTEM REVENUE BOND, SERIES 2018A", and initially there shall be issued, sold, and delivered hereunder a single fully registered bond, without interest coupons, payable in installments of principal (the "Initial Bond"), but the Initial Bond may be assigned and transferred and/or converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, having serial maturities, and in the denomination or denominations of \$5,000 or any integral multiple of \$5,000, all in the manner hereinafter provided. The term "Bonds" as used in this Resolution shall mean and include collectively the Initial Bond and all substitute bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term "Bond" shall mean any of the Bonds.



Section 3. INITIAL DATE, DENOMINATION, NUMBER, MATURITIES, INITIAL REGISTERED OWNER, AND CHARACTERISTICS OF THE INITIAL BOND.

(a) As authorized by Chapter 1371, Texas Government Code, as amended, the Executive Director, the Deputy Director (Finance and Personnel), and the Interim Deputy Director (Finance and Personnel) of the Issuer are each hereby designated as an "Authorized Officer" of the Issuer, and each is hereby authorized, appointed, and designated as the officer or employee of the Issuer authorized to act on behalf of the Issuer, which actions shall be evidenced by a certificate executed by such Authorized Officer (the "Approval Certificate") for a period not to extend beyond March 21, 2019 (which date may be extended by additional action of the Board to a date up to one year after such action), in the selling and delivering of the Bonds and carrying out the other procedures specified in this Resolution, including the use of a book-entry only system with respect to the Bonds and the execution of an appropriate letter of representations if deemed appropriate, the determining and fixing of the date and the date of delivery of the Bonds, any additional or different designation or title by which the Bond shall be known, the price at which the Bonds will be sold (but in no event less than 97% of the principal amount of the Bonds), the principal amount (not exceeding \$700,000,000) of the Bonds, the amount of each maturity of principal thereof, the due date of each such maturity (not exceeding forty years from the date of the Bonds), the rate of interest, to be borne by each such maturity (but in no event to result in the net effective interest rate on the Bonds exceeding 6.00%), the initial interest payment date, the date or dates of optional redemption thereof, any mandatory sinking fund redemption provisions, the procuring of bond insurance, if any, and approving modifications to this Resolution and executing such instruments, documents and agreements as may be necessary with respect thereto, and all other matters relating to the issuance, sale and delivery of the Bonds.

(b) The Initial Bond is hereby authorized to be issued, sold, and delivered hereunder as a single fully registered Bond, without interest coupons, in the denomination and aggregate principal amount set forth in the Approval Certificate (not exceeding \$700,000,000), numbered TR-1, payable in annual installments of principal to the initial registered owner thereof or to the registered assignee or assignees of said Bond or any portion or portions thereof (in each case, the "registered owner"), with the annual installments of principal of the Initial Bond to be payable on the dates, respectively, and in the principal amounts, respectively, and may and/or shall be prepaid or redeemed prior to the respective scheduled due dates of installments of principal thereof, all as set forth in the Approval Certificate.

(c) The Initial Bond (i) may and, if so provided in the Approval Certificate, shall be prepaid or paid on the respective scheduled due dates of installments of principal thereof, (ii) may be assigned and transferred, (iii) may be converted and exchanged for other bonds, (iv) shall have the characteristics, and (v) shall be signed and sealed, and the principal of and interest on the Initial Bond shall be payable, all as provided, and in the manner required or indicated, in the FORM OF INITIAL BOND set forth in this Resolution.

Section 4. INTEREST. The unpaid principal balance of the Initial Bond shall bear interest from the date of the Initial Bond to the respective scheduled due dates, or to the respective dates of prepayment or redemption, of the installments of principal of the Initial Bond, and said interest shall

be payable, all in the manner provided and at the rates and on the dates stated in the Approval Certificate and the FORM OF INITIAL BOND set forth in this Resolution.

Section 5. FORM OF INITIAL BOND. The form of the Initial Bond, including the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be endorsed on the Initial Bond, shall be substantially as follows:

FORM OF INITIAL BOND

NO. TR-1

\$ \_\_\_\_\_ \*

UNITED STATES OF AMERICA  
 STATE OF TEXAS  
 NORTH TEXAS MUNICIPAL WATER DISTRICT  
 WATER SYSTEM REVENUE BOND,  
 SERIES 2018A

NORTH TEXAS MUNICIPAL WATER DISTRICT (the "Issuer"), being a political subdivision of the State of Texas, hereby promises to pay to \_\_\_\_\_\* or to the registered assignee or assignees of this Bond or any portion or portions hereof (in each case, the "registered owner") the aggregate principal amount of \_\_\_\_\_\* DOLLARS (\$ \_\_\_\_\_\*) in annual installments of principal due and payable on SEPTEMBER 1 in each of the years, and in the respective principal amounts, as set forth in the following schedule:

<u>Year*</u>	<u>Principal Amount*</u>	<u>Year*</u>	<u>Principal Amount*</u>
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and to pay interest, calculated on the basis of a 360-day year composed of twelve 30-day months, from the date of initial delivery to the Purchaser (as defined in the Bond Resolution (hereinafter defined)), on the balance of each such installment of principal, respectively, from time to time remaining unpaid, at the rates as follows:

<u>Year*</u>	<u>Rate*</u>	<u>Year*</u>	<u>Rate*</u>
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with said interest being payable on each March 1 and September 1, commencing \_\_\_\_\_\*, while this Bond or any portion hereof is outstanding and unpaid.

THE INSTALLMENTS OF PRINCIPAL OF AND THE INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The installments of principal and the interest on this Bond are payable to the registered owner hereof through the services of THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION, in Dallas, Texas, which is the "Paying Agent/Registrar" for this Bond. Payment of all principal of and interest on this Bond shall be made by the Paying Agent/ Registrar to the registered owner hereof on each principal and/or interest payment date by check dated as of such date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the resolution authorizing the issuance of this Bond (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such principal and/or interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the 15th day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described;\*[provided that, if the TWDB is the registered owner of this Bond, at the option of the TWDB and at the expense of the Issuer, such payment shall be made by wire transfer pursuant to written directions of the TWDB.] The Issuer covenants with the registered owner of this Bond that on or before each principal and/or interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the Interest and Redemption Fund confirmed by the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on this Bond, when due.

IF THE DATE for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the City where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND has been authorized in accordance with the Constitution and laws of the State of Texas for the purpose of providing funds for (i) IMPROVING THE NORTH TEXAS MUNICIPAL WATER DISTRICT WATER SYSTEM; (ii) MAKING A DEPOSIT TO THE RESERVE FUND (DEFINED IN THE BOND RESOLUTION); AND (iv) PAYING THE COSTS OF ISSUANCE OF THIS BOND.

ON \_\_\_\_\_ 1, \_\_\_\_ \*\*, or any date thereafter, the unpaid installments of principal of this Bond may be prepaid or redeemed prior to their scheduled due dates, at the option of the Issuer, with funds derived from any available source, as a whole, or in part, and, if in part, the Issuer shall select and designate the installment or installments of principal, and the amount that is to be redeemed, and if less than a whole principal installment is to be called, the Issuer shall direct the Paying Agent/Registrar to call by lot or other customary method of random selection the portion of the principal installment to be redeemed (only in an integral multiple of \$5,000), at the redemption price of the principal amount to be prepaid or redeemed, plus accrued interest to the date fixed for prepayment or redemption.

\* If sold to Texas Water Development Board.

\*\* From Approval Certificate.

\*[THE PRINCIPAL INSTALLMENTS OF THIS BOND maturing on September 1, \_\_\_\_ and September 1, \_\_\_\_ are subject to mandatory prepayment or redemption prior to maturity in part, at a price equal to the principal amount of this Bond or portions hereof to be prepaid or redeemed plus accrued interest to the date of prepayment or redemption, on September 1 in the each of years and in the amounts as follows:

Principal Installment due on September 1, \_\_\_\_

<u>Years</u>	<u>Amounts</u>
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Principal Installment due on September 1, \_\_\_\_

<u>Years</u>	<u>Amounts</u>
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The amount of any principal installment of this Bond required to be prepaid or redeemed pursuant to the operation of such mandatory prepayment or redemption provisions shall be reduced, at the option and direction of the Issuer, by the principal amount of such principal installment of this Bond which, at least 50 days prior to the mandatory prepayment or redemption date (1) shall have been acquired by the Issuer at a price not exceeding such principal amount plus accrued interest to the date of purchase thereof, (2) shall have been purchased by the Paying Agent/Registrar at the request of the Issuer at a price not exceeding such principal amount plus accrued interest to the date of purchase, or (3) shall have been prepaid or redeemed pursuant to the optional prepayment or redemption provisions and not theretofore credited against a mandatory prepayment or redemption requirement.]

AT LEAST 30 days prior to the date fixed for any such prepayment or redemption a written notice of such prepayment or redemption shall be mailed by the Paying Agent/Registrar to the registered owner hereof. By the date fixed for any such prepayment or redemption due provision shall be made by the Issuer with the Paying Agent/Registrar for the payment of the required prepayment or redemption price for this Bond or the portion hereof which is to be so prepaid or redeemed, plus accrued interest thereon to the date fixed for prepayment or redemption. If such written notice of prepayment or redemption is given, and if due provision for such payment is made, all as provided above, this Bond, or the portion thereof which is to be so prepaid or redeemed, thereby automatically shall be treated as prepaid or redeemed prior to its scheduled due date, and shall not bear interest after the date fixed for its prepayment or redemption, and shall not be regarded as being outstanding except for the right of the registered owner to receive the prepayment or redemption price plus accrued interest to the date fixed for prepayment or redemption from the Paying Agent/Registrar out of the funds provided for such payment. The Paying Agent/Registrar

\*From Approval Certificate, if applicable.

shall record in the Registration Books all such prepayments or redemptions of principal of this Bond or any portion hereof.

THIS BOND, to the extent of the unpaid principal balance hereof, or any unpaid portion hereof in any integral multiple of \$5,000, may be assigned by the initial registered owner hereof and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Resolution. Among other requirements for such transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar for cancellation, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment by the initial registered owner of this Bond, or any portion or portions hereof in any integral multiple of \$5,000, to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be transferred and registered. Any instrument or instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Bond or any such portion or portions hereof by the initial registered owner hereof. A new bond or bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds) or to the initial registered owner as to any portion of this Bond which is not being assigned and transferred by the initial registered owner, shall be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond or any portion or portions hereof, but solely in the form and manner as provided in the next paragraph hereof for the conversion and exchange of this Bond or any portion hereof. The registered owner of this Bond shall be deemed and treated by the Issuer and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

AS PROVIDED above and in the Bond Resolution, this Bond, to the extent of the unpaid principal balance hereof, may be converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the assignee or assignees duly designated in writing by the initial registered owner hereof, or to the initial registered owner as to any portion of this Bond which is not being assigned and transferred by the initial registered owner, in any denomination or denominations in any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute bond issued in exchange for any portion of this Bond shall have a single stated principal maturity date), upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Resolution. If this Bond or any portion hereof is assigned and transferred or converted each bond issued in exchange for any portion hereof shall have a single stated principal maturity date corresponding to the due date of the installment of principal of this Bond or portion hereof for which the substitute bond is being exchanged, and shall bear interest at the rate applicable to and borne by such installment of principal or portion thereof. No such bond shall be payable in installments, but shall have only one stated principal maturity date. AS PROVIDED IN THE BOND RESOLUTION, THIS BOND IN ITS PRESENT FORM MAY BE ASSIGNED AND TRANSFERRED OR CONVERTED ONCE ONLY, and to one or more assignees, but the bonds issued and delivered in exchange for this Bond or any portion hereof may be assigned and transferred, and converted, subsequently, as provided in the Bond Resolution. The Issuer shall pay the Paying Agent/Registrar's

standard or customary fees and charges for transferring, converting, and exchanging this Bond or any portion thereof, but the one requesting such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make any such assignment, conversion, or exchange 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.

IN THE EVENT any Paying Agent/Registrar for this Bond is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Bond Resolution that it promptly will appoint a competent and legally qualified substitute therefor, and promptly will cause written notice thereof to be mailed to the registered owner of this Bond.

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, sold, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that this Bond is a special obligation of the Issuer which, together with other bonds, are secured by and payable from a first lien on and pledge of the "Pledged Revenues" as defined in the Bond Resolution, which include the "Net Revenues of the District's Water System", as defined in the Bond Resolution, including specifically revenues derived pursuant to existing water supply contracts between the Issuer and the Cities of Allen, Farmersville, Forney, Frisco, Garland, McKinney, Mesquite, Plano, Princeton, Richardson, Rockwall, Royse City, and Wylie, Texas, which cities are currently the Member Cities constituting the territory and boundaries of the Issuer, water supply contracts relating to the District's Water System with any other cities which hereafter may become Member Cities, and water supply contracts with other cities and customers in connection with the District's Water System.

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 this Bond.

THE ISSUER also has reserved the right to amend the Bond Resolution with the approval of the registered owners of 51% in principal amount of all outstanding bonds secured by and payable from a first lien on and pledge of the "Pledged Revenues".

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

BY BECOMING the registered owner of this Bond, the registered owner thereby acknowledges all of the terms and provisions of the Bond Resolution, agrees to be bound by such terms and provisions, acknowledges that the Bond Resolution is duly recorded and available for inspection in the official minutes and records of the governing body of the Issuer, and agrees that the terms and provisions of this Bond and the Bond Resolution constitute a contract between the registered owner hereof and the Issuer.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed with the manual or facsimile signature of the President of the Board of Directors of the Issuer and countersigned with the manual or facsimile signature of the Secretary of the Board of Directors of the Issuer, has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Bond, and has caused this Bond to be dated \_\_\_\_\_\*, 2018.

\_\_\_\_\_  
xxxxx  
Secretary, Board of Directors,  
North Texas Municipal Water District

\_\_\_\_\_  
xxxxx  
President, Board of Directors,  
North Texas Municipal Water District

(DISTRICT SEAL)

FORM OF REGISTRATION CERTIFICATE OF THE  
COMPTROLLER OF PUBLIC ACCOUNTS:

COMPTROLLER'S REGISTRATION CERTIFICATE:

REGISTER NO.

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Bond has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this

\_\_\_\_\_  
Comptroller of Public Accounts of the State of Texas

(COMPTROLLER'S SEAL)

Section 6. ADDITIONAL CHARACTERISTICS OF THE BONDS. Registration and Transfer. (a) The Issuer shall keep or cause to be kept at the principal corporate trust office of THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION, in Dallas, Texas (the "Paying Agent/Registrar") books or records of the registration and transfer of the Bonds (the "Registration Books"), and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such transfers and registrations under such reasonable regulations as the Issuer and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such transfers and registrations as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Issuer shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. Registration of each Bond may be transferred in the Registra-

\* From Approval Certificate.

tion Books only upon presentation and surrender of such Bond to the Paying Agent/Registrar for transfer of registration and cancellation, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing (i) the assignment of the Bond, or any portion thereof in any integral multiple of \$5,000, to the assignee or assignees thereof, and (ii) the right of such assignee or assignees to have the Bond or any such portion thereof registered in the name of such assignee or assignees. Upon the assignment and transfer of any Bond or any portion thereof, a new substitute Bond or Bonds shall be issued in conversion and exchange therefor in the manner herein provided. The Initial Bond, to the extent of the unpaid principal balance thereof, may be assigned and transferred by the initial registered owner thereof once only, and to one or more assignees designated in writing by the initial registered owner thereof. All Bonds issued and delivered in conversion of and exchange for the Initial Bond shall be in any denomination or denominations of any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Bond shall have a single stated principal maturity date), shall be in the form prescribed in the FORM OF SUBSTITUTE BOND set forth in this Resolution, and shall have the characteristics, and may be assigned, transferred, and converted as hereinafter provided. If the Initial Bond or any portion thereof is assigned and transferred or converted the Initial Bond must be surrendered to the Paying Agent/Registrar for cancellation, and each Bond issued in exchange for any portion of the Initial Bond shall have a single stated principal maturity date, and shall not be payable in installments; and each such Bond shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Bond is being exchanged; and each such Bond shall bear interest at the single rate applicable to and borne by such installment of principal or portion thereof for which it is being exchanged. If only a portion of the Initial Bond is assigned and transferred, there shall be delivered to and registered in the name of the initial registered owner substitute Bonds in exchange for the unassigned balance of the Initial Bond in the same manner as if the initial registered owner were the assignee thereof. If any Bond or portion thereof other than the Initial Bond is assigned and transferred or converted each Bond issued in exchange therefor shall have the same principal maturity date and bear interest at the same rate as the Bond for which it is exchanged. A form of assignment shall be printed or endorsed on each Bond, excepting the Initial Bond, which shall be executed by the registered owner or its duly authorized attorney or representative to evidence an assignment thereof. Upon surrender of any Bonds or any portion or portions thereof for transfer of registration, an authorized representative of the Paying Agent/Registrar shall make such transfer in the Registration Books, and shall deliver a new fully registered substitute Bond or Bonds, having the characteristics herein described, payable to such assignee or assignees (which then will be the registered owner or owners of such new Bond or Bonds), or to the previous registered owner in case only a portion of a Bond is being assigned and transferred, all in conversion of and exchange for said assigned Bond or Bonds or any portion or portions thereof, in the same form and manner, and with the same effect, as provided in Section 6(d), below, for the conversion and exchange of Bonds by any registered owner of a Bond. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer and delivery of a substitute Bond or Bonds, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of any Bond or any portion thereof (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, (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.



(b) Ownership of Bonds. The entity in whose name any Bond shall be registered in the Registration Books at any time shall be deemed and treated as the absolute owner thereof for all purposes of this Resolution, whether or not such Bond shall be overdue, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary; and payment of, or on account of, the principal of, premium, if any, and interest on any such Bond shall be made only to such registered owner. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(c) Payment of Bonds and Interest. The Issuer hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Bonds, and to act as its agent to convert and exchange or replace Bonds, all as provided in this Resolution. The Paying Agent/Registrar shall keep proper records of all payments made by the Issuer and the Paying Agent/Registrar with respect to the Bonds, and of all conversions and exchanges of Bonds, and all replacements of Bonds, as provided in this Resolution.

(d) Conversion and Exchange or Replacement; Authentication. Each Bond issued and delivered pursuant to this Resolution, to the extent of the unpaid principal balance or principal amount thereof, may, upon surrender of such Bond at the principal corporate trust office of the Paying Agent/Registrar, together with a written request therefor duly executed by the registered owner or the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, may, at the option of the registered owner or such assignee or assignees, as appropriate, be converted into and exchanged for fully registered bonds, without interest coupons, in the form prescribed in the FORM OF SUBSTITUTE BOND set forth in this Resolution, in the denomination of \$5,000, or any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Bond shall have a single stated maturity date), as requested in writing by such registered owner or such assignee or assignees, in an aggregate principal amount equal to the unpaid principal balance or principal amount of any Bond or Bonds so surrendered, and payable to the appropriate registered owner, assignee, or assignees, as the case may be. If the Initial Bond is assigned and transferred or converted each substitute Bond issued in exchange for any portion of the Initial Bond shall have a single stated principal maturity date, and shall not be payable in installments; and each such Bond shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Bond is being exchanged; and each such Bond shall bear interest at the single rate applicable to and borne by such installment of principal or portion thereof for which it is being exchanged. If any Bond or portion thereof (other than the Initial Bond) is assigned and transferred or converted, each Bond issued in exchange therefor shall have the same principal maturity date and bear interest at the same rate as the Bond for which it is being exchanged. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond. The Paying Agent/Registrar shall convert and exchange or replace Bonds as provided herein, and each fully registered bond delivered in conversion of and exchange for or replacement of any Bond or portion thereof as permitted or required by any provision of this Resolution shall constitute one of the Bonds for all purposes of this Resolution, and may again be converted and exchanged or replaced. It is specifically provided that any Bond authenticated in conversion of and exchange for or replacement of another Bond on or prior to the first scheduled Record Date for the Initial Bond shall bear interest from the date of the Initial Bond, but each substitute Bond so authenticated after

such first scheduled Record Date shall bear interest from the interest payment date next preceding the date on which such substitute Bond was so authenticated, unless such Bond is authenticated after any Record Date but on or before the next following interest payment date, in which case it shall bear interest from such next following interest payment date; provided, however, that if at the time of delivery of any substitute Bond the interest on the Bond for which it is being exchanged is due but has not been paid, then such Bond shall bear interest from the date to which such interest has been paid in full. THE INITIAL BOND issued and delivered pursuant to this Resolution is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Bond issued in conversion of and exchange for or replacement of any Bond or Bonds issued under this Resolution there shall be printed a certificate, in the form substantially as follows:

"PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been issued under the provisions of the Bond Resolution described in this Bond; and that this Bond has been issued in conversion of and exchange for or replacement of a bond, bonds, or a portion of a bond or bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, NATIONAL ASSOCIATION  
Paying Agent/Registrar

Dated

\_\_\_\_\_  
Authorized Representative"

An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign the above Certificate, and no such Bond shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all Bonds surrendered for conversion and exchange or replacement. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the Issuer or any other body or person so as to accomplish the foregoing conversion and exchange or replacement of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and said Bonds shall be of type composition printed on paper with lithographed or steel engraved borders of customary weight and strength. Pursuant to Section 1201.067, Texas Government Code, the duty of conversion and exchange or replacement of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of the above Paying Agent/Registrar's Authentication Certificate, the converted and exchanged or replaced Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Initial Bond which originally was issued pursuant to this Resolution, approved by the Attorney General, and registered by the Comptroller of Public Accounts. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging any Bond or any portion thereof, but the one requesting any such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the

exercise of such privilege of conversion and exchange. The Paying Agent/Registrar shall not be required to make any such conversion and exchange or replacement of Bonds or any portion thereof (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, (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

(e) In General. All Bonds issued in conversion and exchange or replacement of any other Bond or portion thereof, (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Bonds to be payable only to the registered owners thereof, (ii) may be transferred and assigned, (iii) may be converted and exchanged for other Bonds, (iv) shall have the characteristics, (v) shall be signed and sealed, and (vi) the principal of and interest on the Bonds shall be payable, all as provided, and in the manner required or indicated, in the FORM OF SUBSTITUTE BOND set forth in this Resolution.

(f) Payment of Fees and Charges. The Issuer hereby covenants with the registered owners of the Bonds that it will (i) pay the standard or customary fees and charges of the Paying Agent/Registrar for its services with respect to the payment of the principal of and interest on the Bonds, when due, and (ii) pay the fees and charges of the Paying Agent/Registrar for services with respect to the transfer of registration of Bonds, and with respect to the conversion and exchange of Bonds solely to the extent above provided in this Resolution.

(g) Substitute Paying Agent/Registrar. The Issuer covenants with the registered owners of the Bonds that at all times while the Bonds are outstanding the Issuer will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of Paying Agent/Registrar for the Bonds under this Resolution, and that the Paying Agent/Registrar will be one entity. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Issuer covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Resolution. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the Issuer. Upon any change in the Paying Agent/Registrar, the Issuer promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Resolution, and a certified copy of this Resolution shall be delivered to each Paying Agent/Registrar.



if the date of authentication of this Bond is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity, at the principal corporate trust office of THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION, in Dallas, Texas, which is the "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the resolution authorizing the issuance of the Bonds (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the 15th day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described; [\*provided that, if the TWDB is the registered owner of this Bond, at the option of the TWDB and at the expense of the Issuer, such payment shall be made by wire transfer pursuant to written directions of the TWDB.] However, notwithstanding the foregoing provisions, the payment of such interest may be made by any other method acceptable to the Paying Agent/Registrar and requested by, and at the risk and expense of, the registered owner hereof. Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner at the principal corporate trust office of the Paying Agent/Registrar upon presentation and surrender of this Bond for redemption and payment at the principal corporate trust office of the Paying Agent/Registrar. The Issuer covenants with the registered owner of this Bond that on or before each principal payment date, interest payment date, and accrued interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the Interest and Redemption Fund confirmed by the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due.

IF THE DATE for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the City where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND is one of an issue of Bonds initially dated \_\_\_\_\_ \*\*, 2018, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$ \_\_\_\_\_ \*\* for the purpose of (i) IMPROVING THE NORTH TEXAS MUNICIPAL

\* If sold to the Texas Water Development Board.

\*\* From Approval Certificate.

WATER DISTRICT WATER SYSTEM; (ii) MAKING A DEPOSIT TO THE RESERVE FUND (DEFINED IN THE BOND RESOLUTION); AND (iii) PAYING THE COSTS OF ISSUANCE OF THE BONDS.

ON \_\_\_\_\_ 1, \_\_\_\_\*, or any date thereafter, the Bonds may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available source, as a whole, or in part, and, if in part, the Issuer shall select and designate the maturity, or maturities, and the amount that is to be redeemed, and if less than a whole maturity is to be redeemed, the Issuer shall direct the Paying Agent/Registrar to call by lot or other customary method of random selection the Bonds or portions thereof to be redeemed (provided that the Bonds to be redeemed only in integral multiples of \$5,000), at the redemption price of the principal amount of the Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

\*\*[THE BONDS maturing on September 1, \_\_\_\_ and September 1, \_\_\_\_ (the "Term Bonds") are subject to mandatory redemption prior to maturity in part, by lot or other customary random method selected by the Paying Agent/Registrar, at a redemption price equal to the principal amount of the Term Bonds or portions thereof to be redeemed plus accrued interest to the redemption date, on September 1 in each of the years and in the principal amounts as follows:

Term Bonds maturing on September 1, \_\_\_\_

<u>Years</u>	<u>Amounts</u>
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Term Bonds maturing on September 1, \_\_\_\_

<u>Years</u>	<u>Amounts</u>
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The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option and direction of the Issuer, by the principal amount of the Term Bonds of such maturity which, at least 50 days prior to the mandatory redemption date (1) shall have been acquired by the Issuer at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Issuer at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.]

\* From Approval Certificate.

\*\* From Approval Certificate, if applicable.

DURING ANY PERIOD in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Issuer and the securities depository.

AT LEAST 30 days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity at the option of the Issuer, a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, to the registered owner appearing on the Registration Books at the close of business on the day next preceding the date of mailing of such notice; provided, however, that any notice so mailed shall be conclusively presumed to have been duly given and the failure to receive such notice, or any defect therein shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond at the option of the Issuer. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed, plus accrued interest thereon to the date fixed for redemption. If such written notice of redemption is mailed and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price plus accrued interest from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Bond shall be redeemed a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Issuer, all as provided in the Bond Resolution.

THIS BOND OR ANY PORTION OR PORTIONS HEREOF IN ANY INTEGRAL MULTIPLE OF \$5,000 may be assigned and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Resolution. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be transferred and registered. The form of Assignment printed or endorsed on this Bond shall be executed by the registered owner or its duly authorized attorney or representative, to evidence the assignment hereof. A new Bond or Bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds), or to the previous registered owner in the case of the assignment and transfer of only a portion of this Bond, may be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond, all in the form and manner as provided in the next paragraph hereof for the conversion and exchange of other Bonds. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer, but the one requesting such transfer shall pay any taxes or other governmental charges required to be

paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of this Bond or any portion hereof 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. The registered owner of this Bond shall be deemed and treated by the Issuer and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

ALL BONDS OF THIS SERIES are issuable solely as fully registered bonds, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Bond Resolution, this Bond may, at the request of the registered owner or the assignee or assignees hereof, be converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the appropriate registered owner, assignee, or assignees, as the case may be, having the same maturity date, and bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000 as requested in writing by the appropriate registered owner, assignee, or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Resolution. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging any Bond or any portion thereof, but the one requesting such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange. The Paying Agent/Registrar shall not be required to make any such conversion and exchange 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.

IN THE EVENT any Paying Agent/Registrar for the Bonds is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Bond Resolution that it promptly will appoint a competent and legally qualified substitute therefor, and promptly will cause written notice thereof to be mailed to the registered owners of the Bonds.

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, sold, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that this Bond is a special obligation of the Issuer which, together with other bonds, are secured by and payable from a first lien on and pledge of the "Pledged Revenues" as defined in the Bond Resolution, which include the "Net Revenues of the District's Water System", as defined in the Bond Resolution, including specifically revenues derived pursuant to existing water supply contracts between the Issuer and the Cities of Allen, Farmersville, Forney, Frisco, Garland, McKinney, Mesquite, Plano, Princeton, Richardson, Rockwall, Royse City, and Wylie, Texas, which cities are currently the Member Cities constituting the territory and boundaries of the Issuer, water supply contracts relating to the District's Water System with any other cities which hereafter may become Member Cities, and water supply contracts with other cities and customers in connection the District's Water System.



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 this Bond and series of which it is a part.

THE ISSUER also has reserved the right to amend the Bond Resolution with the approval of the registered owners of 51% in principal amount of all outstanding bonds secured by and payable from a first lien on and pledge of the "Pledged Revenues".

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

BY BECOMING the registered owner of this Bond, the registered owner thereby acknowledges all of the terms and provisions of the Bond Resolution, agrees to be bound by such terms and provisions, acknowledges that the Bond Resolution is duly recorded and available for inspection in the official minutes and records of the governing body of the Issuer, and agrees that the terms and provisions of this Bond and the Bond Resolution constitute a contract between each registered owner hereof and the Issuer.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed with the manual or facsimile signature of the President of the Board of Directors of the Issuer and attested and countersigned with the manual or facsimile signature of the Secretary of the Board of Directors of the Issuer, and has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Bond.

\_\_\_\_\_  
xxxxxx  
Secretary, Board of Directors  
North Texas Municipal Water District

\_\_\_\_\_  
xxxxxx  
President, Board of Directors  
North Texas Municipal Water District

(DISTRICT SEAL)

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been issued under the provisions of the Bond Resolution described in this Bond; and that this Bond has been issued in conversion of and exchange for or replacement of a bond, bonds, or a portion of a bond or bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, NATIONAL ASSOCIATION  
Paying Agent/Registrar

Dated :

\_\_\_\_\_  
Authorized Representative

FORM OF ASSIGNMENT

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

Please Insert Social Security or  
Other Identifying Number of Assignee

/ \_\_\_\_\_ /

\_\_\_\_\_  
(Name and Address of Assignee)

the within Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_  
to transfer said Bond on the books kept for registration thereof with full power of substitution in the  
premises.

Date: \_\_\_\_\_

Signature Guaranteed: \_\_\_\_\_

NOTICE: The signature to this assignment must correspond with the name as it appears upon  
the face of the within Bond in every particular, without alteration or enlargement or  
any change whatever; and

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in  
a Securities Transfer Association recognized signature guarantee program.

Section 8. ADDITIONAL DEFINITIONS. That as used in this Resolution the following  
terms shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

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

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

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

The term "Bonds" means collectively the Initial Bond as described and defined in Sections 1 and 2 of this Resolution, and all substitute bonds exchanged therefor as well as all other substitute and replacement bonds issued pursuant to this Resolution.

The term "Contracts" shall mean collectively: (a) the original separate water supply contracts between the Issuer and each of the current Member Cities, respectively, and all amendments thereto, with each of said contracts initially having been authorized at elections held in each of the current Member Cities, respectively, on December 5, 1953, except for (i) such contract with the City of Richardson, which is dated April 7, 1965, and was amended on July 2, 1973, and modified in October, 1973, (ii) such contract with the City of Allen, Texas, which is dated as of October 1, 1998 (the "Allen Contract"), and (iii) such contract with the City of Frisco, Texas, which is dated as of October 1, 2001 (the "Frisco Contract"), as all of said contracts (except the Allen Contract and the Frisco Contract, which have not been amended or modified since the respective dates thereof), as amended, have been further amended, modified, combined, consolidated, and wholly replaced by a single "North Texas Municipal Water District Regional Water Supply Facilities Amendatory Contract" dated as of August 1, 1988, executed between the Issuer and each of such Member Cities, (b) any water supply contracts relating to the System with any other cities which hereafter may become Member Cities, and (c) all water supply contracts between the Issuer and other cities and customers in connection the District's Water System.

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

The terms "District's System" and "System" shall mean all of the Issuer's existing water storage, treatment, transportation, distribution, and supply facilities, and other properties, which heretofore have been acquired or constructed with the proceeds from the sale of all bonds or other 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 the Parity Bonds and any Additional Bonds or money from the Contingency Fund (hereinafter described) or any water supply facilities 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 and replacements of the System. Said terms do not include any Issuer facilities which provide waste treatment or disposal or other wastewater services of any kind. Said terms do not include any facilities acquired or constructed by the Issuer with any proceeds from the issuance of "Special Facilities Bonds," which are hereby defined as being revenue obligations of the Issuer 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 purposes 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 Issuer from the operation and/or ownership of the System, including specifically all payments and amounts received by the Board

or the Issuer from the Contracts, and all investments, interest, and income from any Fund created pursuant to this Resolution.

The term "Member Cities" shall mean collectively the Cities of Allen, Farmersville, Forney, Frisco, Garland, McKinney, Mesquite, Plano, Princeton, Richardson, Rockwall, Royse City, and Wylie, Texas, together with all cities which hereafter may become Member Cities as provided in the Act.

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

The term "Operation and Maintenance Expense of the System" shall mean all costs of operation and maintenance of the System including, but not limited to, repairs and replacements, operating personnel, the cost of utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, and any other supplies, services, administrative costs, and equipment necessary for proper operation and maintenance of the System, payments to any public or private entity made for the purchase of water, storage right, or other interests in water, or for the use or operation of any property or facilities, payments to the United States of America with respect to the operation, maintenance, and use of Lavon Dam and Reservoir and/or any other reservoirs or facilities in connection with the Issuer's sources of water for the System, and payments made by the Issuer in satisfaction of judgments or other liabilities resulting from claims not covered by Issuer's insurance. Depreciation shall not be considered an item of Operation and Maintenance Expense.

The term "Parity Bonds" shall mean, (i) the Bonds, (ii) the outstanding North Texas Municipal Water District Water System Revenue Bonds, Series 2008 (the "Series 2008 Bonds"), dated as of June 15, 2008, authorized by a resolution of the Board on June 26, 2008 (the "Series 2008 Bond Resolution"), (iii) the outstanding North Texas Municipal Water District Water System Revenue Bonds, Series 2009A (the "Series 2009A Bonds"), dated as of March 1, 2009, authorized by a resolution of the Board on February 24, 2009 (the "Series 2009A Bond Resolution"), (iv) the outstanding North Texas Municipal Water District Water System Revenue Bonds, Series 2009B (the "Series 2009B Bonds"), dated as of July 15, 2009, authorized by a resolution of the Board on July 23, 2009 (the "Series 2009B Bond Resolution"), (v) the outstanding North Texas Municipal Water District Water System Revenue Refunding and Improvement Bonds, Series 2009C (the "Series 2009C Bonds"), dated as of November 15, 2009, authorized by a resolution of the Board on October 22, 2009 (the "Series 2009C Bond Resolution"), (vi) the outstanding North Texas Municipal Water District Water System Revenue Bonds, Taxable Series 2009D (Build America Bonds - Direct Payment) (the "Series 2009D Bonds"), dated as of November 15, 2009, authorized by a resolution of the Board on October 22, 2009 (the "Series 2009D Bond Resolution"), (vii) the North Texas Municipal Water District Water System Revenue Bonds, Series 2010 (the "Series 2010 Bonds"), dated March 15, 2010, authorized by a resolution of the Board on October 28, 2010 (the "Series 2010 Bond Resolution"), (viii) the North Texas Municipal Water District Water System Revenue Bonds, Taxable Series 2010A (Build America Bonds - Direct Payment) (the "Series 2010A Bonds"), dated March 15, 2010, authorized by a resolution of the Board on October 28, 2010 (the "Series 2010A Bond Resolution"), (ix) the North Texas Municipal Water District Water System Revenue Refunding and Improvement Bonds, Series 2012 (the "Series 2012 Bonds"), dated as of June 15,

2012, authorized by a resolution of the Board on June 28, 2012 (the "Series 2012 Bond Resolution"), (x) the North Texas Municipal Water District Water System Revenue Refunding and Improvement Bonds, Series 2014 (the "Series 2014 Bonds"), dated as of June 15, 2014, authorized by a resolution of the Board on June 26, 2014 (the "Series 2014 Bond Resolution"), (xi) the North Texas Municipal Water District Water System Revenue Refunding and Improvement Bonds, Series 2015 (the "Series 2015 Bonds"), dated as of April 15, 2015, authorized by a resolution of the Board on April 23, 2015 (the "Series 2015 Bond Resolution"), (xii) the North Texas Municipal Water District Water System Revenue Refunding and Improvement Bonds, Series 2016 (the "Series 2016 Bonds"), dated as of October 15, 2016, authorized by a resolution of the Board on October 27, 2016 (the "Series 2016 Bond Resolution"), (xiii) the North Texas Municipal Water District Water System Revenue Bonds, Series 2017 (the "Series 2017 Bonds"), authorized by a resolution of the Board on June 22, 2017 (the "Series 2017 Bond Resolution"), and (xiv) the North Texas Municipal Water District Water System Revenue Bonds, Series 2018 (the "Series 2018 Bonds"), authorized by a resolution of the Board on June 22, 2017 (the "Series 2018 Bond Resolution").

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

The term "TWDB" shall mean the Texas Water Development Board.

The term "year" or "fiscal year" shall mean the Issuer's fiscal year, which currently begins on October 1 of each calendar year, but which subsequently may be any other 12 month period hereafter established by the Issuer as a fiscal year for the purposes of any resolution authorizing the Bonds or any Additional Bonds.

Section 9. PLEDGE. (a) The Bonds authorized by this Resolution are hereby designated as, and shall be, "Additional Bonds" as permitted by Sections 22 and 23, respectively, of the Series 2008 Bond Resolution, the Series 2009A Bond Resolution, the Series 2009B Bonds Resolution, the Series 2009C Bond Resolution, the Series 2009D Bond Resolution, the Series 2010 Bond Resolution, the Series 2010A Bond Resolution, the Series 2012 Bond Resolution, the Series 2014 Bond Resolution, the Series 2015 Bond Resolution, the Series 2016 Bond Resolution, the Series 2017 Bond Resolution, and the Series 2018 Bond Resolution, and it is hereby determined, declared, and resolved that all of the Parity Bonds, including the Bonds authorized by this Resolution, are and shall be secured and payable equally and ratably on a parity, and that Sections 8 through 26 of this Resolution substantially restate and are supplemental to and cumulative of the applicable and pertinent provisions of the resolutions authorizing the issuance of the previously issued Parity Bonds, respectively, with Sections 8 through 26 of this Resolution being equally applicable to all of the Parity Bonds, including the Bonds.

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

Section 10. REVENUE FUND. There has been created and established and there shall be maintained on the books of the Issuer, and accounted for separate and apart from all other funds of the Issuer, a special fund to be entitled the "North Texas Municipal Water District Water System Revenue Bonds Revenue Fund" (hereinafter called the "Revenue Fund"). All Gross Revenues of the System (excepting the investment interest and income from the Interest and Redemption Fund, the Reserve Fund, and the Contingency Fund) 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.

Section 11. INTEREST AND REDEMPTION FUND. For the sole purpose of paying the principal of and interest on all outstanding Parity Bonds and any Additional Bonds, as the same come due, there has been created and established and there shall be maintained at The Bank of New York Mellon Trust Company, National Association, or at the option of the Issuer at any time hereafter, established and maintained at any national bank having a capital and surplus in excess of \$25,000,000, a separate fund to be entitled the "North Texas Municipal Water District Water System Revenue Bonds Interest and Redemption Fund" (hereinafter called the "Interest and Redemption Fund").

Section 12. RESERVE FUND. There has been created and established, and there shall be maintained at The Bank of New York Mellon Trust Company, National Association, or at the option of the Issuer at any time hereafter, established and maintained at any national bank having a capital and surplus in excess of \$25,000,000, a separate fund to be entitled the "North Texas Municipal Water District Regional Water System Revenue Bonds Reserve Fund" (hereinafter called the "Reserve Fund"). The Reserve Fund shall be used solely for the purpose of finally retiring the last of the outstanding Parity Bonds and Additional Bonds, or for paying principal of and interest on any outstanding Parity Bonds and Additional Bonds, when and to the extent the amount in the Interest and Redemption Fund is insufficient for such purpose.

Section 13. CONTINGENCY FUND. There has been created and established, and there shall be maintained at The Bank of New York Mellon Trust Company, National Association, or at the option of the Issuer at any time hereafter, established and maintained at any national bank having a capital and surplus in excess of \$25,000,000, a separate fund to be entitled the "North Texas Municipal Water District Water System Revenue Bonds Contingency Fund" (hereinafter called the "Contingency Fund"). The Contingency Fund shall be used solely for the purpose of paying the costs of improvements, enlargements, extensions, or additions to the System, and unexpected or extraordinary repairs or 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 Parity Bonds or Additional Bonds, when and to the extent the amount in the Interest and Redemption Fund is insufficient for such purpose

Section 14. DEPOSITS OF PLEDGED REVENUES; INVESTMENTS. (a) 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 Resolution.

(b) Money in any Fund established or maintained pursuant to the this Resolution may, at the option of the Issuer, be placed in secured time deposits or secured certificates of deposit, or be invested in direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed by such governmental agencies as the Federal Home Loan Banks, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Association, or Small Business Administration; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund will be available at the proper time or times. Such investments shall be valued in terms of current market value as of the 20th day of August of each year. Interest and income derived from such deposits and investments shall be credited to the Fund from which the deposit or investment was made. Such investments shall be sold promptly when necessary to prevent any default in connection with the Parity Bonds or Additional Bonds.

Section 15. FUNDS SECURED. Money in all Funds described in this Resolution, to the extent not invested, shall be secured in the manner prescribed by law for securing funds of the Issuer.

Section 16. DEBT SERVICE REQUIREMENTS. (a) Promptly after the delivery of the Initial Bond the Issuer shall cause to be deposited to the credit of the Interest and Redemption Fund, from the proceeds received from the sale and delivery of the Initial Bond, all accrued interest, if any, to be used to pay part of the interest coming due on the Bonds.

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

(1) such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month hereafter as will be sufficient, together with other amounts, if any, then on hand in the Interest and Redemption Fund and available for such purpose, to pay the interest scheduled to accrue and come due on all of the Parity Bonds on the next succeeding interest payment date; and

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

Section 17. RESERVE REQUIREMENTS. The Issuer is required to accumulate and maintain in the Reserve Fund an aggregate amount of money and/or investments equal in market value to the average annual principal and interest requirements on all outstanding Parity Bonds (the "Reserve Required Amount"). Immediately after the delivery of the Initial Bond, the District shall deposit to the credit of the Reserve Fund, from the proceeds from the sale and delivery of the Initial Bond, an amount of money, if any, which will cause the Reserve Fund to contain, together with the other money and/or investments then on hand therein, an amount of money and/or investments equal

in market value to the Reserve Required Amount. No deposits shall be made into the Reserve Fund as long as the money and investments in the Reserve Fund are at least equal in market value to the Reserve Required Amount; but if and whenever the market value of money and investments in the Reserve Fund is reduced below said Reserve Required Amount because of a decrease in market value of investments, then the Issuer shall require the Member Cities to increase their payments under their respective Contracts as soon as practicable, and in any event within one year, in an amount sufficient to restore the amount of such decrease; and in the event the Reserve Fund is used to pay the principal of or interest on the Bonds because of insufficient amounts being available in the Interest and Redemption Fund, then the Issuer shall require the Member Cities to increase their payments under their respective Contracts as soon as practicable, and in any event within one year, in an amount sufficient to restore the Reserve Fund to the Reserve Required Amount, and the Issuer shall deposit, in the Reserve Fund, in approximately equal periodic payments, not less than annual, such amounts as are required to cause the Reserve Fund to contain the Reserve Required Amount within five years from any date of the use of the Reserve Fund to pay such principal or interest. So long as the Reserve Fund contains the Reserve Required Amount, all amounts in excess thereof shall be deposited to the credit of the Interest and Redemption Fund on or before September 1 of each year.

Section 18. CONTINGENCY REQUIREMENTS. There is now on hand in the Contingency Fund an amount of money and/or investments at least equal in market value to \$500,000. 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 Issuer's Annual Budget for the next ensuing fiscal year or years; provided that the Issuer is not required to budget more than \$200,000 for such purpose during any one fiscal year. So long as the Contingency Fund contains money and investments not less than the amount of \$500,000 in market value, any surplus in the Contingency Fund over said amount may be withdrawn and used for any lawful purpose.

Section 19. DEFICIENCIES; EXCESS PLEDGED REVENUES. (a) If on any occasion there shall not be sufficient Pledged Revenues to make the required deposits into the Interest and Redemption Fund, the Contingency Fund, and the Reserve Fund, then such deficiency shall be made up as soon as possible from the next available Pledged Revenues, or from any other sources lawfully available for such purpose.

(b) Subject to making the required deposits to the credit of the Interest and Redemption Fund, the Contingency Fund, and the Reserve Fund, when and as required by this Resolution, or any Resolution authorizing the issuance of Additional Bonds, the excess Pledged Revenues may be used for any lawful purpose; provided that at the time each Annual Budget is prepared all such excess revenues which are not pledged to the payment of junior or subordinate lien bonds or other obligations of the Issuer, and which have not been committed by formal resolution or order of the Board for a specific purpose, and which exceed twenty-five percent of the Operation and Maintenance Expenses of the Issuer for the fiscal year then ending, shall be applied to the payment of Operation and Maintenance Expenses of the Issuer for the next ensuing fiscal year, and the Annual Budget shall be prepared accordingly.



Section 20. PAYMENT OF PARITY BONDS AND ADDITIONAL BONDS. Semiannually on or before the first day of each March and September while any of the Parity Bonds or Additional Bonds are outstanding and unpaid, the Issuer shall make available to the paying agents therefor, out of the Interest and Redemption Fund, the Contingency Fund, or the Reserve Fund, if necessary, money sufficient to pay such interest on and such principal of the Parity Bonds and Additional Bonds as will accrue or mature on such March 1 or September 1, as the case may be. The paying agents shall destroy all paid Parity Bonds and Additional Bonds, and furnish the Issuer with an appropriate certificate of cancellation or destruction.

Section 21. FINAL DEPOSITS; GOVERNMENTAL OBLIGATIONS. (a) Any Parity Bond or Additional Bond shall be deemed to be paid, retired, and no longer outstanding, when payment of the principal of, redemption premium, if any, on such Parity Bond or Additional Bond, plus interest thereon to the due date thereof (whether such date be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption), or (ii) shall have been provided by irrevocably depositing with a paying agent therefor, (1) money sufficient to make such payment or (2) Government Obligations, as hereinafter defined in this Section, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation, and expenses of such paying agent pertaining to the Parity Bonds and Additional Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of such paying agent. At such time as a Parity Bond or Additional Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits of any Bond Resolution or a lien on and pledge of the Pledged Revenues, and shall be entitled to payment solely from such money or Government Obligations.

(b) Any moneys so deposited with a paying agent may at the direction of the Issuer also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Government Obligations in the hands of the paying agent pursuant to this Section which is not required for the payment of the Parity Bonds and Additional Bonds, the redemption premium, if any, and interest thereon, with respect to which such moneys has been so deposited, shall be turned over to the Issuer.

(c) The Issuer covenants that no deposit will be made or accepted under clause (ii) of this Section and no use made of any such deposit which would cause the Parity Bonds or any Additional Bonds to be treated as arbitrage bonds within the meaning of the Internal Revenue Code of 1986, as amended.

(d) For the purpose of this Section, the term "Government Obligations" shall mean direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, and which may be United States Treasury obligations such as its State and Local Government Series, and which may be in book-entry form.

(e) Notwithstanding any provisions of this Resolution, all money or Government Obligations set aside and held in trust pursuant to the provisions of this Section for the payment of Parity Bonds and Additional Bonds, the redemption premium, if any, and interest thereon, shall be applied to and used for the payment of Parity Bonds and Additional Bonds, the redemption premium, if any, and interest thereon.

(f) Notwithstanding the foregoing, the Issuer covenants that with respect to the Parity Bonds it will provide a paying agent/registrar to perform the services thereof provided for by this Resolution the same as if they had not been defeased, and the Issuer shall make proper arrangements to provide and pay for such paying agent and registrar services.

Section 22. ADDITIONAL BONDS. (a) The Issuer shall have the right and power at any time and from time to time, and in one or more Series or issues, to authorize, issue, and deliver additional parity revenue bonds (herein called "Additional Bonds"), in accordance with law, in any amounts, for any lawful purpose relating to the System, including the refunding of any Parity Bonds or Additional Bonds. Such Additional Bonds, if and when authorized, issued, and delivered in accordance with this Resolution, shall be secured by and made payable equally and ratably on a parity with the Parity Bonds, and all other outstanding Additional Bonds, from a first lien on and pledge of the Pledged Revenues.

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

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

(d) The principal of all Additional Bonds must be scheduled to be paid or mature on September 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.

Section 23. FURTHER REQUIREMENTS FOR ADDITIONAL BONDS. Additional Bonds shall be issued only in accordance with this Resolution, but notwithstanding any provisions of this Resolution to the contrary, no installment, Series, or issue of Additional Bonds shall be issued or delivered unless the President and the Secretary of the Board sign a written certificate to the effect that the Issuer is not in default as to any covenant, condition, or obligation in connection with all outstanding Parity Bonds and Additional Bonds, and the Resolutions authorizing same, and that the Interest and Redemption Fund and the Reserve Fund each contains the amount then required to be therein, and either (a) an independent registered professional engineer of the State of Texas or a firm of such engineers executes a certificate or report to the effect that in his or its opinion the Pledged Revenues in each complete fiscal year thereafter will be at least equal to 1.25 times the average annual principal and interest requirements of all Parity Bonds and Additional Bonds to be outstanding after the delivery of the then proposed Additional Bonds, or (b) in the alternative to (a), above, the President and Secretary of the Board sign a written certificate to the effect that, based upon an opinion of legal counsel to the Issuer, there are Contracts then in effect pursuant to which the Member Cities and others which are parties to such Contracts are obligated to make minimum payments to the Issuer at such times (including during periods when water is not available to such Member Cities and others) and in such amounts as shall be necessary to provide to the Issuer Net Revenues of the System sufficient to pay when due all principal of and interest on all Parity Bonds and Additional Bonds to be outstanding after the issuance of the proposed Additional Bonds, and to make the deposits into the Reserve Fund as required under this Resolution.

Section 24. GENERAL COVENANTS. The Issuer further covenants and agrees that:

(a) PERFORMANCE. It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Resolution and each resolution authorizing the issuance of Additional Bonds, and in each and every Parity Bond and Additional Bond; that it will promptly pay or cause to be paid the principal of and interest on every Bond and Additional Bond, on the dates and in the places and manner prescribed in such resolutions and Parity Bonds or Additional Bonds; and that it will, at the times and in the manner prescribed, deposit or cause to be deposited the amounts required to be deposited into the Interest and Redemption Fund and the Reserve Fund; and any holder of the Parity Bonds or Additional Bonds may require the Issuer, its Board, and its officials and employees, to carry out, respect, or enforce the covenants and obligations of this Resolution or any resolution authorizing the issuance of Additional Bonds, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the Issuer, its Board, and its officials and employees.

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

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

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

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

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

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

(h) INSURANCE. (1) It will cause to be insured such parts of the System as would usually be insured by corporations operating like properties, with a responsible insurance company or companies, against risks, accidents, or casualties against which and to the extent insurance is usually carried by corporations operating like properties, including fire and extended coverage insurance. Public liability and property damage insurance shall also be carried unless the general counsel for Issuer, or the Attorney General of Texas, gives a written opinion to the effect that the

Issuer, the Board, and its officers and employees, are not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the Issuer shall not be required to carry insurance on the works being constructed, but the contractor shall be required to carry appropriate insurance. All such policies shall be open to the inspection of the owners of the Parity 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 Issuer shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the Issuer. The proceeds of insurance covering such property, together with any other funds necessary and available for such purpose, shall be used forthwith by the Issuer for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the System shall be used promptly as follows:

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

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

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

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

(i) **RATE COVENANT.** It will fix, establish, maintain, and collect such rentals, rates, charges, and fees for the use and availability of the System as are necessary to produce Gross Revenues of the System sufficient, together with any other Pledged Revenues, (a) to pay all Operation and Maintenance Expenses of the System and (b) to make all payments and deposits re-

quired to be made into the Interest and Redemption Fund, and to maintain the Reserve Fund and the Contingency Fund, when and as required by the resolutions authorizing all Parity Bonds and Additional Bonds.

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

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

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

(m) CONTRACTS. It will comply with the terms and conditions of the Contracts, and any amendments thereto, and will cause the Member Cities and other cities and customers to comply with all of their obligations thereunder by all lawful means; provided that the Contracts will not be rescinded, modified, or amended in any way which would materially affect adversely the operation of the System or the rights of the owners of the Parity Bonds and Additional Bonds; provided further that, without violating this Section 24(m), the Contracts may be modified or amended to change the allocation of the Annual Requirement (as defined in the Contracts) among the Member Cities by changing the basis for determination of each Member City's minimum amount of each Annual Requirement.

(n) ANNUAL BUDGET. On or before the first day of the second calendar month prior to the beginning of each fiscal year, it will prepare the preliminary Annual Budget of Operation and Maintenance Expenses of the System for the ensuing fiscal year, and any amounts required to be deposited to the credit of the Contingency Fund during the ensuing fiscal year, and such budget shall include a showing as to the proposed expenditures for such ensuing fiscal year. If the owners of ten per centum (10%) in aggregate principal amount of the Parity 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 such owner 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 daily newspapers (and if no daily newspaper is published in any one of such cities, in a weekly newspaper published in such cities) of general circulation published in Dallas, Texas, 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 owner of a Parity Bond or Additional Bond who shall have filed his or her name and address with the Secretary of the Board for such purpose. The Issuer further covenants that on or before the first day of each fiscal year it will finally adopt the Annual Budget of Operation and Maintenance Expenses of the System for such fiscal year (hereinafter sometimes call the "Annual Budget") and that except as otherwise provided herein the total expenditures in any division thereof will not exceed the total expenditures in the corresponding division in the preliminary 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, and the Board will not expend any amount or incur any obligation for maintenance, repair, and operation in excess of the amounts provided therefor in the Annual Budget; provided, however, that if at any time the Board shall determine that the amount of the appropriation for any item in the Annual Budget is in excess of the amount which will be required for such item, the Board may by resolution reduce such appropriation and make an appropriation for any item or items not covered by the Annual Budget or increase the appropriation for any other item or items by an amount not exceeding the amount of such reduction; and provided, further, that the Board may at any time by resolution adopt an Amended or Supplemental Annual Budget for the remainder of the then current fiscal year in case of an emergency caused by some extraordinary occurrence which shall be recited in such resolution.

Section 25. AMENDMENT OF RESOLUTION. (a) The owners of Parity Bonds and Additional Bonds aggregating 51% in principal amount of the aggregate principal amount of then outstanding Parity Bonds and Additional Bonds shall have the right from time to time to approve any amendment to any resolution authorizing the issuance of any Parity Bonds or Additional Bonds, which may be deemed necessary or desirable by the Issuer, provided, however, that nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions in said resolutions or in the Parity Bonds or Additional Bonds so as to:

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

(6) Change the minimum percentage of the principal amount of Parity Bonds and Additional Bonds necessary for consent to such amendment.

(b) If at any time the Issuer shall desire to amend a resolution under this Section, the Issuer shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in the City of New York, New York, once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of each paying agent for any of the Parity Bonds or Additional Bonds for inspection by all owners of Parity Bonds and Additional Bonds. Such publication is not required, however, if notice in writing is given to each holder of Parity Bonds and Additional Bonds.

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

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

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

(f) For the purpose of this Section, the ownership of and other matters relating to the Parity Bonds shall be determined from the registration books kept by the registrar therefor.

Section 26. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS.

(a) Replacement Bonds. In the event any outstanding 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 Bond, in replacement for such Bond in the manner hereinafter provided.



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

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

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

(e) Authority for Issuing Replacement Bonds. In accordance with Section 1201.067, Texas Government Code, this Section of this Resolution shall constitute authority for the issuance of any such replacement bond without necessity of further action by the governing body of the Issuer or any other body or person, and the duty of the replacement of such bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 6(d) of this Resolution for Bonds issued in conversion and exchange for other Bonds.

Section 27. COVENANTS REGARDING TAX-EXEMPTION. (a) Covenants. The Issuer covenants to refrain from any action which would adversely affect, or to take such action to assure, the treatment of the Bonds as obligations described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code, or if more than 10 percent of the proceeds or the projects financed therewith are so used, such

amounts, whether or not received by the Issuer, with respect to such private business use, do not, under the terms of this Resolution or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of section 141(b)(2) of the Code;

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

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

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

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

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

(A) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 30 days or less until such proceeds are needed for the purpose for which the Bonds are issued,

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

(C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Bonds, 125% of average annual debt service on the Bonds, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Bonds;

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

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

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

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

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

(c) Rebate Fund. In order to facilitate compliance with the above covenant (a)(8), a "Rebate Fund" is hereby established by the Issuer for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation, the bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

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

Section 28 ALLOCATION OF, AND LIMITATION ON, EXPENDITURES FOR THE PROJECT; DISPOSITION OF THE PROJECT. (a) The Issuer covenants to account for the expenditure of Bond proceeds and investment earnings to be used for the construction or acquisition of the property constituting the projects financed or refinanced with proceeds of the sale of the Bonds on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (1) the expenditure is made or (2) such construction or acquisition is completed. The foregoing notwithstanding, the Issuer shall not expend proceeds of the Bonds or investment earnings thereon more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds or (2) the date the Bonds are retired, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest on the Bonds.

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

Section 29 CUSTODY, APPROVAL, AND REGISTRATION OF BONDS; BOND COUNSEL'S OPINION, CUSIP NUMBERS, PREAMBLE, AND INSURANCE. The President of the Board of Directors of the Issuer and any Authorized Officer is hereby authorized to have control of the Initial Bond issued hereunder and all necessary records and proceedings pertaining to the 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 the 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 the Initial Bond, and the seal of said Comptroller shall be impressed, or placed in facsimile, on the 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 the Initial Bond or on any Bond issued and delivered in conversion of and exchange or replacement of any Bond, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds. The preamble to this Resolution is hereby adopted and made a part hereof for all purposes. If insurance is obtained on any of the Bonds, the Initial Bond and all the Bonds for which insurance has been obtained shall bear an appropriate legend concerning insurance as provided by the insurer.

Section 30. INTEREST EARNINGS ON BOND PROCEEDS. Interest earnings derived from the investment of proceeds from the sale of the Initial Bond, other than proceeds deposited in accordance with Section 16 hereof or deposited pursuant to the Escrow Agreement authorized by

Section 33 hereof, shall be used along with other available proceeds for improving the District's Water System; provided that after such use, if any of such interest earnings remain on hand, such interest earnings on bond proceeds which are required to be rebated to the United States of America pursuant to Section 27 hereof in order to prevent the Bonds from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section.

Section 31. **SALE OF BONDS; PURCHASE AGREEMENT.** Pursuant to the authorizations in Section 3 hereof, as approved by an Authorized Officer, the Bonds may be sold either (i) to the TWDB, (ii) pursuant to the taking of bids therefor as provided in an Official Notice of Sale, or (iii) pursuant to a purchase agreement (the "Purchase Agreement") with a purchaser or purchasers to be approved by an Authorized Officer, and any supplements thereto which may be necessary to accomplish the issuance of Bonds. Such Purchase Agreement is hereby authorized to be dated, executed and delivered on behalf of the Issuer by an Authorized Officer, with such changes therein as shall be approved by an Authorized Officer, the execution thereof by an Authorized Officer to constitute evidence of such approval. The purchasers of the Bonds shall be referred to herein as the Purchaser. The delegation of authority to an Authorized Officer to approve the final terms of the Bonds as set forth in this Resolution is, and the decisions made by an Authorized Officer pursuant to such delegated authority will be, in the best interests of the Issuer, and an Authorized Officer is authorized to make a finding to such effect in the Approval Certificate.

Section 32. **TWDB REQUIRED PROVISIONS.** The following provisions shall be effective only if the TWDB is the Purchaser and shall continue to be effective only for so long as the TWDB owns the Bonds:

(a) Sale to TWDB. The Bonds are hereby sold to TWDB, acting through the TWDB's designated trustee, for the price of par. The Bonds have been purchased by the TWDB pursuant to its Resolution No. 18-\_\_\_ adopted on \_\_\_\_\_, 2018 ("TWDB Resolution No. 18-\_\_\_"). The Bonds initially delivered shall be registered in the name of the Texas Water Development Board. The Private Placement Memorandum prepared in connection with the sale of the Bonds to the TWDB is approved. The Issuer has determined, based upon the advice provided by its financial advisors, that acceptance of the purchase price for the Bonds is on terms advantageous to, and in the best interests of, the Issuer.

(b) Notice from TWDB of Sale of Bonds. It is the intent of the parties to the sale of the Bonds that if TWDB ever determines to sell all or a part of the Bonds, it shall notify the Issuer at least 60 days prior to the sale of the Bonds of the decision to so sell the Bonds

(c) Proceeds. The proceeds from the sale of the Bonds shall be used in the manner described in the letter of instructions executed by the Issuer, or on behalf of the Issuer by its financial advisor.

(d) Payment by Wire Transfer. Payment of amounts due and owing on the Bonds to the TWDB shall be made by wire transfer, at no expense to the TWDB, as provided in the FORM OF INITIAL BOND and the FORM OF SUBSTITUTE BOND.

(e) Investment of Bond Proceeds. Proceeds from the sale of the Bonds shall be held at a designated state depository or other properly chartered and authorized institution in accordance with Chapter 2256, Texas Government Code, and Chapter 2257, Texas Government Code.

(f) Escrow Agreement. The President, any Vice President, the Secretary, and/or the Executive Director/General Manager are each authorized to execute and deliver an escrow agreement in substantially the form attached as Exhibit B. The TWDB agrees that proceeds of the Bonds required to be deposited under the Escrow Agreement shall be disposed of and released in accordance with TWDB Rules Relating to Financial Programs or as otherwise authorized and directed by the TWDB.

(g) Project Fund.

(i) Project Fund Created. There is hereby created, established and maintained on the books of the Issuer, a separate fund to be entitled the "North Texas Municipal Water District Water System Revenue Bonds, Series 2018 Project Fund" (hereinafter called the "Project Fund"). Monies in the Project Fund shall be maintained at a official depository bank of the Issuer.

(ii) Use of Funds. Except as otherwise may be provided in Sections 17, 32(c), and 33 hereof, the proceeds of the Bonds shall be deposited in the Project Fund and used by the Issuer for payment of the costs of construction, improvements, and extensions of the System, and the payment of costs associated therewith, including any costs for engineering, financing, financial consultation, administrative, auditing and legal expenses. Amounts in the Project Fund shall be timely and expeditiously used to pay such costs, in compliance with applicable federal and State law.

(iii) Surplus Proceeds. Any surplus proceeds, including the investment earnings derived from the investment of monies on deposit in the Project Fund, from the Bonds remaining on deposit in the Project Fund after completing the improvements and extensions to the System and upon the completion of the final accounting as described in Subsection (j) of this Section 32 hereof, shall be transferred to the Interest and Redemption Fund to redeem, in inverse order of maturity, the Bonds owned by TWDB, unless the Executive Administrator of TWDB approves the use of such surplus proceeds to pay eligible costs of improving or extending the System by funding projects that are part of the State Water Plan.

(h) Compliance with the TWDB's Rules and Regulations. The Issuer covenants to comply with the rules and regulations of the TWDB.

(i) Audits. The Issuer shall mail a copy of the Issuer's audit required by Section 24(k) hereof to the TWDB within 120 days after the close of the fiscal year. In addition, monthly operating statements for the System shall be maintained by the Issuer and made available, on request, to the TWDB, and the monthly operating statement shall be in such detail as requested by the Development Fund Manager of the TWDB until this requirement is waived thereby. Upon request by the Executive Administrator of the TWDB, the Issuer shall provide or cause the Member

Cities to provide, to the Executive Administrator, the most recent audits of such Member Cities as are requested by the Executive Administrator.

(j) Final Accounting. The Issuer shall render a final accounting to the TWDB in reference to the total cost incurred by the Issuer for construction, improvements, and extensions to the System which were financed by the issuance of the Bonds, together with a copy of "as built" plans of such construction, improvements, and extensions upon completion.

(k) Defeasance. Should the Issuer exercise its right under this Resolution to effect the defeasance of the Bonds, the Issuer agrees that it will provide the TWDB with written notice of any such defeasance.

(l) Segregation of Funds. The Issuer covenants that proceeds of the Bonds (except for amounts deposited into the Reserve Fund) shall remain separate and distinct from other sources of funds from the date of closing of the Bonds through final disbursement of the proceeds thereof.

(m) Environmental Indemnity. Proceeds from the Bonds shall not be used by the Issuer when sampling, testing, removing, or disposing of contaminated soils and/or media at the project site. To the extent permitted by law, the Issuer agrees to indemnify, hold harmless, and protect the TWDB from any and all claims, causes of action, or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment, recycling, and disposition of any contaminated sewage sludge, contaminated sediments, and/or contaminated media that may be generated by the Issuer, its contractors, agents, officials, and employees as a result of activities relating to the project funded with proceeds of the Bonds.

(n) Environmental Determination. In connection with the project financed with the Bonds, the Issuer agrees to implement any environmental determination issued by the Executive Administrator of TWDB to satisfy the environmental review requirements set forth in 31 Texas Administrative Code 371.

(o) Insurance. The Issuer agrees that it will maintain insurance on the System in an amount determined by the TWDB to be sufficient to protect TWDB's interest in the project financed with the proceeds of the Bonds. The Issuer may satisfy this covenant with self-insurance.

(p) Water Conservation Program. The Issuer has implemented or will implement an approved water conservation program in compliance with 31 Texas Administrative Code 371.71(a)(2)(F).

(q) No Purchase of TWDB Bonds. The Issuer agrees that it, nor any related party to the issuer, will not purchase, as a investment or otherwise, bonds issued by TWDB including, without limitation, bonds issued by TWDB, the proceeds of which were used by TWDB to purchase the Bonds.

(r) Compliance with Federal Contracting Law. The Issuer acknowledges that it has a legal obligation to comply with any applicable requirements of federal law relating to contracting with disadvantaged business enterprises.

(s) Compliance with State Contracting Law. The Issuer acknowledges that it has a legal obligation to comply with any applicable requirements of State law relating to contacting with historically underutilized businesses and the Issuer shall report to the TWDB the amount of proceeds of the Bonds used to compensate historically underutilized businesses that worked on the project.

(t) TWDB Remedies. The TWDB may exercise all remedies available to it in law or equity, and any provision of this Resolution that restricts or limits the full exercise of such remedies by the TWDB shall be of no force or effect.

(u) Limitation on Conveyances of Bonds. Prior to any action by the Issuer to convey the Bonds of the Issuer held by the TWDB to another entity, the conveyance and assumption of the Bonds must be approved by the TWDB.

(v) Accounting. The Issuer shall maintain current, accurate and complete records and accounts in accordance with generally accepted accounting principles necessary to demonstrate compliance with financial assistance related legal and contractual provisions.

Section 33. DTC REGISTRATION. The Bonds initially shall be issued and delivered in such manner that no physical distribution of the Bonds will be made to the public, and the Depository Trust Company ("DTC"), New York, New York, initially will act as depository for the Bonds. DTC has represented that it is a limited purpose trust company incorporated under the laws of the State of New York, 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 under Section 17A of the federal Securities Exchange Act of 1934, as amended, and the Issuer accepts, but in no way verifies, such representations. The Initial Bond authorized by this Resolution shall be delivered to and registered in the name of the Purchaser. However, it is a condition of delivery and sale that the Purchaser, immediately after such delivery, shall cause the Paying Agent/Registrar, as provided for in this Resolution, to cancel said Initial Bond and deliver in exchange therefor a substitute Bond for each maturity of such Initial Bond, with each such substitute Bond to be registered in the name of CEDE & CO., the nominee of DTC, and it shall be the duty of the Paying Agent/Registrar to take such action. It is expected that DTC will hold the Bonds on behalf of the Purchaser and/or the DTC Participants, as defined and described in the Official Statement referred to and approved in Section 32 hereof (the "DTC Participants"). So long as each Bond is registered in the name of CEDE & CO., the Paying Agent/Registrar shall treat and deal with DTC in all respects the same as if it were the actual and beneficial owner thereof. It is expected that DTC will maintain a book entry system which will identify beneficial ownership of the Bonds by DTC Participants in integral amounts of \$5,000, with transfers of ownership being effected on the records of DTC and the DTC Participants pursuant to rules and regulations established by them, and that the substitute Bonds initially deposited with DTC shall be immobilized and not be further exchanged for substitute Bonds except as hereinafter provided. The Issuer is not responsible or liable for any functions of DTC, will not be responsible for paying any fees or charges with respect to its services, will not be responsible or liable for maintaining, supervising, or reviewing the records of DTC or the DTC Participants, or protecting any interests or rights of the beneficial owners of the Bonds. It shall be the duty of the Purchaser and the DTC Participants to make all arrangements with DTC to establish this book-entry system, the beneficial ownership of the Bonds, and the method of paying the fees and charges of DTC. The Issuer does not represent, nor does it in any way covenant that the initial book-entry system established with DTC will be maintained in the future. The Issuer



reserves the right and option at any time in the future, in its sole discretion, to terminate the DTC (CEDE & CO.) book-entry only registration requirement described above, and to permit the Bonds to be registered in the name of any owner. If the Issuer exercises its right and option to terminate such requirement, it shall give written notice of such termination to the Paying Agent/ Registrar and to DTC, and thereafter the Paying Agent/Registrar shall, upon presentation and proper request, register any Bond in any name as provided for in this Resolution. Notwithstanding the initial establishment of the foregoing book-entry system with DTC, if for any reason any of the originally delivered substitute Bonds is duly filed with the Paying Agent/Registrar with proper request for transfer and substitution, as provided for in this Resolution, substitute Bonds will be duly delivered as provided in this Resolution, and there will be no assurance or representation that any book-entry system will be maintained for such Bonds.

Section 34. FURTHER PROCEDURES. The President, Vice President, and/or the Secretary of the Board of Directors of the Issuer, the Executive Director, the Deputy Director (Finance and Personnel), and the Interim Deputy Director (Finance and Personnel) of the Issuer, and all other officers, employees, and agents of the Issuer, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and on behalf of the Issuer all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Resolution, the Bond Purchase Agreement, the Bonds, the sale and delivery of the Initial Bond and the Bonds, and all details in connection therewith. In case any officer whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

Section 35. CONTINUING DISCLOSURE UNDERTAKING.

(a) Annual Reports.

The Issuer shall provide or cause to be provided annually to the MSRB, (1) within six months after the end of each fiscal year ending in or after 2018, financial information and operating data of the general type included in the final Official Statement relating to the Issuer's Series 2016 Bonds, (i) with respect to the Issuer, in tables numbered 1 through 5, and (ii) with respect to each Significant Obligated Persons, in Appendix C of the Official Statement relating to the Series 2016 Bonds, and (2) when and if available, audited financial statements of the Issuer and each Significant Obligated Person. Any financial statements so to be provided shall be prepared in accordance with generally accepted accounting principles or such other accounting principles as the Issuer or any such Significant Obligated Person may be required to employ from time to time pursuant to state law or regulation. If the audit of such financial statements of the Issuer or a Significant Obligated Person is not complete within 12 months after the respective fiscal year end, then the Issuer shall provide or cause to be provided by each Significant Obligated Person unaudited financial statements within such 12-month period and audited financial statements when and if the audit report on such statements become available.

If the Issuer or any such Significant Obligated Person changes its fiscal year, the Issuer will notify or cause the Significant Obligated Person to notify the MSRB of the change (and of the date

of the new fiscal year end) prior to the next date by which the Issuer or any such Significant Obligated Person otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating date to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC

(b) Event Notices.

The Issuer shall notify the MSRB, in a timely manner, of any of the following events with respect to the Bonds, not in excess of ten Business Days after 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. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to the rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer or a Significant Obligated Person;
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or a Significant Obligated Person or the sale of all or substantially all of the assets of the Issuer or a Significant Obligated Person, other than in the ordinary course of business,

the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer shall notify the MSRB, in a timely manner, of any failure by the Issuer to provide financial information or operating data in accordance with Section 35(c) of this Resolution by the time required by such Section. As used in clause 12 above, the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the U.S. 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 Issuer, or if jurisdiction has been assumed by leaving the Board of Directors and official or officers of the Issuer 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 Issuer.

(c) Limitations, Disclaimers, and Amendments.

The Issuer shall be obligated to observe and perform or cause a Significant Obligated Person to observe and perform the covenants specified in this Section for so long as, but only for so long as, such Significant Obligated persons remains a "Significant Obligated Person" with respect to the Bonds, except that the Issuer in any event will give notice of any deposit made in accordance with Section 21 hereof that causes Bonds no longer to be Outstanding.

The provisions of this Section are for the sole benefit of the Holders and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Issuer undertakes to provide or cause to be provided only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide or cause to be provided any other information that may be relevant or material to a complete presentation of the Issuer's or any Significant Obligated Person's financial results, condition or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The Issuer does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE ISSUER BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE ISSUER, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the Issuer in observing or performing its obligations under this Section shall comprise a breach of or default under this Resolution for purposes of any other provision of this Resolution.

Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the Issuer under federal and state securities laws.

Should the Rule be amended to obligate the Issuer to make filings with or provide notices to entities other than the MSRB, the Issuer hereby agrees to undertake such obligation with respect to the Bonds in accordance with the Rule as amended. The provisions of this Section may be amended by the Issuer from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identify, nature, status, or type of operations of the Issuer or any Significant Obligated Person, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well s such changed circumstances and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a Person that is unaffiliated with the Issuer (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Holders and beneficial owners of the Bonds. If the Issuer so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with Subsection (a) hereof an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Issuer may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

(d) Definitions.

As used in this Section, the following terms have the meanings ascribed to such terms below:

"*MSRB*" means the Municipal Securities Rulemaking Board.

"*Rule*" means SEC Rule 15c2-12, as amended from time to time.

"*SEC*" means the United States Securities and Exchange Commission and any successor to its duties.

"*Significant Obligated Person*" means, at any point in time, any Member City or other party contracting with the Issuer, in either case whose payments to the Issuer for the use of or service from the System in the calendar year preceding any such determination exceeded 10% of the Gross Revenues of the System.

Section 36. ATTORNEY GENERAL FEES. The District hereby authorizes and directs payment, from legally available funds of the District, of the nonrefundable examination fee, if any, of the Attorney General of the State of Texas required by Section 1202.004, Texas Government Code, as amended.

Section 37. REPEAL OF CONFLICTING RESOLUTIONS. All resolutions and all parts of any resolutions which are in conflict or inconsistent with this Resolution are hereby repealed and shall be of no further force or effect to the extent of such conflict or inconsistency.

Section 38. SECURITY INTEREST. Chapter 1208, Government Code, applies to the issuance of the Bonds and the pledge of the Pledged Revenues granted by the Issuer under Section 9 of this Resolution, and is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the Pledged Revenues granted by the Issuer under Section 9 of this Resolution is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the 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 to perfect the security interest in said pledge to occur.

Section 39. EFFECTIVENESS. This Resolution shall be effective from and after the date of adoption thereof by the Issuer.

## EXHIBIT "A"

### WRITTEN PROCEDURES RELATING TO CONTINUING COMPLIANCE WITH FEDERAL TAX COVENANTS

A. Arbitrage. With respect to the investment and expenditure of the proceeds of the Bonds and any Additional Bonds (the "Obligations") the Issuer's Executive Director and Director of Finance (the "Responsible Persons") will :

- (i) monitor all amounts deposited into a sinking fund or funds (e.g., the Interest and Redemption Fund), to assure that the maximum amount invested at a yield higher than the yield on the Bonds does not exceed an amount equal to the debt service on the Bonds in the succeeding 12-month period plus a carryover amount equal to one-twelfth of the principal and interest payable on the Bonds for the immediately preceding 12-month period;
- (ii) instruct the appropriate person or persons that the construction, renovation or acquisition of the facilities must proceed with due diligence and that binding contracts for the expenditure of at least 5% of the proceeds of the Obligations will be entered into within 6 months of the date of delivery of the Obligations ("Issue Date");
- (iii) monitor that at least 85% of the proceeds of the Obligations to be used for the construction, renovation or acquisition of any facilities are expended within 3 years of the Issue Date;
- (iv) restrict the yield of the investments (other than those in the Reserve Fund) to the yield on the Obligations after 3 years of the Issue Date;
- (v) monitor all amounts deposited into a sinking fund or funds, e.g., the Interest and Redemption Fund and the Reserve Fund, to assure that the maximum amount invested at a yield higher than the yield on the Obligations does not exceed an amount equal to the debt service on the Obligations in the succeeding 12 month period plus a carryover amount equal to one-twelfth of the principal and interest payable on the Obligations for the immediately preceding 12-month period;
- (vi) assure that no more than 50% of the proceeds of the Obligations are invested in an investment with a guaranteed yield for 4 years or more;
- (vii) assure that the maximum amount of the Reserve Fund invested at a yield higher than the yield on the Obligations will not exceed the lesser of (1) 10% of the original principal amount of the Obligations, (2) 125% of the average annual debt service on the Obligations measured as of the Issue Date, or (3) 100% of the maximum annual debt service on the Obligations as of the Issue Date;

- (viii) monitor the actions of the escrow agent (to the extent an escrow is funded with proceeds) to assure compliance with the applicable provisions of the escrow agreement, including with respect to reinvestment of cash balances;
- (ix) maintain any official action of the Issuer (such as a reimbursement resolution) stating its intent to reimburse itself with the proceeds of the Obligations any amount expended prior to the Issue Date for the acquisition, renovation or construction of the facilities;
- (x) assure that the applicable information return (e.g., IRS Form 8038-G, 8038-GC, or any successor forms) is timely filed with the IRS;
- (xi) assure that, unless excepted from rebate and yield restriction under section 148(f) of the Code, excess investment earnings are computed and paid to the U.S. government at such time and in such manner as directed by the IRS (i) at least every 5 years after the Issue Date and (ii) within 30 days after the date the Obligations are retired.

B. Private Business Use. With respect to the use of the facilities financed or refinanced with the proceeds of the Obligations the Responsible Persons will:

- (i) monitor the date on which the facilities are substantially complete and available to be used for the purpose intended;
- (ii) monitor whether, at any time the Obligations are outstanding, any person, other than the Issuer, the employees of the Issuer, the agents of the Issuer or members of the general public has any contractual right (such as a lease, purchase, management or other service agreement) with respect to any portion of the facilities;
- (iii) monitor whether, at any time the Obligations are outstanding, any person, other than the Issuer, the employees of the Issuer, the agents of the Issuer or members of the general public has a right to use the output of the facilities (e.g., water, gas, electricity);
- (iv) monitor whether, at any time the Obligations are outstanding, any person, other than the Issuer, the employees of the Issuer, the agents of the Issuer or members of the general public has a right to use the facilities to conduct or to direct the conduct of research;
- (v) determine whether, at any time the Obligations are outstanding, any person, other than the Issuer, has a naming right for the facilities or any other contractual right granting an intangible benefit;
- (vi) determine whether, at any time the Obligations are outstanding, the facilities are sold or otherwise disposed of; and
- (vii) take such action as is necessary to remediate any failure to maintain compliance with the covenants contained in the resolution authorizing the Obligations.

C. Record Retention. The Responsible Persons will maintain or cause to be maintained all records relating to the investment and expenditure of the proceeds of the Obligations and the use of the facilities financed or refinanced thereby for a period ending six (6) years after the complete extinguishment of the Obligations. If any portion of the Obligations is refunded with the proceeds of another series of tax-exempt obligations, such records shall be maintained until the six (6) years after the refunding obligations are completely extinguished. Such records can be maintained in paper or electronic format.

D. Responsible Persons. Each Responsible Person shall receive appropriate training regarding the Issuer's accounting system, contract intake system, facilities management and other systems necessary to track the investment and expenditure of the proceeds and the use of the facilities financed with the proceeds of the Obligations. The foregoing notwithstanding, the Responsible Persons are authorized and instructed to retain such experienced advisors and agents as may be necessary to carry out the purposes of these instructions. If an error is discovered, the Responsible Person will promptly correct any such error within a reasonable amount of time of such discovery and take, or cause to be taken, such appropriate actions, including payment to the United States, if applicable, that is required to maintain the tax-exempt status of the Bonds.



EXHIBIT "B"

\*FORM OF ESCROW AGREEMENT

STATE OF TEXAS       §  
                                  §  
COUNTY OF COLLIN   §

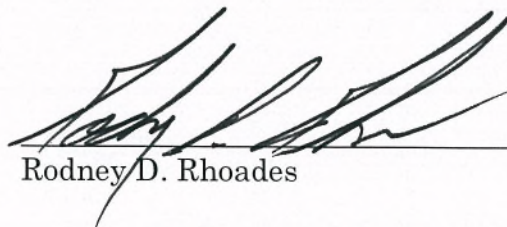
**PUBLIC RECORDS CERTIFICATE OF RODNEY D. RHOADES**

BEFORE ME, the undersigned authority, came Rodney D. Rhoades who, being personally known to me was sworn under oath and testified as follows:

1. “My name is Rodney D. Rhoades. I am employed by the North Texas Municipal Water District (the “District”) and am familiar with this petition and lawsuit. I am over the age of eighteen years, am of sound mind, am competent in all respects to make this affidavit, and the following facts are true and correct and within my personal knowledge as the District’s Records Management Officer.


2. I am the custodian of records for the District. Attached to this affidavit is a copy of Resolution No. 18-14 of the District, which has been designated by the District as Exhibit B to the North Texas Municipal Water District’s Original Petition for Expedited Declaratory Judgment. The record in Exhibit B is an official statement of the District and sets out the District’s activities related to the above-styled matter. I hereby certify that the record bears the signature of the secretary and president of the District’s Board of Directors at the time the record was made, that such signatories had the official capacity at that time, and that the signatures are genuine.”

3. The record attached hereto is an original or exact duplicate of the original.”

  
\_\_\_\_\_  
Rodney D. Rhoades

SWORN AND SUBSCRIBED TO before me on March 07, 2018.



  
\_\_\_\_\_  
Notary Public in and for the State of Texas

# **EXHIBIT C**

CERTIFICATE FOR RESOLUTION NO. 18-15

THE STATE OF TEXAS :  
COUNTIES OF COLLIN, DALLAS, KAUFMAN, AND ROCKWALL :  
NORTH TEXAS MUNICIPAL WATER DISTRICT :

We, the undersigned officers of the Board of Directors of North Texas Municipal Water District, hereby certify as follows:

1. The Board of Directors of North Texas Municipal Water District convened in REGULAR MEETING ON THE 22ND DAY OF MARCH, 2018, in the Board of Directors room at the District's principal office at Wylie, Collin County, Texas, and the roll was called of the duly constituted officers and members of said Board of Directors, to-wit:

- |                              |                   |
|------------------------------|-------------------|
| Robert Thurmond, President   | Joe Joplin        |
| John Sweeden, Vice President | James Kerr        |
| Don Gordon, Secretary        | Bill Lofland      |
| Terry Sam Anderson           | Jack May          |
| Phil Dyer                    | Wayne May         |
| Joe Farmer                   | John Murphy       |
| Marvin Fuller                | Charles McKissick |
| Bill Glass                   | Larry Parks       |
| Darrell Grooms               | David Paschall    |
| Rod Hogan                    | Richard Peasley   |
| David Hollifield             | Lynn Shuyler      |
| Dave Island                  | vacant            |
| Blair Johnson                |                   |

and all of said persons were present, except the following absentees: none, thus constituting a quorum. Whereupon, among other business, the following was transacted at said Meeting: a written

RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF NORTH TEXAS MUNICIPAL WATER DISTRICT WATER SYSTEM REVENUE BONDS, SERIES 2019; AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO

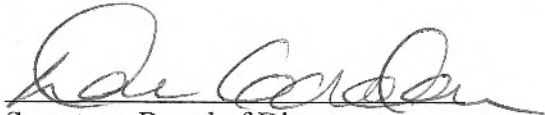
was duly introduced for the consideration of said Board and duly read. It was then duly moved and seconded that said Resolution be adopted; and, after due discussion, said motion, carrying with it the adoption of said Resolution, prevailed and carried by the following vote:

AYES: Each member of said Board of Directors shown present above voted "Aye".

NOES: -0-.

2. That a true, full, and correct copy of the aforesaid Resolution adopted at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; that said Resolution has been duly recorded in said Board's minutes of said Meeting; that the above and foregoing paragraph is a true, full, and correct excerpt from said Board's minutes of said Meeting pertaining to the adoption of said Resolution; that the persons named in the above and foregoing paragraph are the duly chosen, qualified, and acting officers and members of said Board as indicated therein; and that each of the officers and members of said Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the aforesaid Meeting, and that said Resolution would be introduced and considered for adoption at said Meeting; and that said Meeting was open to the public, and public notice of the time, place, and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code.

SIGNED AND SEALED the 22nd day of March, 2018.

  
Secretary, Board of Directors

  
President, Board of Directors



RESOLUTION NO. 18-15

RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF NORTH TEXAS MUNICIPAL WATER DISTRICT WATER SYSTEM REVENUE BONDS, SERIES 2019; AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO

WHEREAS, North Texas Municipal Water District (the "Issuer") is a political subdivision of the State of Texas, being a conservation and reclamation district created and functioning under Article 16, Section 59 of the Texas Constitution, pursuant to Chapter 62, Acts of 1951, 52nd Legislature of Texas, Regular Session, as amended (the "Act"); and

WHEREAS, the Board of Directors of the Issuer is authorized to issue the bonds hereinafter authorized pursuant to the Act, Chapter 791, Texas Government Code, as amended, and other applicable laws.

THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF NORTH TEXAS MUNICIPAL WATER DISTRICT THAT:

Section 1. AMOUNT AND PURPOSE OF THE BONDS. The bond or bonds of North Texas Municipal Water District (the "Issuer") are hereby authorized to be issued and delivered in the aggregate principal amount not to exceed \$75,000,000, FOR THE PURPOSE OF PROVIDING FUNDS (i) FOR CONSTRUCTION AND INSPECTION OF WYLIE, ROCKWALL, FARMERSVILLE PIPELINE IMPROVEMENTS PHASE II, CONSTRUCTION OF SYSTEMWIDE METER VAULT IMPROVEMENTS, CONSTRUCTION AND INSPECTION OF EXPANSION OF HIGH SERVICE PUMP STATION 3-1, CONSTRUCTION OF WYLIE WATER TREATMENT PLANT III CHEMICAL FEED AND PLANT WATER SYSTEM, AND OTHER SYSTEM IMPROVEMENTS, (ii) TO FUND A RESERVE FUND FOR THE BONDS, AND (iii) TO PAY COSTS OF ISSUANCE OF THE BONDS. The refunding of any bond anticipation notes issued for any of the foregoing purposes with proceeds of the bonds authorized hereby shall constitute improving the North Texas Municipal Water District Water System.

Section 2. DESIGNATION OF THE BONDS. Each bond issued pursuant to this Resolution shall be designated: "NORTH TEXAS MUNICIPAL WATER DISTRICT WATER SYSTEM REVENUE BOND, SERIES 2019", and initially there shall be issued, sold, and delivered hereunder a single fully registered bond, without interest coupons, payable in installments of principal (the "Initial Bond"), but the Initial Bond may be assigned and transferred and/or converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, having serial maturities, and in the denomination or denominations of \$5,000 or any integral multiple of \$5,000, all in the manner hereinafter provided. The term "Bonds" as used in this Resolution shall mean and include collectively the Initial Bond and all substitute bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term "Bond" shall mean any of the Bonds.

Section 3. INITIAL DATE, DENOMINATION, NUMBER, MATURITIES, INITIAL REGISTERED OWNER, AND CHARACTERISTICS OF THE INITIAL BOND.

(a) As authorized by Chapter 1371, Texas Government Code, as amended, the Executive Director, the Deputy Director (Finance and Personnel), and the Interim Deputy Director (Finance and Personnel) of the Issuer are each hereby designated as an "Authorized Officer" of the Issuer, and each is hereby authorized, appointed, and designated as the officer or employee of the Issuer authorized to act on behalf of the Issuer, which actions shall be evidenced by a certificate executed by such Authorized Officer (the "Approval Certificate") for a period not to extend beyond March 21, 2019 (which date may be extended by additional action of the Board to a date up to one year after such action), in the selling and delivering of the Bonds and carrying out the other procedures specified in this Resolution, including the use of a book-entry only system with respect to the Bonds and the execution of an appropriate letter of representations if deemed appropriate, the determining and fixing of the date and the date of delivery of the Bonds, any additional or different designation or title by which the Bond shall be known, the price at which the Bonds will be sold (but in no event less than 97% of the principal amount of the Bonds), the principal amount (not exceeding \$75,000,000) of the Bonds, the amount of each maturity of principal thereof, the due date of each such maturity (not exceeding forty years from the date of the Bonds), the rate of interest, to be borne by each such maturity (but in no event to result in the net effective interest rate on the Bonds exceeding 6.00%), the initial interest payment date, the date or dates of optional redemption thereof, any mandatory sinking fund redemption provisions, the procuring of bond insurance, if any, and approving modifications to this Resolution and executing such instruments, documents and agreements as may be necessary with respect thereto, and all other matters relating to the issuance, sale and delivery of the Bonds.

(b) The Initial Bond is hereby authorized to be issued, sold, and delivered hereunder as a single fully registered Bond, without interest coupons, in the denomination and aggregate principal amount set forth in the Approval Certificate (not exceeding \$75,000,000), numbered TR-1, payable in annual installments of principal to the initial registered owner thereof or to the registered assignee or assignees of said Bond or any portion or portions thereof (in each case, the "registered owner"), with the annual installments of principal of the Initial Bond to be payable on the dates, respectively, and in the principal amounts, respectively, and may and/or shall be prepaid or redeemed prior to the respective scheduled due dates of installments of principal thereof, all as set forth in the Approval Certificate.

(c) The Initial Bond (i) may and, if so provided in the Approval Certificate, shall be prepaid or paid on the respective scheduled due dates of installments of principal thereof, (ii) may be assigned and transferred, (iii) may be converted and exchanged for other bonds, (iv) shall have the characteristics, and (v) shall be signed and sealed, and the principal of and interest on the Initial Bond shall be payable, all as provided, and in the manner required or indicated, in the FORM OF INITIAL BOND set forth in this Resolution.

Section 4. INTEREST. The unpaid principal balance of the Initial Bond shall bear interest from the date of the Initial Bond to the respective scheduled due dates, or to the respective dates of prepayment or redemption, of the installments of principal of the Initial Bond, and said interest shall



be payable, all in the manner provided and at the rates and on the dates stated in the Approval Certificate and the FORM OF INITIAL BOND set forth in this Resolution.

Section 5. FORM OF INITIAL BOND. The form of the Initial Bond, including the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be endorsed on the Initial Bond, shall be substantially as follows:

FORM OF INITIAL BOND

NO. TR-1

\$ \_\_\_\_\_ \*

UNITED STATES OF AMERICA  
 STATE OF TEXAS  
 NORTH TEXAS MUNICIPAL WATER DISTRICT  
 WATER SYSTEM REVENUE BOND,  
 SERIES 2019

NORTH TEXAS MUNICIPAL WATER DISTRICT (the "Issuer"), being a political subdivision of the State of Texas, hereby promises to pay to \_\_\_\_\_ \* or to the registered assignee or assignees of this Bond or any portion or portions hereof (in each case, the "registered owner") the aggregate principal amount of \_\_\_\_\_ \* DOLLARS (\$ \_\_\_\_\_ \*) in annual installments of principal due and payable on SEPTEMBER 1 in each of the years, and in the respective principal amounts, as set forth in the following schedule:

<u>Year*</u>	<u>Principal Amount*</u>	<u>Year*</u>	<u>Principal Amount*</u>
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and to pay interest, calculated on the basis of a 360-day year composed of twelve 30-day months, from the date of initial delivery to the Purchaser (as defined in the Bond Resolution (hereinafter defined)), on the balance of each such installment of principal, respectively, from time to time remaining unpaid, at the rates as follows:

<u>Year*</u>	<u>Rate*</u>	<u>Year*</u>	<u>Rate*</u>
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with said interest being payable on each March 1 and September 1, commencing \_\_\_\_\_ \*, while this Bond or any portion hereof is outstanding and unpaid.

THE INSTALLMENTS OF PRINCIPAL OF AND THE INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The installments of principal and the interest on this Bond are payable to the registered owner hereof through the services of THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION, in Dallas, Texas, which is the "Paying Agent/Registrar" for this Bond. Payment of all principal of and interest on this Bond shall be made by the Paying Agent/ Registrar to the registered owner hereof on each principal and/or interest payment date by check dated as of such date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the resolution authorizing the issuance of this Bond (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such principal and/or interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the 15th day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. The Issuer covenants with the registered owner of this Bond that on or before each principal and/or interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the Interest and Redemption Fund confirmed by the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on this Bond, when due.

IF THE DATE for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the City where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND has been authorized in accordance with the Constitution and laws of the State of Texas for the purpose of providing funds for (i) IMPROVING THE NORTH TEXAS MUNICIPAL WATER DISTRICT WATER SYSTEM; (ii) MAKING A DEPOSIT TO THE RESERVE FUND (DEFINED IN THE BOND RESOLUTION); AND (iv) PAYING THE COSTS OF ISSUANCE OF THIS BOND.

ON \_\_\_\_\_ 1, \_\_\_\_\*, or any date thereafter, the unpaid installments of principal of this Bond may be prepaid or redeemed prior to their scheduled due dates, at the option of the Issuer, with funds derived from any available source, as a whole, or in part, and, if in part, the Issuer shall select and designate the installment or installments of principal, and the amount that is to be redeemed, and if less than a whole principal installment is to be called, the Issuer shall direct the Paying Agent/Registrar to call by lot or other customary method of random selection the portion of the principal installment to be redeemed (only in an integral multiple of \$5,000), at the redemption price of the principal amount to be prepaid or redeemed, plus accrued interest to the date fixed for prepayment or redemption.

\* From Approval Certificate.

\*[THE PRINCIPAL INSTALLMENTS OF THIS BOND maturing on September 1, \_\_\_\_ and September 1, \_\_\_\_ are subject to mandatory prepayment or redemption prior to maturity in part, at a price equal to the principal amount of this Bond or portions hereof to be prepaid or redeemed plus accrued interest to the date of prepayment or redemption, on September 1 in the each of years and in the amounts as follows:

Principal Installment due on September 1, \_\_\_\_

Years

Amounts

Principal Installment due on September 1, \_\_\_\_

Years

Amounts

The amount of any principal installment of this Bond required to be prepaid or redeemed pursuant to the operation of such mandatory prepayment or redemption provisions shall be reduced, at the option and direction of the Issuer, by the principal amount of such principal installment of this Bond which, at least 50 days prior to the mandatory prepayment or redemption date (1) shall have been acquired by the Issuer at a price not exceeding such principal amount plus accrued interest to the date of purchase thereof, (2) shall have been purchased by the Paying Agent/Registrar at the request of the Issuer at a price not exceeding such principal amount plus accrued interest to the date of purchase, or (3) shall have been prepaid or redeemed pursuant to the optional prepayment or redemption provisions and not theretofore credited against a mandatory prepayment or redemption requirement.]

AT LEAST 30 days prior to the date fixed for any such prepayment or redemption a written notice of such prepayment or redemption shall be mailed by the Paying Agent/Registrar to the registered owner hereof. By the date fixed for any such prepayment or redemption due provision shall be made by the Issuer with the Paying Agent/Registrar for the payment of the required prepayment or redemption price for this Bond or the portion hereof which is to be so prepaid or redeemed, plus accrued interest thereon to the date fixed for prepayment or redemption. If such written notice of prepayment or redemption is given, and if due provision for such payment is made, all as provided above, this Bond, or the portion thereof which is to be so prepaid or redeemed, thereby automatically shall be treated as prepaid or redeemed prior to its scheduled due date, and shall not bear interest after the date fixed for its prepayment or redemption, and shall not be regarded as being outstanding except for the right of the registered owner to receive the prepayment or redemption price plus accrued interest to the date fixed for prepayment or redemption from the Paying Agent/Registrar out of the funds provided for such payment. The Paying Agent/Registrar

\*From Approval Certificate, if applicable.

shall record in the Registration Books all such prepayments or redemptions of principal of this Bond or any portion hereof.

THIS BOND, to the extent of the unpaid principal balance hereof, or any unpaid portion hereof in any integral multiple of \$5,000, may be assigned by the initial registered owner hereof and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Resolution. Among other requirements for such transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar for cancellation, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment by the initial registered owner of this Bond, or any portion or portions hereof in any integral multiple of \$5,000, to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be transferred and registered. Any instrument or instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Bond or any such portion or portions hereof by the initial registered owner hereof. A new bond or bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds) or to the initial registered owner as to any portion of this Bond which is not being assigned and transferred by the initial registered owner, shall be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond or any portion or portions hereof, but solely in the form and manner as provided in the next paragraph hereof for the conversion and exchange of this Bond or any portion hereof. The registered owner of this Bond shall be deemed and treated by the Issuer and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

AS PROVIDED above and in the Bond Resolution, this Bond, to the extent of the unpaid principal balance hereof, may be converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the assignee or assignees duly designated in writing by the initial registered owner hereof, or to the initial registered owner as to any portion of this Bond which is not being assigned and transferred by the initial registered owner, in any denomination or denominations in any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute bond issued in exchange for any portion of this Bond shall have a single stated principal maturity date), upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Resolution. If this Bond or any portion hereof is assigned and transferred or converted each bond issued in exchange for any portion hereof shall have a single stated principal maturity date corresponding to the due date of the installment of principal of this Bond or portion hereof for which the substitute bond is being exchanged, and shall bear interest at the rate applicable to and borne by such installment of principal or portion thereof. No such bond shall be payable in installments, but shall have only one stated principal maturity date. AS PROVIDED IN THE BOND RESOLUTION, THIS BOND IN ITS PRESENT FORM MAY BE ASSIGNED AND TRANSFERRED OR CONVERTED ONCE ONLY, and to one or more assignees, but the bonds issued and delivered in exchange for this Bond or any portion hereof may be assigned and transferred, and converted, subsequently, as provided in the Bond Resolution. The Issuer shall pay the Paying Agent/Registrar's

standard or customary fees and charges for transferring, converting, and exchanging this Bond or any portion thereof, but the one requesting such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make any such assignment, conversion, or exchange 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.

IN THE EVENT any Paying Agent/Registrar for this Bond is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Bond Resolution that it promptly will appoint a competent and legally qualified substitute therefor, and promptly will cause written notice thereof to be mailed to the registered owner of this Bond.

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, sold, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that this Bond is a special obligation of the Issuer which, together with other bonds, are secured by and payable from a first lien on and pledge of the "Pledged Revenues" as defined in the Bond Resolution, which include the "Net Revenues of the District's Water System", as defined in the Bond Resolution, including specifically revenues derived pursuant to existing water supply contracts between the Issuer and the Cities of Allen, Farmersville, Forney, Frisco, Garland, McKinney, Mesquite, Plano, Princeton, Richardson, Rockwall, Royse City, and Wylie, Texas, which cities are currently the Member Cities constituting the territory and boundaries of the Issuer, water supply contracts relating to the District's Water System with any other cities which hereafter may become Member Cities, and water supply contracts with other cities and customers in connection with the District's Water System.

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 this Bond.

THE ISSUER also has reserved the right to amend the Bond Resolution with the approval of the registered owners of 51% in principal amount of all outstanding bonds secured by and payable from a first lien on and pledge of the "Pledged Revenues".

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

BY BECOMING the registered owner of this Bond, the registered owner thereby acknowledges all of the terms and provisions of the Bond Resolution, agrees to be bound by such terms and provisions, acknowledges that the Bond Resolution is duly recorded and available for inspection in the official minutes and records of the governing body of the Issuer, and agrees that the terms and provisions of this Bond and the Bond Resolution constitute a contract between the registered owner hereof and the Issuer.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed with the manual or facsimile signature of the President of the Board of Directors of the Issuer and countersigned with the manual or facsimile signature of the Secretary of the Board of Directors of the Issuer, has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Bond, and has caused this Bond to be dated \_\_\_\_\_\*, 2019.

\_\_\_\_\_  
xxxxx  
Secretary, Board of Directors,  
North Texas Municipal Water District

\_\_\_\_\_  
xxxxx  
President, Board of Directors,  
North Texas Municipal Water District

(DISTRICT SEAL)

FORM OF REGISTRATION CERTIFICATE OF THE  
COMPTROLLER OF PUBLIC ACCOUNTS:

COMPTROLLER'S REGISTRATION CERTIFICATE:

REGISTER NO.

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Bond has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this

\_\_\_\_\_  
Comptroller of Public Accounts of the State of Texas

(COMPTROLLER'S SEAL)

Section 6. ADDITIONAL CHARACTERISTICS OF THE BONDS. Registration and Transfer. (a) The Issuer shall keep or cause to be kept at the principal corporate trust office of THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION, in Dallas, Texas (the "Paying Agent/Registrar") books or records of the registration and transfer of the Bonds (the "Registration Books"), and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such transfers and registrations under such reasonable regulations as the Issuer and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such transfers and registrations as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Issuer shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. Registration of each Bond may be transferred in the Registra-

\* From Approval Certificate.

tion Books only upon presentation and surrender of such Bond to the Paying Agent/Registrar for transfer of registration and cancellation, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing (i) the assignment of the Bond, or any portion thereof in any integral multiple of \$5,000, to the assignee or assignees thereof, and (ii) the right of such assignee or assignees to have the Bond or any such portion thereof registered in the name of such assignee or assignees. Upon the assignment and transfer of any Bond or any portion thereof, a new substitute Bond or Bonds shall be issued in conversion and exchange therefor in the manner herein provided. The Initial Bond, to the extent of the unpaid principal balance thereof, may be assigned and transferred by the initial registered owner thereof once only, and to one or more assignees designated in writing by the initial registered owner thereof. All Bonds issued and delivered in conversion of and exchange for the Initial Bond shall be in any denomination or denominations of any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Bond shall have a single stated principal maturity date), shall be in the form prescribed in the FORM OF SUBSTITUTE BOND set forth in this Resolution, and shall have the characteristics, and may be assigned, transferred, and converted as hereinafter provided. If the Initial Bond or any portion thereof is assigned and transferred or converted the Initial Bond must be surrendered to the Paying Agent/Registrar for cancellation, and each Bond issued in exchange for any portion of the Initial Bond shall have a single stated principal maturity date, and shall not be payable in installments; and each such Bond shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Bond is being exchanged; and each such Bond shall bear interest at the single rate applicable to and borne by such installment of principal or portion thereof for which it is being exchanged. If only a portion of the Initial Bond is assigned and transferred, there shall be delivered to and registered in the name of the initial registered owner substitute Bonds in exchange for the unassigned balance of the Initial Bond in the same manner as if the initial registered owner were the assignee thereof. If any Bond or portion thereof other than the Initial Bond is assigned and transferred or converted each Bond issued in exchange therefor shall have the same principal maturity date and bear interest at the same rate as the Bond for which it is exchanged. A form of assignment shall be printed or endorsed on each Bond, excepting the Initial Bond, which shall be executed by the registered owner or its duly authorized attorney or representative to evidence an assignment thereof. Upon surrender of any Bonds or any portion or portions thereof for transfer of registration, an authorized representative of the Paying Agent/Registrar shall make such transfer in the Registration Books, and shall deliver a new fully registered substitute Bond or Bonds, having the characteristics herein described, payable to such assignee or assignees (which then will be the registered owner or owners of such new Bond or Bonds), or to the previous registered owner in case only a portion of a Bond is being assigned and transferred, all in conversion of and exchange for said assigned Bond or Bonds or any portion or portions thereof, in the same form and manner, and with the same effect, as provided in Section 6(d), below, for the conversion and exchange of Bonds by any registered owner of a Bond. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer and delivery of a substitute Bond or Bonds, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of any Bond or any portion thereof (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, (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

(b) Ownership of Bonds. The entity in whose name any Bond shall be registered in the Registration Books at any time shall be deemed and treated as the absolute owner thereof for all purposes of this Resolution, whether or not such Bond shall be overdue, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary; and payment of, or on account of, the principal of, premium, if any, and interest on any such Bond shall be made only to such registered owner. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(c) Payment of Bonds and Interest. The Issuer hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Bonds, and to act as its agent to convert and exchange or replace Bonds, all as provided in this Resolution. The Paying Agent/Registrar shall keep proper records of all payments made by the Issuer and the Paying Agent/Registrar with respect to the Bonds, and of all conversions and exchanges of Bonds, and all replacements of Bonds, as provided in this Resolution.

(d) Conversion and Exchange or Replacement; Authentication. Each Bond issued and delivered pursuant to this Resolution, to the extent of the unpaid principal balance or principal amount thereof, may, upon surrender of such Bond at the principal corporate trust office of the Paying Agent/Registrar, together with a written request therefor duly executed by the registered owner or the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, may, at the option of the registered owner or such assignee or assignees, as appropriate, be converted into and exchanged for fully registered bonds, without interest coupons, in the form prescribed in the FORM OF SUBSTITUTE BOND set forth in this Resolution, in the denomination of \$5,000, or any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Bond shall have a single stated maturity date), as requested in writing by such registered owner or such assignee or assignees, in an aggregate principal amount equal to the unpaid principal balance or principal amount of any Bond or Bonds so surrendered, and payable to the appropriate registered owner, assignee, or assignees, as the case may be. If the Initial Bond is assigned and transferred or converted each substitute Bond issued in exchange for any portion of the Initial Bond shall have a single stated principal maturity date, and shall not be payable in installments; and each such Bond shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Bond is being exchanged; and each such Bond shall bear interest at the single rate applicable to and borne by such installment of principal or portion thereof for which it is being exchanged. If any Bond or portion thereof (other than the Initial Bond) is assigned and transferred or converted, each Bond issued in exchange therefor shall have the same principal maturity date and bear interest at the same rate as the Bond for which it is being exchanged. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond. The Paying Agent/Registrar shall convert and exchange or replace Bonds as provided herein, and each fully registered bond delivered in conversion of and exchange for or replacement of any Bond or portion thereof as permitted or required by any provision of this Resolution shall constitute one of the Bonds for all purposes of this Resolution, and may again be converted and exchanged or replaced. It is specifically provided that any Bond authenticated in conversion of and exchange for or replacement of another Bond on or prior to the first scheduled Record Date for the Initial Bond shall bear interest from the date of the Initial Bond, but each substitute Bond so authenticated after



such first scheduled Record Date shall bear interest from the interest payment date next preceding the date on which such substitute Bond was so authenticated, unless such Bond is authenticated after any Record Date but on or before the next following interest payment date, in which case it shall bear interest from such next following interest payment date; provided, however, that if at the time of delivery of any substitute Bond the interest on the Bond for which it is being exchanged is due but has not been paid, then such Bond shall bear interest from the date to which such interest has been paid in full. THE INITIAL BOND issued and delivered pursuant to this Resolution is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Bond issued in conversion of and exchange for or replacement of any Bond or Bonds issued under this Resolution there shall be printed a certificate, in the form substantially as follows:

"PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been issued under the provisions of the Bond Resolution described in this Bond; and that this Bond has been issued in conversion of and exchange for or replacement of a bond, bonds, or a portion of a bond or bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, NATIONAL ASSOCIATION  
Paying Agent/Registrar

Dated

\_\_\_\_\_  
Authorized Representative"

An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign the above Certificate, and no such Bond shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all Bonds surrendered for conversion and exchange or replacement. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the Issuer or any other body or person so as to accomplish the foregoing conversion and exchange or replacement of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and said Bonds shall be of type composition printed on paper with lithographed or steel engraved borders of customary weight and strength. Pursuant to Section 1201.067, Texas Government Code, the duty of conversion and exchange or replacement of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of the above Paying Agent/Registrar's Authentication Certificate, the converted and exchanged or replaced Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Initial Bond which originally was issued pursuant to this Resolution, approved by the Attorney General, and registered by the Comptroller of Public Accounts. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging any Bond or any portion thereof, but the one requesting any such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the

exercise of such privilege of conversion and exchange. The Paying Agent/Registrar shall not be required to make any such conversion and exchange or replacement of Bonds or any portion thereof (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, (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

(e) In General. All Bonds issued in conversion and exchange or replacement of any other Bond or portion thereof, (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Bonds to be payable only to the registered owners thereof, (ii) may be transferred and assigned, (iii) may be converted and exchanged for other Bonds, (iv) shall have the characteristics, (v) shall be signed and sealed, and (vi) the principal of and interest on the Bonds shall be payable, all as provided, and in the manner required or indicated, in the FORM OF SUBSTITUTE BOND set forth in this Resolution.

(f) Payment of Fees and Charges. The Issuer hereby covenants with the registered owners of the Bonds that it will (i) pay the standard or customary fees and charges of the Paying Agent/Registrar for its services with respect to the payment of the principal of and interest on the Bonds, when due, and (ii) pay the fees and charges of the Paying Agent/Registrar for services with respect to the transfer of registration of Bonds, and with respect to the conversion and exchange of Bonds solely to the extent above provided in this Resolution.

(g) Substitute Paying Agent/Registrar. The Issuer covenants with the registered owners of the Bonds that at all times while the Bonds are outstanding the Issuer will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of Paying Agent/Registrar for the Bonds under this Resolution, and that the Paying Agent/Registrar will be one entity. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Issuer covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Resolution. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the Issuer. Upon any change in the Paying Agent/Registrar, the Issuer promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Resolution, and a certified copy of this Resolution shall be delivered to each Paying Agent/Registrar.



if the date of authentication of this Bond is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity, at the principal corporate trust office of THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION, in Dallas, Texas, which is the "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the resolution authorizing the issuance of the Bonds (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the 15th day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. However, notwithstanding the foregoing provisions, the payment of such interest may be made by any other method acceptable to the Paying Agent/Registrar and requested by, and at the risk and expense of, the registered owner hereof. Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner at the principal corporate trust office of the Paying Agent/Registrar upon presentation and surrender of this Bond for redemption and payment at the principal corporate trust office of the Paying Agent/Registrar. The Issuer covenants with the registered owner of this Bond that on or before each principal payment date, interest payment date, and accrued interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the Interest and Redemption Fund confirmed by the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due.

IF THE DATE for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the City where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND is one of an issue of Bonds initially dated \_\_\_\_\_\*, 2019, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$\_\_\_\_\_\* for the purpose of (i) IMPROVING THE NORTH TEXAS MUNICIPAL WATER DISTRICT WATER SYSTEM; (ii) MAKING A DEPOSIT TO THE RESERVE FUND (DEFINED IN THE BOND RESOLUTION); AND (iii) PAYING THE COSTS OF ISSUANCE OF THE BONDS.

\* From Approval Certificate.

ON \_\_\_\_\_ 1, \_\_\_\_\*, or any date thereafter, the Bonds may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available source, as a whole, or in part, and, if in part, the Issuer shall select and designate the maturity, or maturities, and the amount that is to be redeemed, and if less than a whole maturity is to be redeemed, the Issuer shall direct the Paying Agent/Registrar to call by lot or other customary method of random selection the Bonds or portions thereof to be redeemed (provided that the Bonds to be redeemed only in integral multiples of \$5,000), at the redemption price of the principal amount of the Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

\*\*[THE BONDS maturing on September 1, \_\_\_\_ and September 1, \_\_\_\_ (the "Term Bonds") are subject to mandatory redemption prior to maturity in part, by lot or other customary random method selected by the Paying Agent/Registrar, at a redemption price equal to the principal amount of the Term Bonds or portions thereof to be redeemed plus accrued interest to the redemption date, on September 1 in each of the years and in the principal amounts as follows:

Term Bonds maturing on September 1, \_\_\_\_

<u>Years</u>	<u>Amounts</u>
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Term Bonds maturing on September 1, \_\_\_\_

<u>Years</u>	<u>Amounts</u>
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The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option and direction of the Issuer, by the principal amount of the Term Bonds of such maturity which, at least 50 days prior to the mandatory redemption date (1) shall have been acquired by the Issuer at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Issuer at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.]

DURING ANY PERIOD in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Issuer and the securities depository.

\* From Approval Certificate.  
 \*\* From Approval Certificate, if applicable.

AT LEAST 30 days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity at the option of the Issuer, a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, to the registered owner appearing on the Registration Books at the close of business on the day next preceding the date of mailing of such notice; provided, however, that any notice so mailed shall be conclusively presumed to have been duly given and the failure to receive such notice, or any defect therein shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond at the option of the Issuer. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed, plus accrued interest thereon to the date fixed for redemption. If such written notice of redemption is mailed and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price plus accrued interest from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Bond shall be redeemed a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Issuer, all as provided in the Bond Resolution.

THIS BOND OR ANY PORTION OR PORTIONS HEREOF IN ANY INTEGRAL MULTIPLE OF \$5,000 may be assigned and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Resolution. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be transferred and registered. The form of Assignment printed or endorsed on this Bond shall be executed by the registered owner or its duly authorized attorney or representative, to evidence the assignment hereof. A new Bond or Bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds), or to the previous registered owner in the case of the assignment and transfer of only a portion of this Bond, may be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond, all in the form and manner as provided in the next paragraph hereof for the conversion and exchange of other Bonds. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of this Bond or any portion hereof 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. The registered owner of this Bond shall be deemed and treated by the Issuer and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including

payment and discharge of liability upon this Bond to the extent of such payment, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

ALL BONDS OF THIS SERIES are issuable solely as fully registered bonds, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Bond Resolution, this Bond may, at the request of the registered owner or the assignee or assignees hereof, be converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the appropriate registered owner, assignee, or assignees, as the case may be, having the same maturity date, and bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000 as requested in writing by the appropriate registered owner, assignee, or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Resolution. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging any Bond or any portion thereof, but the one requesting such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange. The Paying Agent/Registrar shall not be required to make any such conversion and exchange 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.

IN THE EVENT any Paying Agent/Registrar for the Bonds is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Bond Resolution that it promptly will appoint a competent and legally qualified substitute therefor, and promptly will cause written notice thereof to be mailed to the registered owners of the Bonds.

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, sold, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that this Bond is a special obligation of the Issuer which, together with other bonds, are secured by and payable from a first lien on and pledge of the "Pledged Revenues" as defined in the Bond Resolution, which include the "Net Revenues of the District's Water System", as defined in the Bond Resolution, including specifically revenues derived pursuant to existing water supply contracts between the Issuer and the Cities of Allen, Farmersville, Forney, Frisco, Garland, McKinney, Mesquite, Plano, Princeton, Richardson, Rockwall, Royse City, and Wylie, Texas, which cities are currently the Member Cities constituting the territory and boundaries of the Issuer, water supply contracts relating to the District's Water System with any other cities which hereafter may become Member Cities, and water supply contracts with other cities and customers in connection the District's Water System.

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 this Bond and series of which it is a part.

THE ISSUER also has reserved the right to amend the Bond Resolution with the approval of the registered owners of 51% in principal amount of all outstanding bonds secured by and payable from a first lien on and pledge of the "Pledged Revenues".

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

BY BECOMING the registered owner of this Bond, the registered owner thereby acknowledges all of the terms and provisions of the Bond Resolution, agrees to be bound by such terms and provisions, acknowledges that the Bond Resolution is duly recorded and available for inspection in the official minutes and records of the governing body of the Issuer, and agrees that the terms and provisions of this Bond and the Bond Resolution constitute a contract between each registered owner hereof and the Issuer.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed with the manual or facsimile signature of the President of the Board of Directors of the Issuer and attested and counter-signed with the manual or facsimile signature of the Secretary of the Board of Directors of the Issuer, and has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Bond.

\_\_\_\_\_  
xxxxxx  
Secretary, Board of Directors  
North Texas Municipal Water District

\_\_\_\_\_  
xxxxx  
President, Board of Directors  
North Texas Municipal Water District

(DISTRICT SEAL)

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been issued under the provisions of the Bond Resolution described in this Bond; and that this Bond has been issued in conversion of and exchange for or replacement of a bond, bonds, or a portion of a bond or bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, NATIONAL ASSOCIATION  
Paying Agent/Registrar

Dated :

\_\_\_\_\_  
Authorized Representative



FORM OF ASSIGNMENT

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

Please Insert Social Security or  
Other Identifying Number of Assignee

/ \_\_\_\_\_ /

\_\_\_\_\_  
(Name and Address of Assignee)

the within Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_  
to transfer said Bond on the books kept for registration thereof with full power of substitution in the  
premises.

Date: \_\_\_\_\_

Signature Guaranteed: \_\_\_\_\_

NOTICE: The signature to this assignment must correspond with the name as it appears upon  
the face of the within Bond in every particular, without alteration or enlargement or  
any change whatever; and

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in  
a Securities Transfer Association recognized signature guarantee program.

Section 8. ADDITIONAL DEFINITIONS. That as used in this Resolution the following  
terms shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

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

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

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

The term "Bonds" means collectively the Initial Bond as described and defined in Sections  
1 and 2 of this Resolution, and all substitute bonds exchanged therefor as well as all other substitute  
and replacement bonds issued pursuant to this Resolution.

The term "Contracts" shall mean collectively: (a) the original separate water supply contracts between the Issuer and each of the current Member Cities, respectively, and all amendments thereto, with each of said contracts initially having been authorized at elections held in each of the current Member Cities, respectively, on December 5, 1953, except for (i) such contract with the City of Richardson, which is dated April 7, 1965, and was amended on July 2, 1973, and modified in October, 1973, (ii) such contract with the City of Allen, Texas, which is dated as of October 1, 1998 (the "Allen Contract"), and (iii) such contract with the City of Frisco, Texas, which is dated as of October 1, 2001 (the "Frisco Contract"), as all of said contracts (except the Allen Contract and the Frisco Contract, which have not been amended or modified since the respective dates thereof), as amended, have been further amended, modified, combined, consolidated, and wholly replaced by a single "North Texas Municipal Water District Regional Water Supply Facilities Amendatory Contract" dated as of August 1, 1988, executed between the Issuer and each of such Member Cities, (b) any water supply contracts relating to the System with any other cities which hereafter may become Member Cities, and (c) all water supply contracts between the Issuer and other cities and customers in connection the District's Water System.

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

The terms "District's System" and "System" shall mean all of the Issuer's existing water storage, treatment, transportation, distribution, and supply facilities, and other properties, which heretofore have been acquired or constructed with the proceeds from the sale of all bonds or other 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 the Parity Bonds and any Additional Bonds or money from the Contingency Fund (hereinafter described) or any water supply facilities 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 and replacements of the System. Said terms do not include any Issuer facilities which provide waste treatment or disposal or other wastewater services of any kind. Said terms do not include any facilities acquired or constructed by the Issuer with any proceeds from the issuance of "Special Facilities Bonds," which are hereby defined as being revenue obligations of the Issuer 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 purposes 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 Issuer from the operation and/or ownership of the System, including specifically all payments and amounts received by the Board or the Issuer from the Contracts, and all investments, interest, and income from any Fund created pursuant to this Resolution.

The term "Member Cities" shall mean collectively the Cities of Allen, Farmersville, Forney, Frisco, Garland, McKinney, Mesquite, Plano, Princeton, Richardson, Rockwall, Royse City, and Wylie, Texas, together with all cities which hereafter may become Member Cities as provided in the Act.

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

The term "Operation and Maintenance Expense of the System" shall mean all costs of operation and maintenance of the System including, but not limited to, repairs and replacements, operating personnel, the cost of utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, and any other supplies, services, administrative costs, and equipment necessary for proper operation and maintenance of the System, payments to any public or private entity made for the purchase of water, storage right, or other interests in water, or for the use or operation of any property or facilities, payments to the United States of America with respect to the operation, maintenance, and use of Lavon Dam and Reservoir and/or any other reservoirs or facilities in connection with the Issuer's sources of water for the System, and payments made by the Issuer in satisfaction of judgments or other liabilities resulting from claims not covered by Issuer's insurance. Depreciation shall not be considered an item of Operation and Maintenance Expense.

The term "Parity Bonds" shall mean, (i) the Bonds, (ii) the outstanding North Texas Municipal Water District Water System Revenue Bonds, Series 2008 (the "Series 2008 Bonds"), dated as of June 15, 2008, authorized by a resolution of the Board on June 26, 2008 (the "Series 2008 Bond Resolution"), (iii) the outstanding North Texas Municipal Water District Water System Revenue Bonds, Series 2009A (the "Series 2009A Bonds"), dated as of March 1, 2009, authorized by a resolution of the Board on February 24, 2009 (the "Series 2009A Bond Resolution"), (iv) the outstanding North Texas Municipal Water District Water System Revenue Bonds, Series 2009B (the "Series 2009B Bonds"), dated as of July 15, 2009, authorized by a resolution of the Board on July 23, 2009 (the "Series 2009B Bond Resolution"), (v) the outstanding North Texas Municipal Water District Water System Revenue Refunding and Improvement Bonds, Series 2009C (the "Series 2009C Bonds"), dated as of November 15, 2009, authorized by a resolution of the Board on October 22, 2009 (the "Series 2009C Bond Resolution"), (vi) the outstanding North Texas Municipal Water District Water System Revenue Bonds, Taxable Series 2009D (Build America Bonds - Direct Payment) (the "Series 2009D Bonds"), dated as of November 15, 2009, authorized by a resolution of the Board on October 22, 2009 (the "Series 2009D Bond Resolution"), (vii) the North Texas Municipal Water District Water System Revenue Bonds, Series 2010 (the "Series 2010 Bonds"), dated March 15, 2010, authorized by a resolution of the Board on October 28, 2010 (the "Series 2010 Bond Resolution"), (viii) the North Texas Municipal Water District Water System Revenue Bonds, Taxable Series 2010A (Build America Bonds - Direct Payment) (the "Series 2010A Bonds"), dated March 15, 2010, authorized by a resolution of the Board on October 28, 2010 (the "Series 2010A Bond Resolution"), (ix) the North Texas Municipal Water District Water System Revenue Refunding and Improvement Bonds, Series 2012 (the "Series 2012 Bonds"), dated as of June 15, 2012, authorized by a resolution of the Board on June 28, 2012 (the "Series 2012 Bond Resolution"), (x) the North Texas Municipal Water District Water System Revenue Refunding and Improvement Bonds, Series 2014 (the "Series 2014 Bonds"), dated as of June 15, 2014, authorized by a resolution of the Board on June 26, 2014 (the "Series 2014 Bond Resolution"), (xi) the North Texas Municipal Water District Water System Revenue Refunding and Improvement Bonds, Series 2015 (the "Series 2015 Bonds"), dated as of April 15, 2015, authorized by a resolution of the Board on April 23, 2015 (the "Series 2015 Bond Resolution"), (xii) the North Texas Municipal Water District Water System Revenue Refunding and Improvement Bonds, Series 2016 (the "Series 2016 Bonds"), dated as of

October 15, 2016, authorized by a resolution of the Board on October 27, 2016 (the "Series 2016 Bond Resolution"), (xii) the North Texas Municipal Water District Water System Revenue Bonds, Series 2017 (the "Series 2017 Bonds"), authorized by a resolution of the Board on June 22, 2017 (the "Series 2017 Bond Resolution"), (xiii) the North Texas Municipal Water District Water System Revenue Bonds, Series 2018 (the "Series 2018 Bonds"), authorized by a resolution of the Board on June 22, 2017 (the "Series 2018 Bond Resolution"), and (xiv) the North Texas Municipal Water District Water System Revenue Bonds, Series 2018A (the "Series 2018A Bonds"), authorized by a resolution of the Board on March 22, 2018 (the "Series 2018A Bond Resolution").

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

The term "TWDB" shall mean the Texas Water Development Board.

The term "year" or "fiscal year" shall mean the Issuer's fiscal year, which currently begins on October 1 of each calendar year, but which subsequently may be any other 12 month period hereafter established by the Issuer as a fiscal year for the purposes of any resolution authorizing the Bonds or any Additional Bonds.

Section 9. PLEDGE. (a) The Bonds authorized by this Resolution are hereby designated as, and shall be, "Additional Bonds" as permitted by Sections 22 and 23, respectively, of the Series 2008 Bond Resolution, the Series 2009A Bond Resolution, the Series 2009B Bonds Resolution, the Series 2009C Bond Resolution, the Series 2009D Bond Resolution, the Series 2010 Bond Resolution, the Series 2010A Bond Resolution, the Series 2012 Bond Resolution, the Series 2014 Bond Resolution, the Series 2015 Bond Resolution, the Series 2016 Bond Resolution, the Series 2017 Bond Resolution, the Series 2018 Bond Resolution, and the Series 2018A Bond Resolution, and it is hereby determined, declared, and resolved that all of the Parity Bonds, including the Bonds authorized by this Resolution, are and shall be secured and payable equally and ratably on a parity, and that Sections 8 through 26 of this Resolution substantially restate and are supplemental to and cumulative of the applicable and pertinent provisions of the resolutions authorizing the issuance of the previously issued Parity Bonds, respectively, with Sections 8 through 26 of this Resolution being equally applicable to all of the Parity Bonds, including the Bonds.

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

Section 10. REVENUE FUND. There has been created and established and there shall be maintained on the books of the Issuer, and accounted for separate and apart from all other funds of the Issuer, a special fund to be entitled the "North Texas Municipal Water District Water System Revenue Bonds Revenue Fund" (hereinafter called the "Revenue Fund"). All Gross Revenues of the System (excepting the investment interest and income from the Interest and Redemption Fund, the Reserve Fund, and the Contingency Fund) 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.

Section 11. INTEREST AND REDEMPTION FUND. For the sole purpose of paying the principal of and interest on all outstanding Parity Bonds and any Additional Bonds, as the same come due, there has been created and established and there shall be maintained at The Bank of New York Mellon Trust Company, National Association, or at the option of the Issuer at any time hereafter, established and maintained at any national bank having a capital and surplus in excess of \$25,000,000, a separate fund to be entitled the "North Texas Municipal Water District Water System Revenue Bonds Interest and Redemption Fund" (hereinafter called the "Interest and Redemption Fund").

Section 12. RESERVE FUND. There has been created and established, and there shall be maintained at The Bank of New York Mellon Trust Company, National Association, or at the option of the Issuer at any time hereafter, established and maintained at any national bank having a capital and surplus in excess of \$25,000,000, a separate fund to be entitled the "North Texas Municipal Water District Regional Water System Revenue Bonds Reserve Fund" (hereinafter called the "Reserve Fund"). The Reserve Fund shall be used solely for the purpose of finally retiring the last of the outstanding Parity Bonds and Additional Bonds, or for paying principal of and interest on any outstanding Parity Bonds and Additional Bonds, when and to the extent the amount in the Interest and Redemption Fund is insufficient for such purpose.

Section 13. CONTINGENCY FUND. There has been created and established, and there shall be maintained at The Bank of New York Mellon Trust Company, National Association, or at the option of the Issuer at any time hereafter, established and maintained at any national bank having a capital and surplus in excess of \$25,000,000, a separate fund to be entitled the "North Texas Municipal Water District Water System Revenue Bonds Contingency Fund" (hereinafter called the "Contingency Fund"). The Contingency Fund shall be used solely for the purpose of paying the costs of improvements, enlargements, extensions, or additions to the System, and unexpected or extraordinary repairs or 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 Parity Bonds or Additional Bonds, when and to the extent the amount in the Interest and Redemption Fund is insufficient for such purpose

Section 14. DEPOSITS OF PLEDGED REVENUES; INVESTMENTS. (a) 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 Resolution.

(b) Money in any Fund established or maintained pursuant to the this Resolution may, at the option of the Issuer, be placed in secured time deposits or secured certificates of deposit, or be invested in direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed by such governmental agencies as the Federal Home Loan Banks, Government National Mortgage Association, Farmers Home

Administration, Federal Home Loan Mortgage Association, or Small Business Administration; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund will be available at the proper time or times. Such investments shall be valued in terms of current market value as of the 20th day of August of each year. Interest and income derived from such deposits and investments shall be credited to the Fund from which the deposit or investment was made. Such investments shall be sold promptly when necessary to prevent any default in connection with the Parity Bonds or Additional Bonds.

Section 15. FUNDS SECURED. Money in all Funds described in this Resolution, to the extent not invested, shall be secured in the manner prescribed by law for securing funds of the Issuer.

Section 16. DEBT SERVICE REQUIREMENTS. (a) Promptly after the delivery of the Initial Bond the Issuer shall cause to be deposited to the credit of the Interest and Redemption Fund, from the proceeds received from the sale and delivery of the Initial Bond, all accrued interest, if any, to be used to pay part of the interest coming due on the Bonds.

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

(1) such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month hereafter as will be sufficient, together with other amounts, if any, then on hand in the Interest and Redemption Fund and available for such purpose, to pay the interest scheduled to accrue and come due on all of the Parity Bonds on the next succeeding interest payment date; and

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

Section 17. RESERVE REQUIREMENTS. The Issuer is required to accumulate and maintain in the Reserve Fund an aggregate amount of money and/or investments equal in market value to the average annual principal and interest requirements on all outstanding Parity Bonds (the "Reserve Required Amount"). Immediately after the delivery of the Initial Bond, the District shall deposit to the credit of the Reserve Fund, from the proceeds from the sale and delivery of the Initial Bond, an amount of money, if any, which will cause the Reserve Fund to contain, together with the other money and/or investments then on hand therein, an amount of money and/or investments equal in market value to the Reserve Required Amount. No deposits shall be made into the Reserve Fund as long as the money and investments in the Reserve Fund are at least equal in market value to the Reserve Required Amount; but if and whenever the market value of money and investments in the Reserve Fund is reduced below said Reserve Required Amount because of a decrease in market value of investments, then the Issuer shall require the Member Cities to increase their payments under their respective Contracts as soon as practicable, and in any event within one year, in an

amount sufficient to restore the amount of such decrease; and in the event the Reserve Fund is used to pay the principal of or interest on the Bonds because of insufficient amounts being available in the Interest and Redemption Fund, then the Issuer shall require the Member Cities to increase their payments under their respective Contracts as soon as practicable, and in any event within one year, in an amount sufficient to restore the Reserve Fund to the Reserve Required Amount, and the Issuer shall deposit, in the Reserve Fund, in approximately equal periodic payments, not less than annual, such amounts as are required to cause the Reserve Fund to contain the Reserve Required Amount within five years from any date of the use of the Reserve Fund to pay such principal or interest. So long as the Reserve Fund contains the Reserve Required Amount, all amounts in excess thereof shall be deposited to the credit of the Interest and Redemption Fund on or before September 1 of each year.

Section 18. CONTINGENCY REQUIREMENTS. There is now on hand in the Contingency Fund an amount of money and/or investments at least equal in market value to \$500,000. 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 Issuer's Annual Budget for the next ensuing fiscal year or years; provided that the Issuer is not required to budget more than \$200,000 for such purpose during any one fiscal year. So long as the Contingency Fund contains money and investments not less than the amount of \$500,000 in market value, any surplus in the Contingency Fund over said amount may be withdrawn and used for any lawful purpose.

Section 19. DEFICIENCIES; EXCESS PLEDGED REVENUES. (a) If on any occasion there shall not be sufficient Pledged Revenues to make the required deposits into the Interest and Redemption Fund, the Contingency Fund, and the Reserve Fund, then such deficiency shall be made up as soon as possible from the next available Pledged Revenues, or from any other sources lawfully available for such purpose.

(b) Subject to making the required deposits to the credit of the Interest and Redemption Fund, the Contingency Fund, and the Reserve Fund, when and as required by this Resolution, or any Resolution authorizing the issuance of Additional Bonds, the excess Pledged Revenues may be used for any lawful purpose; provided that at the time each Annual Budget is prepared all such excess revenues which are not pledged to the payment of junior or subordinate lien bonds or other obligations of the Issuer, and which have not been committed by formal resolution or order of the Board for a specific purpose, and which exceed twenty-five percent of the Operation and Maintenance Expenses of the Issuer for the fiscal year then ending, shall be applied to the payment of Operation and Maintenance Expenses of the Issuer for the next ensuing fiscal year, and the Annual Budget shall be prepared accordingly.

Section 20. PAYMENT OF PARITY BONDS AND ADDITIONAL BONDS. Semiannually on or before the first day of each March and September while any of the Parity Bonds or Additional Bonds are outstanding and unpaid, the Issuer shall make available to the paying agents therefor, out of the Interest and Redemption Fund, the Contingency Fund, or the Reserve Fund, if necessary, money sufficient to pay such interest on and such principal of the Parity Bonds and Additional Bonds as will accrue or mature on such March 1 or September 1, as the case may be. The

paying agents shall destroy all paid Parity Bonds and Additional Bonds, and furnish the Issuer with an appropriate certificate of cancellation or destruction.

Section 21. FINAL DEPOSITS; GOVERNMENTAL OBLIGATIONS. (a) Any Parity Bond or Additional Bond shall be deemed to be paid, retired, and no longer outstanding, when payment of the principal of, redemption premium, if any, on such Parity Bond or Additional Bond, plus interest thereon to the due date thereof (whether such date be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption), or (ii) shall have been provided by irrevocably depositing with a paying agent therefor, (1) money sufficient to make such payment or (2) Government Obligations, as hereinafter defined in this Section, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation, and expenses of such paying agent pertaining to the Parity Bonds and Additional Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of such paying agent. At such time as a Parity Bond or Additional Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits of any Bond Resolution or a lien on and pledge of the Pledged Revenues, and shall be entitled to payment solely from such money or Government Obligations.

(b) Any moneys so deposited with a paying agent may at the direction of the Issuer also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Government Obligations in the hands of the paying agent pursuant to this Section which is not required for the payment of the Parity Bonds and Additional Bonds, the redemption premium, if any, and interest thereon, with respect to which such moneys has been so deposited, shall be turned over to the Issuer.

(c) The Issuer covenants that no deposit will be made or accepted under clause (ii) of this Section and no use made of any such deposit which would cause the Parity Bonds or any Additional Bonds to be treated as arbitrage bonds within the meaning of the Internal Revenue Code of 1986, as amended.

(d) For the purpose of this Section, the term "Government Obligations" shall mean direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, and which may be United States Treasury obligations such as its State and Local Government Series, and which may be in book-entry form.

(e) Notwithstanding any provisions of this Resolution, all money or Government Obligations set aside and held in trust pursuant to the provisions of this Section for the payment of Parity Bonds and Additional Bonds, the redemption premium, if any, and interest thereon, shall be applied to and used for the payment of Parity Bonds and Additional Bonds, the redemption premium, if any, and interest thereon.



(f) Notwithstanding the foregoing, the Issuer covenants that with respect to the Parity Bonds it will provide a paying agent/registrar to perform the services thereof provided for by this Resolution the same as if they had not been defeased, and the Issuer shall make proper arrangements to provide and pay for such paying agent and registrar services.

Section 22. ADDITIONAL BONDS. (a) The Issuer shall have the right and power at any time and from time to time, and in one or more Series or issues, to authorize, issue, and deliver additional parity revenue bonds (herein called "Additional Bonds"), in accordance with law, in any amounts, for any lawful purpose relating to the System, including the refunding of any Parity Bonds or Additional Bonds. Such Additional Bonds, if and when authorized, issued, and delivered in accordance with this Resolution, shall be secured by and made payable equally and ratably on a parity with the Parity Bonds, and all other outstanding Additional Bonds, from a first lien on and pledge of the Pledged Revenues.

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

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

(d) The principal of all Additional Bonds must be scheduled to be paid or mature on September 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.

Section 23. FURTHER REQUIREMENTS FOR ADDITIONAL BONDS. Additional Bonds shall be issued only in accordance with this Resolution, but notwithstanding any provisions of this Resolution to the contrary, no installment, Series, or issue of Additional Bonds shall be issued or delivered unless the President and the Secretary of the Board sign a written certificate to the effect that the Issuer is not in default as to any covenant, condition, or obligation in connection with all outstanding Parity Bonds and Additional Bonds, and the Resolutions authorizing same, and that the

Interest and Redemption Fund and the Reserve Fund each contains the amount then required to be therein, and either (a) an independent registered professional engineer of the State of Texas or a firm of such engineers executes a certificate or report to the effect that in his or its opinion the Pledged Revenues in each complete fiscal year thereafter will be at least equal to 1.25 times the average annual principal and interest requirements of all Parity Bonds and Additional Bonds to be outstanding after the delivery of the then proposed Additional Bonds, or (b) in the alternative to (a), above, the President and Secretary of the Board sign a written certificate to the effect that, based upon an opinion of legal counsel to the Issuer, there are Contracts then in effect pursuant to which the Member Cities and others which are parties to such Contracts are obligated to make minimum payments to the Issuer at such times (including during periods when water is not available to such Member Cities and others) and in such amounts as shall be necessary to provide to the Issuer Net Revenues of the System sufficient to pay when due all principal of and interest on all Parity Bonds and Additional Bonds to be outstanding after the issuance of the proposed Additional Bonds, and to make the deposits into the Reserve Fund as required under this Resolution.

Section 24. GENERAL COVENANTS. The Issuer further covenants and agrees that:

(a) PERFORMANCE. It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Resolution and each resolution authorizing the issuance of Additional Bonds, and in each and every Parity Bond and Additional Bond; that it will promptly pay or cause to be paid the principal of and interest on every Bond and Additional Bond, on the dates and in the places and manner prescribed in such resolutions and Parity Bonds or Additional Bonds; and that it will, at the times and in the manner prescribed, deposit or cause to be deposited the amounts required to be deposited into the Interest and Redemption Fund and the Reserve Fund; and any holder of the Parity Bonds or Additional Bonds may require the Issuer, its Board, and its officials and employees, to carry out, respect, or enforce the covenants and obligations of this Resolution or any resolution authorizing the issuance of Additional Bonds, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the Issuer, its Board, and its officials and employees.

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

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

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

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

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

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

(h) INSURANCE. (1) It will cause to be insured such parts of the System as would usually be insured by corporations operating like properties, with a responsible insurance company or companies, against risks, accidents, or casualties against which and to the extent insurance is usually carried by corporations operating like properties, including fire and extended coverage insurance. Public liability and property damage insurance shall also be carried unless the general counsel for Issuer, or the Attorney General of Texas, gives a written opinion to the effect that the Issuer, the Board, and its officers and employees, are not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the Issuer shall not be required to carry insurance on the works being constructed, but the contractor shall be required to carry appropriate insurance. All such policies shall be open to the inspection of the owners of the Parity 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 Issuer shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the Issuer. The proceeds of insurance covering such property, together with any other funds necessary and available for such purpose, shall be used forthwith by the Issuer for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the System shall be used promptly as follows:

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

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

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

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

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

(j) **RECORDS.** Proper books of record and account will be kept in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to the System, the Pledged Revenues, and all Funds described in this Resolution; and all books, documents, and

vouchers relating thereto shall at all reasonable times be made available for inspection upon request of any owner of a Parity Bond or Additional Bond.

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

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

(m) CONTRACTS. It will comply with the terms and conditions of the Contracts, and any amendments thereto, and will cause the Member Cities and other cities and customers to comply with all of their obligations thereunder by all lawful means; provided that the Contracts will not be rescinded, modified, or amended in any way which would materially affect adversely the operation of the System or the rights of the owners of the Parity Bonds and Additional Bonds; provided further that, without violating this Section 24(m), the Contracts may be modified or amended to change the allocation of the Annual Requirement (as defined in the Contracts) among the Member Cities by changing the basis for determination of each Member City's minimum amount of each Annual Requirement.

(n) ANNUAL BUDGET. On or before the first day of the second calendar month prior to the beginning of each fiscal year, it will prepare the preliminary Annual Budget of Operation and Maintenance Expenses of the System for the ensuing fiscal year, and any amounts required to be deposited to the credit of the Contingency Fund during the ensuing fiscal year, and such budget shall include a showing as to the proposed expenditures for such ensuing fiscal year. If the owners of ten per centum (10%) in aggregate principal amount of the Parity 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 such owner 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 daily newspapers (and if no daily newspaper is published in any one of such cities, in a weekly newspaper published in such cities) of general circulation published in Dallas, Texas, 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 owner of a Parity Bond or Additional Bond who shall have filed his or her name and address with the Secretary of the Board for such purpose. The Issuer further covenants that on or before the first day of each fiscal year it will finally adopt the Annual Budget of Operation and Maintenance

Expenses of the System for such fiscal year (hereinafter sometimes call the "Annual Budget") and that except as otherwise provided herein the total expenditures in any division thereof will not exceed the total expenditures in the corresponding division in the preliminary 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, and the Board will not expend any amount or incur any obligation for maintenance, repair, and operation in excess of the amounts provided therefor in the Annual Budget; provided, however, that if at any time the Board shall determine that the amount of the appropriation for any item in the Annual Budget is in excess of the amount which will be required for such item, the Board may by resolution reduce such appropriation and make an appropriation for any item or items not covered by the Annual Budget or increase the appropriation for any other item or items by an amount not exceeding the amount of such reduction; and provided, further, that the Board may at any time by resolution adopt an Amended or Supplemental Annual Budget for the remainder of the then current fiscal year in case of an emergency caused by some extraordinary occurrence which shall be recited in such resolution.

Section 25. AMENDMENT OF RESOLUTION. (a) The owners of Parity Bonds and Additional Bonds aggregating 51% in principal amount of the aggregate principal amount of then outstanding Parity Bonds and Additional Bonds shall have the right from time to time to approve any amendment to any resolution authorizing the issuance of any Parity Bonds or Additional Bonds, which may be deemed necessary or desirable by the Issuer, provided, however, that nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions in said resolutions or in the Parity Bonds or Additional Bonds so as to:

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

(b) If at any time the Issuer shall desire to amend a resolution under this Section, the Issuer shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in the City of New York, New York, once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed

amendment and shall state that a copy thereof is on file at the principal office of each paying agent for any of the Parity Bonds or Additional Bonds for inspection by all owners of Parity Bonds and Additional Bonds. Such publication is not required, however, if notice in writing is given to each holder of Parity Bonds and Additional Bonds.

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

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

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

(f) For the purpose of this Section, the ownership of and other matters relating to the Parity Bonds shall be determined from the registration books kept by the registrar therefor.

#### Section 26. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS.

(a) Replacement Bonds. In the event any outstanding 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 Bond, in replacement for such Bond in the manner hereinafter provided.

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

registered owner shall furnish to the Issuer and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Bond, as the case may be. In every case of damage or mutilation of a Bond, the registered owner shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

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

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

(e) Authority for Issuing Replacement Bonds. In accordance with Section 1201.067, Texas Government Code, this Section of this Resolution shall constitute authority for the issuance of any such replacement bond without necessity of further action by the governing body of the Issuer or any other body or person, and the duty of the replacement of such bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 6(d) of this Resolution for Bonds issued in conversion and exchange for other Bonds.

Section 27. COVENANTS REGARDING TAX-EXEMPTION. (a) Covenants. The Issuer covenants to refrain from any action which would adversely affect, or to take such action to assure, the treatment of the Bonds as obligations described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

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



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

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

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

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

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

(A) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 30 days or less until such proceeds are needed for the purpose for which the Bonds are issued,

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

(C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Bonds, 125% of average annual debt service on the Bonds, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Bonds;

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

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

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

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

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

(c) Rebate Fund. In order to facilitate compliance with the above covenant (a)(8), a "Rebate Fund" is hereby established by the Issuer for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation, the bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

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

Section 28 ALLOCATION OF, AND LIMITATION ON, EXPENDITURES FOR THE PROJECT; DISPOSITION OF THE PROJECT. (a) The Issuer covenants to account for the expenditure of Bond proceeds and investment earnings to be used for the construction or acquisition of the property constituting the projects financed or refinanced with proceeds of the sale of the Bonds on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (1) the expenditure is made or (2) such construction or acquisition is completed. The foregoing notwithstanding, the Issuer shall not expend proceeds of the Bonds or investment earnings

thereon more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds or (2) the date the Bonds are retired, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest on the Bonds.

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

Section 29 CUSTODY, APPROVAL, AND REGISTRATION OF BONDS; BOND COUNSEL'S OPINION, CUSIP NUMBERS, PREAMBLE, AND INSURANCE. The President of the Board of Directors of the Issuer and any Authorized Officer is hereby authorized to have control of the Initial Bond issued hereunder and all necessary records and proceedings pertaining to the 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 the 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 the Initial Bond, and the seal of said Comptroller shall be impressed, or placed in facsimile, on the 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 the Initial Bond or on any Bond issued and delivered in conversion of and exchange or replacement of any Bond, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds. The preamble to this Resolution is hereby adopted and made a part hereof for all purposes. If insurance is obtained on any of the Bonds, the Initial Bond and all the Bonds for which insurance has been obtained shall bear an appropriate legend concerning insurance as provided by the insurer.

Section 30. INTEREST EARNINGS ON BOND PROCEEDS. Interest earnings derived from the investment of proceeds from the sale of the Initial Bond, other than proceeds deposited in accordance with Section 16 hereof or deposited pursuant to the Escrow Agreement authorized by Section 33 hereof, shall be used along with other available proceeds for improving the District's Water System; provided that after such use, if any of such interest earnings remain on hand, such interest earnings on bond proceeds which are required to be rebated to the United States of America pursuant to Section 27 hereof in order to prevent the Bonds from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section.

Section 31. SALE OF BONDS; PURCHASE AGREEMENT. Pursuant to the authorizations in Section 3 hereof, as approved by an Authorized Officer, the Bonds may be sold either (i) to the TWDB, (ii) pursuant to the taking of bids therefor as provided in an Official Notice of Sale, or (iii) pursuant to a purchase agreement (the "Purchase Agreement") with a purchaser or purchasers to be approved by an Authorized Officer, and any supplements thereto which may be necessary to accomplish the issuance of Bonds. Such Purchase Agreement is hereby authorized to be dated, executed and delivered on behalf of the Issuer by an Authorized Officer, with such changes therein as shall be approved by an Authorized Officer, the execution thereof by an Authorized Officer to constitute evidence of such approval. The purchasers of the Bonds shall be referred to herein as the Purchaser. The delegation of authority to an Authorized Officer to approve the final terms of the Bonds as set forth in this Resolution is, and the decisions made by an Authorized Officer pursuant to such delegated authority will be, in the best interests of the Issuer, and an Authorized Officer is authorized to make a finding to such effect in the Approval Certificate.

Section 32. DTC REGISTRATION. The Bonds initially shall be issued and delivered in such manner that no physical distribution of the Bonds will be made to the public, and the Depository Trust Company ("DTC"), New York, New York, initially will act as depository for the Bonds. DTC has represented that it is a limited purpose trust company incorporated under the laws of the State of New York, 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 under Section 17A of the federal Securities Exchange Act of 1934, as amended, and the Issuer accepts, but in no way verifies, such representations. The Initial Bond authorized by this Resolution shall be delivered to and registered in the name of the Purchaser. However, it is a condition of delivery and sale that the Purchaser, immediately after such delivery, shall cause the Paying Agent/Registrar, as provided for in this Resolution, to cancel said Initial Bond and deliver in exchange therefor a substitute Bond for each maturity of such Initial Bond, with each such substitute Bond to be registered in the name of CEDE & CO., the nominee of DTC, and it shall be the duty of the Paying Agent/Registrar to take such action. It is expected that DTC will hold the Bonds on behalf of the Purchaser and/or the DTC Participants, as defined and described in the Official Statement referred to and approved in Section 32 hereof (the "DTC Participants"). So long as each Bond is registered in the name of CEDE & CO., the Paying Agent/Registrar shall treat and deal with DTC in all respects the same as if it were the actual and beneficial owner thereof. It is expected that DTC will maintain a book entry system which will identify beneficial ownership of the Bonds by DTC Participants in integral amounts of \$5,000, with transfers of ownership being effected on the records of DTC and the DTC Participants pursuant to rules and regulations established by them, and that the substitute Bonds initially deposited with DTC shall be immobilized and not be further exchanged for substitute Bonds except as hereinafter provided. The Issuer is not responsible or liable for any functions of DTC, will not be responsible for paying any fees or charges with respect to its services, will not be responsible or liable for maintaining, supervising, or reviewing the records of DTC or the DTC Participants, or protecting any interests or rights of the beneficial owners of the Bonds. It shall be the duty of the Purchaser and the DTC Participants to make all arrangements with DTC to establish this book-entry system, the beneficial ownership of the Bonds, and the method of paying the fees and charges of DTC. The Issuer does not represent, nor does it in any way covenant that the initial book-entry system established with DTC will be maintained in the future. The Issuer reserves the right and option at any time in the future, in its sole discretion, to terminate the DTC (CEDE & CO.) book-entry only registration requirement described above, and to permit the Bonds

to be registered in the name of any owner. If the Issuer exercises its right and option to terminate such requirement, it shall give written notice of such termination to the Paying Agent/ Registrar and to DTC, and thereafter the Paying Agent/Registrar shall, upon presentation and proper request, register any Bond in any name as provided for in this Resolution. Notwithstanding the initial establishment of the foregoing book-entry system with DTC, if for any reason any of the originally delivered substitute Bonds is duly filed with the Paying Agent/Registrar with proper request for transfer and substitution, as provided for in this Resolution, substitute Bonds will be duly delivered as provided in this Resolution, and there will be no assurance or representation that any book-entry system will be maintained for such Bonds.

Section 33. FURTHER PROCEDURES. The President, Vice President, and/or the Secretary of the Board of Directors of the Issuer, the Executive Director, the Deputy Director (Finance and Personnel), and the Interim Deputy Director (Finance and Personnel) of the Issuer, and all other officers, employees, and agents of the Issuer, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and on behalf of the Issuer all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Resolution, the Bond Purchase Agreement, the Bonds, the sale and delivery of the Initial Bond and the Bonds, and all details in connection therewith. In case any officer whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

Section 34. CONTINUING DISCLOSURE UNDERTAKING.

(a) Annual Reports.

The Issuer shall provide or cause to be provided annually to the MSRB, (1) within six months after the end of each fiscal year ending in or after 2018, financial information and operating data of the general type included in the final Official Statement relating to the Issuer's Series 2016 Bonds, (i) with respect to the Issuer, in tables numbered 1 through 5, and (ii) with respect to each Significant Obligated Persons, in Appendix C of the Official Statement relating to the Series 2016 Bonds, and (2) when and if available, audited financial statements of the Issuer and each Significant Obligated Person. Any financial statements so to be provided shall be prepared in accordance with generally accepted accounting principles or such other accounting principles as the Issuer or any such Significant Obligated Person may be required to employ from time to time pursuant to state law or regulation. If the audit of such financial statements of the Issuer or a Significant Obligated Person is not complete within 12 months after the respective fiscal year end, then the Issuer shall provide or cause to be provided by each Significant Obligated Person unaudited financial statements within such 12-month period and audited financial statements when and if the audit report on such statements become available.

If the Issuer or any such Significant Obligated Person changes its fiscal year, the Issuer will notify or cause the Significant Obligated Person to notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the Issuer or any such Significant Obligated Person otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating date to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC

(b) Event Notices.

The Issuer shall notify the MSRB, in a timely manner, of any of the following events with respect to the Bonds, not in excess of ten Business Days after 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. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to the rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer or a Significant Obligated Person;
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or a Significant Obligated Person or the sale of all or substantially all of the assets of the Issuer or a Significant Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer shall notify the MSRB, in a timely manner, of any failure by the Issuer to provide financial information or operating data in accordance with Section 35(c) of this Resolution by the time required by such Section. As used in clause 12 above, the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the U.S. 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 Issuer, or if jurisdiction has been assumed by leaving the Board of Directors and official or officers of the Issuer 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 Issuer.

(c) Limitations, Disclaimers, and Amendments.

The Issuer shall be obligated to observe and perform or cause a Significant Obligated Person to observe and perform the covenants specified in this Section for so long as, but only for so long as, such Significant Obligated persons remains a "Significant Obligated Person" with respect to the Bonds, except that the Issuer in any event will give notice of any deposit made in accordance with Section 21 hereof that causes Bonds no longer to be Outstanding.

The provisions of this Section are for the sole benefit of the Holders and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Issuer undertakes to provide or cause to be provided only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide or cause to be provided any other information that may be relevant or material to a complete presentation of the Issuer's or any Significant Obligated Person's financial results, condition or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The Issuer does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE ISSUER BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE ISSUER, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the Issuer in observing or performing its obligations under this Section shall comprise a breach of or default under this Resolution for purposes of any other provision of this Resolution.

Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the Issuer under federal and state securities laws.

Should the Rule be amended to obligate the Issuer to make filings with or provide notices to entities other than the MSRB, the Issuer hereby agrees to undertake such obligation with respect to the Bonds in accordance with the Rule as amended. The provisions of this Section may be amended by the Issuer from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identify, nature, status, or type of operations of the Issuer or any Significant Obligated Person, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well s such changed circumstances and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a Person that is unaffiliated with the Issuer (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Holders and beneficial owners of the Bonds. If the Issuer so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with Subsection (a) hereof an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Issuer may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

(d) Definitions.

As used in this Section, the following terms have the meanings ascribed to such terms below:

"*MSRB*" means the Municipal Securities Rulemaking Board.

"*Rule*" means SEC Rule 15c2-12, as amended from time to time.

"*SEC*" means the United States Securities and Exchange Commission and any successor to its duties.

"*Significant Obligated Person*" means, at any point in time, any Member City or other party contracting with the Issuer, in either case whose payments to the Issuer for the use of or service from the System in the calendar year preceding any such determination exceeded 10% of the Gross Revenues of the System.

Section 35. ATTORNEY GENERAL FEES. The District hereby authorizes and directs payment, from legally available funds of the District, of the nonrefundable examination fee, if any, of the Attorney General of the State of Texas required by Section 1202.004, Texas Government Code, as amended.



Section 36. REPEAL OF CONFLICTING RESOLUTIONS. All resolutions and all parts of any resolutions which are in conflict or inconsistent with this Resolution are hereby repealed and shall be of no further force or effect to the extent of such conflict or inconsistency.

Section 37. SECURITY INTEREST. Chapter 1208, Government Code, applies to the issuance of the Bonds and the pledge of the Pledged Revenues granted by the Issuer under Section 9 of this Resolution, and is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the Pledged Revenues granted by the Issuer under Section 9 of this Resolution is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the 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 to perfect the security interest in said pledge to occur.

Section 38. EFFECTIVENESS. This Resolution shall be effective from and after the date of adoption thereof by the Issuer.

## EXHIBIT "A"

### WRITTEN PROCEDURES RELATING TO CONTINUING COMPLIANCE WITH FEDERAL TAX COVENANTS

A. Arbitrage. With respect to the investment and expenditure of the proceeds of the Bonds and any Additional Bonds (the "Obligations") the Issuer's Executive Director and Director of Finance (the "Responsible Persons") will :

- (i) monitor all amounts deposited into a sinking fund or funds (e.g., the Interest and Redemption Fund), to assure that the maximum amount invested at a yield higher than the yield on the Bonds does not exceed an amount equal to the debt service on the Bonds in the succeeding 12-month period plus a carryover amount equal to one-twelfth of the principal and interest payable on the Bonds for the immediately preceding 12-month period;
- (ii) instruct the appropriate person or persons that the construction, renovation or acquisition of the facilities must proceed with due diligence and that binding contracts for the expenditure of at least 5% of the proceeds of the Obligations will be entered into within 6 months of the date of delivery of the Obligations ("Issue Date");
- (iii) monitor that at least 85% of the proceeds of the Obligations to be used for the construction, renovation or acquisition of any facilities are expended within 3 years of the Issue Date;
- (iv) restrict the yield of the investments (other than those in the Reserve Fund) to the yield on the Obligations after 3 years of the Issue Date;
- (v) monitor all amounts deposited into a sinking fund or funds, e.g., the Interest and Redemption Fund and the Reserve Fund, to assure that the maximum amount invested at a yield higher than the yield on the Obligations does not exceed an amount equal to the debt service on the Obligations in the succeeding 12 month period plus a carryover amount equal to one-twelfth of the principal and interest payable on the Obligations for the immediately preceding 12-month period;
- (vi) assure that no more than 50% of the proceeds of the Obligations are invested in an investment with a guaranteed yield for 4 years or more;
- (vii) assure that the maximum amount of the Reserve Fund invested at a yield higher than the yield on the Obligations will not exceed the lesser of (1) 10% of the original principal amount of the Obligations, (2) 125% of the average annual debt service on the Obligations measured as of the Issue Date, or (3) 100% of the maximum annual debt service on the Obligations as of the Issue Date;

- (viii) monitor the actions of the escrow agent (to the extent an escrow is funded with proceeds) to assure compliance with the applicable provisions of the escrow agreement, including with respect to reinvestment of cash balances;
- (ix) maintain any official action of the Issuer (such as a reimbursement resolution) stating its intent to reimburse itself with the proceeds of the Obligations any amount expended prior to the Issue Date for the acquisition, renovation or construction of the facilities;
- (x) assure that the applicable information return (e.g., IRS Form 8038-G, 8038-GC, or any successor forms) is timely filed with the IRS;
- (xi) assure that, unless excepted from rebate and yield restriction under section 148(f) of the Code, excess investment earnings are computed and paid to the U.S. government at such time and in such manner as directed by the IRS (i) at least every 5 years after the Issue Date and (ii) within 30 days after the date the Obligations are retired.

B. Private Business Use. With respect to the use of the facilities financed or refinanced with the proceeds of the Obligations the Responsible Persons will:

- (i) monitor the date on which the facilities are substantially complete and available to be used for the purpose intended;
- (ii) monitor whether, at any time the Obligations are outstanding, any person, other than the Issuer, the employees of the Issuer, the agents of the Issuer or members of the general public has any contractual right (such as a lease, purchase, management or other service agreement) with respect to any portion of the facilities;
- (iii) monitor whether, at any time the Obligations are outstanding, any person, other than the Issuer, the employees of the Issuer, the agents of the Issuer or members of the general public has a right to use the output of the facilities (e.g., water, gas, electricity);
- (iv) monitor whether, at any time the Obligations are outstanding, any person, other than the Issuer, the employees of the Issuer, the agents of the Issuer or members of the general public has a right to use the facilities to conduct or to direct the conduct of research;
- (v) determine whether, at any time the Obligations are outstanding, any person, other than the Issuer, has a naming right for the facilities or any other contractual right granting an intangible benefit;
- (vi) determine whether, at any time the Obligations are outstanding, the facilities are sold or otherwise disposed of; and
- (vii) take such action as is necessary to remediate any failure to maintain compliance with the covenants contained in the resolution authorizing the Obligations.

C. Record Retention. The Responsible Persons will maintain or cause to be maintained all records relating to the investment and expenditure of the proceeds of the Obligations and the use of the facilities financed or refinanced thereby for a period ending six (6) years after the complete extinguishment of the Obligations. If any portion of the Obligations is refunded with the proceeds of another series of tax-exempt obligations, such records shall be maintained until the six (6) years after the refunding obligations are completely extinguished. Such records can be maintained in paper or electronic format.

D. Responsible Persons. Each Responsible Person shall receive appropriate training regarding the Issuer's accounting system, contract intake system, facilities management and other systems necessary to track the investment and expenditure of the proceeds and the use of the facilities financed with the proceeds of the Obligations. The foregoing notwithstanding, the Responsible Persons are authorized and instructed to retain such experienced advisors and agents as may be necessary to carry out the purposes of these instructions. If an error is discovered, the Responsible Person will promptly correct any such error within a reasonable amount of time of such discovery and take, or cause to be taken, such appropriate actions, including payment to the United States, if applicable, that is required to maintain the tax-exempt status of the Bonds.

EXHIBIT "B"

\*FORM OF ESCROW AGREEMENT

STATE OF TEXAS       §  
                                  §  
COUNTY OF COLLIN   §


**PUBLIC RECORDS CERTIFICATE OF RODNEY D. RHOADES**

BEFORE ME, the undersigned authority, came Rodney D. Rhoades who, being personally known to me was sworn under oath and testified as follows:

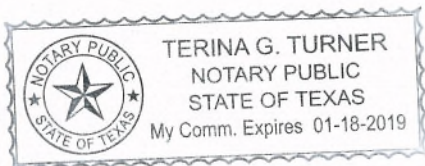
1. "My name is Rodney D. Rhoades. I am employed by the North Texas Municipal Water District (the "District") and am familiar with this petition and lawsuit. I am over the age of eighteen years, am of sound mind, am competent in all respects to make this affidavit, and the following facts are true and correct and within my personal knowledge as the District's Records Management Officer.


2. I am the custodian of records for the District. Attached to this affidavit is a copy of Resolution No. 18-15 of the District, which has been designated by the District as Exhibit C to the North Texas Municipal Water District's Original Petition for Expedited Declaratory Judgment. The record in Exhibit C is an official statement of the District and sets out the District's activities related to the above-styled matter. I hereby certify that the record bears the signature of the secretary and president of the District's Board of Directors at the time the record was made, that such signatories had the official capacity at that time, and that the signatures are genuine.

3. The record attached hereto is an original or exact duplicate of the original."

  
Rodney D. Rhoades

SWORN AND SUBSCRIBED TO before me on March 07, 2018.



  
Notary Public in and for the State of Texas

# **EXHIBIT D**

CERTIFICATE FOR RESOLUTION NO. 18-16

THE STATE OF TEXAS :  
COUNTIES OF COLLIN, DALLAS, KAUFMAN, AND ROCKWALL :  
NORTH TEXAS MUNICIPAL WATER DISTRICT :

We, the undersigned officers of the Board of Directors of North Texas Municipal Water District, hereby certify as follows:

1. The Board of Directors of North Texas Municipal Water District convened in REGULAR MEETING ON THE 22ND DAY OF MARCH, 2018, in the Board of Directors room at the District's principal office at Wylie, Collin County, Texas, and the roll was called of the duly constituted officers and members of said Board of Directors, to-wit:

- |                              |                   |
|------------------------------|-------------------|
| Robert Thurmond, President   | Joe Joplin        |
| John Sweeden, Vice President | James Kerr        |
| Don Gordon, Secretary        | Bill Lofland      |
| Terry Sam Anderson           | Jack May          |
| Phil Dyer                    | Wayne May         |
| Joe Farmer                   | John Murphy       |
| Marvin Fuller                | Charles McKissick |
| Bill Glass                   | Larry Parks       |
| Darrell Grooms               | David Paschall    |
| Rod Hogan                    | Richard Peasley   |
| David Hollifield             | Lynn Shuyler      |
| Dave Island                  | vacant            |
| Blair Johnson                |                   |

and all of said persons were present, except the following absentees: none, thus constituting a quorum. Whereupon, among other business, the following was transacted at said Meeting: a written

RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF NORTH TEXAS MUNICIPAL WATER DISTRICT WATER SYSTEM REVENUE REFUNDING BONDS, SERIES 2019; AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO

was duly introduced for the consideration of said Board and duly read. It was then duly moved and seconded that said Resolution be adopted; and, after due discussion, said motion, carrying with it the adoption of said Resolution, prevailed and carried by the following vote:

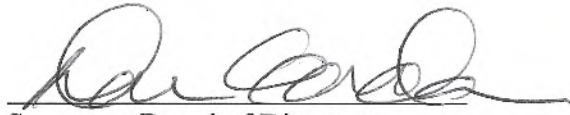


AYES: Each member of said Board of Directors shown present above voted "Aye".

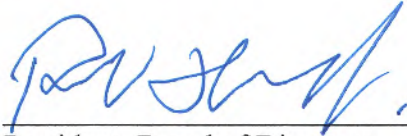
NOES: -0-.

2. That a true, full, and correct copy of the aforesaid Resolution adopted at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; that said Resolution has been duly recorded in said Board's minutes of said Meeting; that the above and foregoing paragraph is a true, full, and correct excerpt from said Board's minutes of said Meeting pertaining to the adoption of said Resolution; that the persons named in the above and foregoing paragraph are the duly chosen, qualified, and acting officers and members of said Board as indicated therein; and that each of the officers and members of said Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the aforesaid Meeting, and that said Resolution would be introduced and considered for adoption at said Meeting; and that said Meeting was open to the public, and public notice of the time, place, and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code.

SIGNED AND SEALED the 22nd day of March, 2018.



Secretary, Board of Directors



President, Board of Directors



RESOLUTION NO. 18-16

RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF NORTH TEXAS MUNICIPAL WATER DISTRICT WATER SYSTEM REVENUE REFUNDING BONDS, SERIES 2019; AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO

WHEREAS, North Texas Municipal Water District (the "Issuer") is a political subdivision of the State of Texas, being a conservation and reclamation district created and functioning under Article 16, Section 59 of the Texas Constitution, pursuant to Chapter 62, Acts of 1951, 52nd Legislature of Texas, Regular Session, as amended (the "Act"); and

WHEREAS, among other bonds, the Issuer has previously issued and there are presently outstanding the following described bonds:

North Texas Municipal Water District Water System Revenue Refunding and Improvement Bonds, Series 2009C, in the original principal amount of \$34,330,000, dated November 15, 2009 (the "Series 2009C Bonds"); and

North Texas Municipal Water District Water System Revenue, Taxable Series 2009D (Build America Bonds - Direct Payment), in the original principal amount of \$109,520,000, dated November 15, 2009 (the "Series 2009D Bonds")

WHEREAS, the Issuer now desires to issue refunding bonds to refund all or part of the outstanding Series 2009 Bonds (the "Refundable Bonds") and those Refundable Bonds designated by an Authorized Office in the Approval Certificate, each as defined herein, the "Refunded Bonds"; and

WHEREAS, the Issuer is authorized to issue the Series 2019 Bonds (hereinafter defined) pursuant to the District Act and Chapters 1207 and 1371, Texas Government Code, as amended, and other applicable laws; and

THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF NORTH TEXAS MUNICIPAL WATER DISTRICT THAT:

Section 1. AMOUNT AND PURPOSE OF THE BONDS. The bond or bonds of North Texas Municipal Water District (the "Issuer") are hereby authorized to be issued and delivered in the aggregate principal amount not to exceed \$105,000,000, for the purpose of providing funds for (i) REFUNDING THE REFUNDED BONDS; (ii) MAKING A DEPOSIT TO THE RESERVE FUND (HEREINAFTER DEFINED); AND (iii) PAYING THE COSTS OF ISSUANCE OF SUCH BONDS.

Section 2. DESIGNATION OF THE BONDS. Each bond issued pursuant to this Resolution shall be designated: "NORTH TEXAS MUNICIPAL WATER DISTRICT WATER SYSTEM REVENUE REFUNDING BOND, SERIES 2019", and initially there shall be issued, sold, and delivered hereunder a single fully registered bond, without interest coupons, payable in installments of principal (the "Initial Bond"), but the Initial Bond may be assigned and transferred and/or converted into and exchanged for a like aggregate principal amount of fully registered bonds, without

interest coupons, having serial maturities, and in the denomination or denominations of \$5,000 or any integral multiple of \$5,000, all in the manner hereinafter provided. The term "Bonds" as used in this Resolution shall mean and include collectively the Initial Bond and all substitute bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term "Bond" shall mean any of the Bonds.

Section 3. INITIAL DATE, DENOMINATION, NUMBER, MATURITIES, INITIAL REGISTERED OWNER, AND CHARACTERISTICS OF THE INITIAL BOND.

(a) As authorized by Chapters 1207 and 1371, Texas Government Code, as amended, the Executive Director, the Deputy Director (Finance and Personnel), and the Interim Deputy Director (Finance and Personnel) of the Issuer are each hereby designated as an "Authorized Officer" of the Issuer, and each is hereby authorized, appointed, and designated as the officer or employee of the Issuer authorized to act on behalf of the Issuer, which actions shall be evidenced by a certificate executed by such Authorized Officer (the "Approval Certificate") for a period not to extend beyond March 21, 2019 (which date may be extended by additional action of the Board to a date up to one year after such action), in the selling and delivering of the Bonds and carrying out the other procedures specified in this Resolution, including the use of a book-entry only system with respect to the Bonds and the execution of an appropriate letter of representations if deemed appropriate, the determining and fixing of the date and the date of delivery of the Bonds, any additional or different designation or title by which the Bond shall be known, the price at which the Bonds will be sold (but in no event less than 97% of the principal amount of the Bonds), the principal amount (not exceeding \$105,000,000) of the Bonds, the amount of each maturity of principal thereof, the due date of each such maturity (not exceeding forty years from the date of the Bonds), the rate of interest, to be borne by each such maturity (but in no event to result in the net effective interest rate on the Bonds exceeding 6.00%), the initial interest payment date, the date or dates of optional redemption thereof, any mandatory sinking fund redemption provisions, the procuring of bond insurance, if any, and approving modifications to this Resolution and executing such instruments, documents and agreements as may be necessary with respect thereto, and all other matters relating to the issuance, sale and delivery of the Bonds; provided that the refunding accomplished through the issuance of the Bonds must produce a present value debt service savings of at least 3.50% of the total principal amount of the Refunded Bonds, net of expenses and any Issuer contribution.

(b) The Initial Bond is hereby authorized to be issued, sold, and delivered hereunder as a single fully registered Bond, without interest coupons, in the denomination and aggregate principal amount set forth in the Approval Certificate (not exceeding \$105,000,000), numbered TR-1, payable in annual installments of principal to the initial registered owner thereof or to the registered assignee or assignees of said Bond or any portion or portions thereof (in each case, the "registered owner"), with the annual installments of principal of the Initial Bond to be payable on the dates, respectively, and in the principal amounts, respectively, and may and/or shall be prepaid or redeemed prior to the respective scheduled due dates of installments of principal thereof, all as set forth in the Approval Certificate.

(c) The Initial Bond (i) may and, if so provided in the Approval Certificate, shall be prepaid or paid on the respective scheduled due dates of installments of principal thereof, (ii) may

be assigned and transferred, (iii) may be converted and exchanged for other bonds, (iv) shall have the characteristics, and (v) shall be signed and sealed, and the principal of and interest on the Initial Bond shall be payable, all as provided, and in the manner required or indicated, in the FORM OF INITIAL BOND set forth in this Resolution.

Section 4. INTEREST. The unpaid principal balance of the Initial Bond shall bear interest from the date of the Initial Bond to the respective scheduled due dates, or to the respective dates of prepayment or redemption, of the installments of principal of the Initial Bond, and said interest shall be payable, all in the manner provided and at the rates and on the dates stated in the Approval Certificate and the FORM OF INITIAL BOND set forth in this Resolution.

Section 5. FORM OF INITIAL BOND. The form of the Initial Bond, including the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be endorsed on the Initial Bond, shall be substantially as follows:

FORM OF INITIAL BOND

NO. TR-1 \$ \_\_\_\_\_ \*

UNITED STATES OF AMERICA  
STATE OF TEXAS  
NORTH TEXAS MUNICIPAL WATER DISTRICT  
WATER SYSTEM REVENUE REFUNDING BOND,  
SERIES 2019

NORTH TEXAS MUNICIPAL WATER DISTRICT (the "Issuer"), being a political subdivision of the State of Texas, hereby promises to pay to \_\_\_\_\_\* or to the registered assignee or assignees of this Bond or any portion or portions hereof (in each case, the "registered owner") the aggregate principal amount of \_\_\_\_\_\* DOLLARS (\$ \_\_\_\_\_\*) in annual installments of principal due and payable on SEPTEMBER 1 in each of the years, and in the respective principal amounts, as set forth in the following schedule:

<u>Year*</u>	<u>Principal Amount*</u>	<u>Year*</u>	<u>Principal Amount*</u>
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and to pay interest, calculated on the basis of a 360-day year composed of twelve 30-day months, from the date of initial delivery to the Purchaser (as defined in the Bond Resolution (hereinafter defined)), on the balance of each such installment of principal, respectively, from time to time remaining unpaid, at the rates as follows:

\* From Approval Certificate.

Year\*      Rate\*      Year\*      Rate\*

with said interest being payable on each March 1 and September 1, commencing \_\_\_\_\_\*, while this Bond or any portion hereof is outstanding and unpaid.

THE INSTALLMENTS OF PRINCIPAL OF AND THE INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The installments of principal and the interest on this Bond are payable to the registered owner hereof through the services of THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION, in Dallas, Texas, which is the "Paying Agent/Registrar" for this Bond. Payment of all principal of and interest on this Bond shall be made by the Paying Agent/ Registrar to the registered owner hereof on each principal and/or interest payment date by check dated as of such date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the resolution authorizing the issuance of this Bond (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such principal and/or interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the 15th day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. The Issuer covenants with the registered owner of this Bond that on or before each principal and/or interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the Interest and Redemption Fund confirmed by the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on this Bond, when due.

IF THE DATE for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the City where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND has been authorized in accordance with the Constitution and laws of the State of Texas for the purpose of providing funds for (i) REFUNDING \$ \_\_\_\_\_\* IN PRINCIPAL AMOUNT OF THE ISSUER'S WATER SYSTEM REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2009C AND WATER SYSTEM REVENUE BONDS, TAXABLE SERIES 2009D (BUILD AMERICA BONDS - DIRECT PAYMENT); (ii) MAKING A DEPOSIT TO THE RESERVE FUND (DEFINED IN THE BOND RESOLUTION); AND (iii) PAYING THE COSTS OF ISSUANCE OF THIS BOND.

\* From Approval Certificate.

ON \_\_\_\_\_ 1, \_\_\_\_\*, or any date thereafter, the unpaid installments of principal of this Bond may be prepaid or redeemed prior to their scheduled due dates, at the option of the Issuer, with funds derived from any available source, as a whole, or in part, and, if in part, the Issuer shall select and designate the installment or installments of principal, and the amount that is to be redeemed, and if less than a whole principal installment is to be called, the Issuer shall direct the Paying Agent/Registrar to call by lot or other customary method of random selection the portion of the principal installment to be redeemed (only in an integral multiple of \$5,000), at the redemption price of the principal amount to be prepaid or redeemed, plus accrued interest to the date fixed for prepayment or redemption.

\*\*[THE PRINCIPAL INSTALLMENTS OF THIS BOND maturing on September 1, \_\_\_\_\_ and September 1, \_\_\_\_\_ are subject to mandatory prepayment or redemption prior to maturity in part, at a price equal to the principal amount of this Bond or portions hereof to be prepaid or redeemed plus accrued interest to the date of prepayment or redemption, on September 1 in the each of years and in the amounts as follows:

Principal Installment due on September 1, \_\_\_\_\_

<u>Years</u>	<u>Amounts</u>
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Principal Installment due on September 1, \_\_\_\_\_

<u>Years</u>	<u>Amounts</u>
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The amount of any principal installment of this Bond required to be prepaid or redeemed pursuant to the operation of such mandatory prepayment or redemption provisions shall be reduced, at the option and direction of the Issuer, by the principal amount of such principal installment of this Bond which, at least 50 days prior to the mandatory prepayment or redemption date (1) shall have been acquired by the Issuer at a price not exceeding such principal amount plus accrued interest to the date of purchase thereof, (2) shall have been purchased by the Paying Agent/Registrar at the request of the Issuer at a price not exceeding such principal amount plus accrued interest to the date of purchase, or (3) shall have been prepaid or redeemed pursuant to the optional prepayment or redemption provisions and not theretofore credited against a mandatory prepayment or redemption requirement.]

\* From Approval Certificate.

\*\* From Approval Certificate, if applicable.

AT LEAST 30 days prior to the date fixed for any such prepayment or redemption a written notice of such prepayment or redemption shall be mailed by the Paying Agent/Registrar to the registered owner hereof. By the date fixed for any such prepayment or redemption due provision shall be made by the Issuer with the Paying Agent/Registrar for the payment of the required prepayment or redemption price for this Bond or the portion hereof which is to be so prepaid or redeemed, plus accrued interest thereon to the date fixed for prepayment or redemption. If such written notice of prepayment or redemption is given, and if due provision for such payment is made, all as provided above, this Bond, or the portion thereof which is to be so prepaid or redeemed, thereby automatically shall be treated as prepaid or redeemed prior to its scheduled due date, and shall not bear interest after the date fixed for its prepayment or redemption, and shall not be regarded as being outstanding except for the right of the registered owner to receive the prepayment or redemption price plus accrued interest to the date fixed for prepayment or redemption from the Paying Agent/Registrar out of the funds provided for such payment. The Paying Agent/Registrar shall record in the Registration Books all such prepayments or redemptions of principal of this Bond or any portion hereof.

THIS BOND, to the extent of the unpaid principal balance hereof, or any unpaid portion hereof in any integral multiple of \$5,000, may be assigned by the initial registered owner hereof and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Resolution. Among other requirements for such transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar for cancellation, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment by the initial registered owner of this Bond, or any portion or portions hereof in any integral multiple of \$5,000, to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be transferred and registered. Any instrument or instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Bond or any such portion or portions hereof by the initial registered owner hereof. A new bond or bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds) or to the initial registered owner as to any portion of this Bond which is not being assigned and transferred by the initial registered owner, shall be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond or any portion or portions hereof, but solely in the form and manner as provided in the next paragraph hereof for the conversion and exchange of this Bond or any portion hereof. The registered owner of this Bond shall be deemed and treated by the Issuer and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

AS PROVIDED above and in the Bond Resolution, this Bond, to the extent of the unpaid principal balance hereof, may be converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the assignee or assignees duly designated in writing by the initial registered owner hereof, or to the initial registered owner as to any portion of this Bond which is not being assigned and transferred by the initial registered owner, in any denomination or denominations in any integral multiple of \$5,000 (subject to the requirement



hereinafter stated that each substitute bond issued in exchange for any portion of this Bond shall have a single stated principal maturity date), upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Resolution. If this Bond or any portion hereof is assigned and transferred or converted each bond issued in exchange for any portion hereof shall have a single stated principal maturity date corresponding to the due date of the installment of principal of this Bond or portion hereof for which the substitute bond is being exchanged, and shall bear interest at the rate applicable to and borne by such installment of principal or portion thereof. No such bond shall be payable in installments, but shall have only one stated principal maturity date. AS PROVIDED IN THE BOND RESOLUTION, THIS BOND IN ITS PRESENT FORM MAY BE ASSIGNED AND TRANSFERRED OR CONVERTED ONCE ONLY, and to one or more assignees, but the bonds issued and delivered in exchange for this Bond or any portion hereof may be assigned and transferred, and converted, subsequently, as provided in the Bond Resolution. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging this Bond or any portion thereof, but the one requesting such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make any such assignment, conversion, or exchange 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.

IN THE EVENT any Paying Agent/Registrar for this Bond is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Bond Resolution that it promptly will appoint a competent and legally qualified substitute therefor, and promptly will cause written notice thereof to be mailed to the registered owner of this Bond.

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, sold, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that this Bond is a special obligation of the Issuer which, together with other bonds, are secured by and payable from a first lien on and pledge of the "Pledged Revenues" as defined in the Bond Resolution, which include the "Net Revenues of the District's Water System", as defined in the Bond Resolution, including specifically revenues derived pursuant to existing water supply contracts between the Issuer and the Cities of Allen, Farmersville, Forney, Frisco, Garland, McKinney, Mesquite, Plano, Princeton, Richardson, Rockwall, Royse City, and Wylie, Texas, which cities are currently the Member Cities constituting the territory and boundaries of the Issuer, water supply contracts relating to the District's Water System with any other cities which hereafter may become Member Cities, and water supply contracts with other cities and customers in connection with the District's Water System.

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 this Bond.

THE ISSUER also has reserved the right to amend the Bond Resolution with the approval of the registered owners of 51% in principal amount of all outstanding bonds secured by and payable from a first lien on and pledge of the "Pledged Revenues".

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

BY BECOMING the registered owner of this Bond, the registered owner thereby acknowledges all of the terms and provisions of the Bond Resolution, agrees to be bound by such terms and provisions, acknowledges that the Bond Resolution is duly recorded and available for inspection in the official minutes and records of the governing body of the Issuer, and agrees that the terms and provisions of this Bond and the Bond Resolution constitute a contract between the registered owner hereof and the Issuer.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed with the manual or facsimile signature of the President of the Board of Directors of the Issuer and countersigned with the manual or facsimile signature of the Secretary of the Board of Directors of the Issuer, has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Bond, and has caused this Bond to be dated \_\_\_\_\_\*, 2019.

\_\_\_\_\_  
xxxxx  
Secretary, Board of Directors,  
North Texas Municipal Water District

\_\_\_\_\_  
xxxxx  
President, Board of Directors,  
North Texas Municipal Water District

(DISTRICT SEAL)

FORM OF REGISTRATION CERTIFICATE OF THE  
COMPTROLLER OF PUBLIC ACCOUNTS:

COMPTROLLER'S REGISTRATION CERTIFICATE:

REGISTER NO.

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Bond has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this

\_\_\_\_\_  
Comptroller of Public Accounts of the State of Texas

(COMPTROLLER'S SEAL)

\* From Approval Certificate.

Section 6. ADDITIONAL CHARACTERISTICS OF THE BONDS. Registration and Transfer. (a) The Issuer shall keep or cause to be kept at the principal corporate trust office of THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION, in Dallas, Texas (the "Paying Agent/Registrar") books or records of the registration and transfer of the Bonds (the "Registration Books"), and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such transfers and registrations under such reasonable regulations as the Issuer and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such transfers and registrations as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Issuer shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. Registration of each Bond may be transferred in the Registration Books only upon presentation and surrender of such Bond to the Paying Agent/Registrar for transfer of registration and cancellation, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing (i) the assignment of the Bond, or any portion thereof in any integral multiple of \$5,000, to the assignee or assignees thereof, and (ii) the right of such assignee or assignees to have the Bond or any such portion thereof registered in the name of such assignee or assignees. Upon the assignment and transfer of any Bond or any portion thereof, a new substitute Bond or Bonds shall be issued in conversion and exchange therefor in the manner herein provided. The Initial Bond, to the extent of the unpaid principal balance thereof, may be assigned and transferred by the initial registered owner thereof once only, and to one or more assignees designated in writing by the initial registered owner thereof. All Bonds issued and delivered in conversion of and exchange for the Initial Bond shall be in any denomination or denominations of any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Bond shall have a single stated principal maturity date), shall be in the form prescribed in the FORM OF SUBSTITUTE BOND set forth in this Resolution, and shall have the characteristics, and may be assigned, transferred, and converted as hereinafter provided. If the Initial Bond or any portion thereof is assigned and transferred or converted the Initial Bond must be surrendered to the Paying Agent/Registrar for cancellation, and each Bond issued in exchange for any portion of the Initial Bond shall have a single stated principal maturity date, and shall not be payable in installments; and each such Bond shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Bond is being exchanged; and each such Bond shall bear interest at the single rate applicable to and borne by such installment of principal or portion thereof for which it is being exchanged. If only a portion of the Initial Bond is assigned and transferred, there shall be delivered to and registered in the name of the initial registered owner substitute Bonds in exchange for the unassigned balance of the Initial Bond in the same manner as if the initial registered owner were the assignee thereof. If any Bond or portion thereof other than the Initial Bond is assigned and transferred or converted each Bond issued in exchange therefor shall have the same principal maturity date and bear interest at the same rate as the Bond for which it is exchanged. A form of assignment shall be printed or endorsed on each Bond, excepting the Initial Bond, which shall be

executed by the registered owner or its duly authorized attorney or representative to evidence an assignment thereof. Upon surrender of any Bonds or any portion or portions thereof for transfer of registration, an authorized representative of the Paying Agent/Registrar shall make such transfer in the Registration Books, and shall deliver a new fully registered substitute Bond or Bonds, having the characteristics herein described, payable to such assignee or assignees (which then will be the registered owner or owners of such new Bond or Bonds), or to the previous registered owner in case only a portion of a Bond is being assigned and transferred, all in conversion of and exchange for said assigned Bond or Bonds or any portion or portions thereof, in the same form and manner, and with the same effect, as provided in Section 6(d), below, for the conversion and exchange of Bonds by any registered owner of a Bond. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer and delivery of a substitute Bond or Bonds, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of any Bond or any portion thereof (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, (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

(b) Ownership of Bonds. The entity in whose name any Bond shall be registered in the Registration Books at any time shall be deemed and treated as the absolute owner thereof for all purposes of this Resolution, whether or not such Bond shall be overdue, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary; and payment of, or on account of, the principal of, premium, if any, and interest on any such Bond shall be made only to such registered owner. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(c) Payment of Bonds and Interest. The Issuer hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Bonds, and to act as its agent to convert and exchange or replace Bonds, all as provided in this Resolution. The Paying Agent/Registrar shall keep proper records of all payments made by the Issuer and the Paying Agent/Registrar with respect to the Bonds, and of all conversions and exchanges of Bonds, and all replacements of Bonds, as provided in this Resolution.

(d) Conversion and Exchange or Replacement; Authentication. Each Bond issued and delivered pursuant to this Resolution, to the extent of the unpaid principal balance or principal amount thereof, may, upon surrender of such Bond at the principal corporate trust office of the Paying Agent/Registrar, together with a written request therefor duly executed by the registered owner or the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, may, at the option of the registered owner or such assignee or assignees, as appropriate, be converted into and exchanged for fully registered bonds, without interest coupons, in the form prescribed in the FORM OF SUBSTITUTE BOND set forth in this Resolution, in the denomination of \$5,000, or any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Bond shall have a single stated maturity date), as requested in writing by such registered owner or such assignee or assignees, in an aggregate principal amount equal to the unpaid principal balance or principal

amount of any Bond or Bonds so surrendered, and payable to the appropriate registered owner, assignee, or assignees, as the case may be. If the Initial Bond is assigned and transferred or converted each substitute Bond issued in exchange for any portion of the Initial Bond shall have a single stated principal maturity date, and shall not be payable in installments; and each such Bond shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Bond is being exchanged; and each such Bond shall bear interest at the single rate applicable to and borne by such installment of principal or portion thereof for which it is being exchanged. If any Bond or portion thereof (other than the Initial Bond) is assigned and transferred or converted, each Bond issued in exchange therefor shall have the same principal maturity date and bear interest at the same rate as the Bond for which it is being exchanged. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond. The Paying Agent/Registrar shall convert and exchange or replace Bonds as provided herein, and each fully registered bond delivered in conversion of and exchange for or replacement of any Bond or portion thereof as permitted or required by any provision of this Resolution shall constitute one of the Bonds for all purposes of this Resolution, and may again be converted and exchanged or replaced. It is specifically provided that any Bond authenticated in conversion of and exchange for or replacement of another Bond on or prior to the first scheduled Record Date for the Initial Bond shall bear interest from the date of the Initial Bond, but each substitute Bond so authenticated after such first scheduled Record Date shall bear interest from the interest payment date next preceding the date on which such substitute Bond was so authenticated, unless such Bond is authenticated after any Record Date but on or before the next following interest payment date, in which case it shall bear interest from such next following interest payment date; provided, however, that if at the time of delivery of any substitute Bond the interest on the Bond for which it is being exchanged is due but has not been paid, then such Bond shall bear interest from the date to which such interest has been paid in full. THE INITIAL BOND issued and delivered pursuant to this Resolution is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Bond issued in conversion of and exchange for or replacement of any Bond or Bonds issued under this Resolution there shall be printed a certificate, in the form substantially as follows:

"PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been issued under the provisions of the Bond Resolution described in this Bond; and that this Bond has been issued in conversion of and exchange for or replacement of a bond, bonds, or a portion of a bond or bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, NATIONAL ASSOCIATION  
Paying Agent/Registrar

Dated

\_\_\_\_\_  
Authorized Representative"

An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign the above Certificate, and no such Bond shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all Bonds surrendered for conversion and exchange or replacement. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the Issuer or any other body or person so as to accomplish the foregoing conversion and exchange or replacement of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and said Bonds shall be of type composition printed on paper with lithographed or steel engraved borders of customary weight and strength. Pursuant to Section 1201.067, Texas Government Code, the duty of conversion and exchange or replacement of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of the above Paying Agent/Registrar's Authentication Certificate, the converted and exchanged or replaced Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Initial Bond which originally was issued pursuant to this Resolution, approved by the Attorney General, and registered by the Comptroller of Public Accounts. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging any Bond or any portion thereof, but the one requesting any such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange. The Paying Agent/Registrar shall not be required to make any such conversion and exchange or replacement of Bonds or any portion thereof (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, (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

(e) In General. All Bonds issued in conversion and exchange or replacement of any other Bond or portion thereof, (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Bonds to be payable only to the registered owners thereof, (ii) may be transferred and assigned, (iii) may be converted and exchanged for other Bonds, (iv) shall have the characteristics, (v) shall be signed and sealed, and (vi) the principal of and interest on the Bonds shall be payable, all as provided, and in the manner required or indicated, in the FORM OF SUBSTITUTE BOND set forth in this Resolution.

(f) Payment of Fees and Charges. The Issuer hereby covenants with the registered owners of the Bonds that it will (i) pay the standard or customary fees and charges of the Paying Agent/Registrar for its services with respect to the payment of the principal of and interest on the Bonds, when due, and (ii) pay the fees and charges of the Paying Agent/Registrar for services with respect to the transfer of registration of Bonds, and with respect to the conversion and exchange of Bonds solely to the extent above provided in this Resolution.

(g) Substitute Paying Agent/Registrar. The Issuer covenants with the registered owners of the Bonds that at all times while the Bonds are outstanding the Issuer will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of Paying Agent/Registrar for the Bonds under this Resolution, and that the Paying

Agent/Registrar will be one entity. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Issuer covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Resolution. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the Issuer. Upon any change in the Paying Agent/Registrar, the Issuer promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Resolution, and a certified copy of this Resolution shall be delivered to each Paying Agent/Registrar.

Section 7. FORM OF SUBSTITUTE BONDS. The form of all Bonds issued in conversion and exchange or replacement of any other Bond or portion thereof, including the form of Paying Agent/Registrar's Certificate to be printed on each of such Bonds, and the Form of Assignment to be printed on each of the Bonds, shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Resolution.

#### FORM OF SUBSTITUTE BOND

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation (together with any successor security depository appointed pursuant to the Indenture referred to herein, "DTC") to the Trustee named herein or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

As provided in the Indenture, until the termination of the system of book-entry only transfers through DTC, and notwithstanding any other provision of the Indenture to the contrary, this Bond may be transferred, in whole but not in part, only to a nominee of DTC, or by a nominee of DTC to DTC or a nominee of DTC, or by DTC or a nominee of DTC to any successor securities depository or any nominee thereof.

NO. R-\_\_\_\_

PRINCIPAL AMOUNT  
\$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF TEXAS  
NORTH TEXAS MUNICIPAL WATER DISTRICT  
WATER SYSTEM REVENUE REFUNDING BOND,  
SERIES 2019

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>ISSUE DATE</u>	<u>CUSIP NO.</u>
%		_____, 2019	

ON THE MATURITY DATE specified above NORTH TEXAS MUNICIPAL WATER DISTRICT (the "Issuer"), being a political subdivision of the State of Texas, hereby promises to pay to CEDE & CO., or to the registered assignee hereof (either being hereinafter called the "registered owner") the principal amount of \_\_\_\_\_ and to pay interest thereon, calculated on the basis of a 360-day year composed of twelve 30-day months, from the Issue Date specified above, to the Maturity Date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above; with interest being payable semiannually on each March 1 and September 1, commencing \_\_\_\_\_\*, except that if the date of authentication of this Bond is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity, at the principal corporate trust office of THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION, in Dallas, Texas, which is the "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the resolution authorizing the issuance of the Bonds (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the 15th day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. However, notwithstanding the foregoing provisions, the payment of such interest may be made by any other method acceptable to the Paying Agent/Registrar and requested

\* Date of delivery to the Purchaser (as defined in Section 31 of this Resolution).



by, and at the risk and expense of, the registered owner hereof. Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner at the principal corporate trust office of the Paying Agent/Registrar upon presentation and surrender of this Bond for redemption and payment at the principal corporate trust office of the Paying Agent/Registrar. The Issuer covenants with the registered owner of this Bond that on or before each principal payment date, interest payment date, and accrued interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the Interest and Redemption Fund confirmed by the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due.

IF THE DATE for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the City where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND is one of an issue of Bonds initially dated \_\_\_\_\_\*, 2019, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$\_\_\_\_\_\* for the purpose of (i) REFUNDING \$\_\_\_\_\_\* IN PRINCIPAL AMOUNT OF THE ISSUER'S WATER SYSTEM REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2009C AND WATER SYSTEM REVENUE BONDS, TAXABLE SERIES 2009D (BUILD AMERICA BONDS - DIRECT PAYMENT); (ii) MAKING A DEPOSIT TO THE RESERVE FUND (DEFINED IN THE BOND RESOLUTION); AND (iii) PAYING THE COSTS OF ISSUANCE OF THE BONDS.

ON \_\_\_\_\_ 1, \_\_\_\_\*, or any date thereafter, the Bonds may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available source, as a whole, or in part, and, if in part, the Issuer shall select and designate the maturity, or maturities, and the amount that is to be redeemed, and if less than a whole maturity is to be redeemed, the Issuer shall direct the Paying Agent/Registrar to call by lot or other customary method of random selection the Bonds or portions thereof to be redeemed (provided that the Bonds to be redeemed only in integral multiples of \$5,000), at the redemption price of the principal amount of the Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

\*\*[THE BONDS maturing on September 1, \_\_\_\_ and September 1, \_\_\_\_ (the "Term Bonds") are subject to mandatory redemption prior to maturity in part, by lot or other customary random method selected by the Paying Agent/Registrar, at a redemption price equal to the principal amount of the Term Bonds or portions thereof to be redeemed plus accrued interest to the redemption date, on September 1 in each of the years and in the principal amounts as follows:

Term Bonds maturing on September 1, \_\_\_\_\_

Years

Amounts

\* From Approval Certificate.

\*\* If applicable, from Approval Certificate.

Term Bonds maturing on September 1, \_\_\_\_\_

Years

Amounts

The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option and direction of the Issuer, by the principal amount of the Term Bonds of such maturity which, at least 50 days prior to the mandatory redemption date (1) shall have been acquired by the Issuer at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Issuer at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.]

DURING ANY PERIOD in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Issuer and the securities depository.

AT LEAST 30 days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity at the option of the Issuer, a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, to the registered owner appearing on the Registration Books at the close of business on the day next preceding the date of mailing of such notice; provided, however, that any notice so mailed shall be conclusively presumed to have been duly given and the failure to receive such notice, or any defect therein shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond at the option of the Issuer. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed, plus accrued interest thereon to the date fixed for redemption. If such written notice of redemption is mailed and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price plus accrued interest from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Bond shall be redeemed a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Issuer, all as provided in the Bond Resolution.

THIS BOND OR ANY PORTION OR PORTIONS HEREOF IN ANY INTEGRAL MULTIPLE OF \$5,000 may be assigned and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Resolution. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be transferred and registered. The form of Assignment printed or endorsed on this Bond shall be executed by the registered owner or its duly authorized attorney or representative, to evidence the assignment hereof. A new Bond or Bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds), or to the previous registered owner in the case of the assignment and transfer of only a portion of this Bond, may be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond, all in the form and manner as provided in the next paragraph hereof for the conversion and exchange of other Bonds. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of this Bond or any portion hereof 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. The registered owner of this Bond shall be deemed and treated by the Issuer and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

ALL BONDS OF THIS SERIES are issuable solely as fully registered bonds, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Bond Resolution, this Bond may, at the request of the registered owner or the assignee or assignees hereof, be converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the appropriate registered owner, assignee, or assignees, as the case may be, having the same maturity date, and bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000 as requested in writing by the appropriate registered owner, assignee, or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Resolution. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging any Bond or any portion thereof, but the one requesting such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange. The Paying Agent/Registrar shall not be required to make any such conversion and exchange 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.

IN THE EVENT any Paying Agent/Registrar for the Bonds is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Bond Resolution that it promptly will appoint a competent and legally qualified substitute therefor, and promptly will cause written notice thereof to be mailed to the registered owners of the Bonds.

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, sold, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that this Bond is a special obligation of the Issuer which, together with other bonds, are secured by and payable from a first lien on and pledge of the "Pledged Revenues" as defined in the Bond Resolution, which include the "Net Revenues of the District's Water System", as defined in the Bond Resolution, including specifically revenues derived pursuant to existing water supply contracts between the Issuer and the Cities of Allen, Farmersville, Forney, Frisco, Garland, McKinney, Mesquite, Plano, Princeton, Richardson, Rockwall, Royse City, and Wylie, Texas, which cities are currently the Member Cities constituting the territory and boundaries of the Issuer, water supply contracts relating to the District's Water System with any other cities which hereafter may become Member Cities, and water supply contracts with other cities and customers in connection the District's Water System.

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 this Bond and series of which it is a part.

THE ISSUER also has reserved the right to amend the Bond Resolution with the approval of the registered owners of 51% in principal amount of all outstanding bonds secured by and payable from a first lien on and pledge of the "Pledged Revenues".

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

BY BECOMING the registered owner of this Bond, the registered owner thereby acknowledges all of the terms and provisions of the Bond Resolution, agrees to be bound by such terms and provisions, acknowledges that the Bond Resolution is duly recorded and available for inspection in the official minutes and records of the governing body of the Issuer, and agrees that the terms and provisions of this Bond and the Bond Resolution constitute a contract between each registered owner hereof and the Issuer.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed with the manual or facsimile signature of the President of the Board of Directors of the Issuer and attested and counter-signed with the manual or facsimile signature of the Secretary of the Board of Directors of the Issuer, and has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Bond.

\_\_\_\_\_  
XXXXXX  
Secretary, Board of Directors  
North Texas Municipal Water District

\_\_\_\_\_  
XXXXXX  
President, Board of Directors  
North Texas Municipal Water District

(DISTRICT SEAL)

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been issued under the provisions of the Bond Resolution described in this Bond; and that this Bond has been issued in conversion of and exchange for or replacement of a bond, bonds, or a portion of a bond or bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, NATIONAL ASSOCIATION  
Paying Agent/Registrar

Dated :

\_\_\_\_\_  
Authorized Representative

FORM OF ASSIGNMENT

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

Please Insert Social Security or  
Other Identifying Number of Assignee

/ \_\_\_\_\_ /

\_\_\_\_\_  
(Name and Address of Assignee)

the within Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_  
to transfer said Bond on the books kept for registration thereof with full power of substitution in the  
premises.

Date: \_\_\_\_\_

Signature Guaranteed: \_\_\_\_\_

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever; and

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in a Securities Transfer Association recognized signature guarantee program.

Section 8. ADDITIONAL DEFINITIONS. That as used in this Resolution the following terms shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

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

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

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

The term "Bonds" means collectively the Initial Bond as described and defined in Sections 1 and 2 of this Resolution, and all substitute bonds exchanged therefor as well as all other substitute and replacement bonds issued pursuant to this Resolution.

The term "Contracts" shall mean collectively: (a) the original separate water supply contracts between the Issuer and each of the current Member Cities, respectively, and all amendments thereto, with each of said contracts initially having been authorized at elections held in each of the current Member Cities, respectively, on December 5, 1953, except for (i) such contract with the City of Richardson, which is dated April 7, 1965, and was amended on July 2, 1973, and modified in October, 1973, (ii) such contract with the City of Allen, Texas, which is dated as of October 1, 1998 (the "Allen Contract"), and (iii) such contract with the City of Frisco, Texas, which is dated as of October 1, 2001 (the "Frisco Contract"), as all of said contracts (except the Allen Contract and the Frisco Contract, which have not been amended or modified since the respective dates thereof), as amended, have been further amended, modified, combined, consolidated, and wholly replaced by a single "North Texas Municipal Water District Regional Water Supply Facilities Amendatory Contract" dated as of August 1, 1988, executed between the Issuer and each of such Member Cities, (b) any water supply contracts relating to the System with any other cities which hereafter may become Member Cities, and (c) all water supply contracts between the Issuer and other cities and customers in connection the District's Water System.

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

The terms "District's System" and "System" shall mean all of the Issuer's existing water storage, treatment, transportation, distribution, and supply facilities, and other properties, which heretofore have been acquired or constructed with the proceeds from the sale of all bonds or other 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 the Parity Bonds and any Additional Bonds or money from the Contingency Fund (hereinafter described) or any water supply facilities 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 and replacements of the System. Said terms do not include any Issuer facilities which provide waste treatment or disposal or other wastewater services of any kind. Said terms do not include any facilities acquired or constructed by the Issuer with any proceeds from the issuance of "Special Facilities Bonds," which are hereby defined as being revenue obligations of the Issuer 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 purposes 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 Issuer from the operation and/or ownership of the System, including specifically all payments and amounts received by the Board or the Issuer from the Contracts, and all investments, interest, and income from any Fund created pursuant to this Resolution.

The term "Member Cities" shall mean collectively the Cities of Allen, Farmersville, Forney, Frisco, Garland, McKinney, Mesquite, Plano, Princeton, Richardson, Rockwall, Royse City, and Wylie, Texas, together with all cities which hereafter may become Member Cities as provided in the Act.

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

The term "Operation and Maintenance Expense of the System" shall mean all costs of operation and maintenance of the System including, but not limited to, repairs and replacements, operating personnel, the cost of utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, and any other supplies, services, administrative costs, and equipment necessary for proper operation and maintenance of the System, payments to any public or private entity made for the purchase of water, storage right, or other interests in water, or for the use or operation of any property or facilities, payments to the United States of America with respect to the operation, maintenance, and use of Lavon Dam and Reservoir and/or any other reservoirs or facilities in connection with the Issuer's sources of water for the System, and payments made by the Issuer in satisfaction of judgments or other liabilities resulting from claims not covered by Issuer's insurance. Depreciation shall not be considered an item of Operation and Maintenance Expense.

The term "Parity Bonds" shall mean, collectively, (i) the Bonds, (ii) the outstanding North Texas Municipal Water District Water System Revenue Bonds, Series 2008 (the "Series 2008 Bonds"), dated as of June 15, 2008, authorized by a resolution of the Board on June 26, 2008 (the "Series 2008 Bond Resolution"), (iii) the outstanding North Texas Municipal Water District Water System Revenue Bonds, Series 2009A (the "Series 2009A Bonds"), dated as of March 1, 2009, authorized by a resolution of the Board on February 24, 2009 (the "Series 2009A Bond Resolution"), (iv) the outstanding North Texas Municipal Water District Water System Revenue Bonds, Series 2009B (the "Series 2009B Bonds"), dated as of July 15, 2009, authorized by a resolution of the Board on July 23, 2009 (the "Series 2009B Bond Resolution"), (v) the outstanding North Texas Municipal Water District Water System Revenue Refunding and Improvement Bonds, Series 2009C (the "Series 2009C Bonds"), dated as of November 15, 2009, authorized by a resolution of the Board on October 22, 2009 (the "Series 2009C Bond Resolution"), (vi) the outstanding North Texas Municipal Water District Water System Revenue Bonds, Taxable Series 2009D (Build America Bonds - Direct Payment) (the "Series 2009D Bonds"), dated as of November 15, 2009, authorized by a resolution of the Board on October 22, 2009 (the "Series 2009D Bond Resolution"), (vii) the North Texas Municipal Water District Water System Revenue Bonds, Series 2010 (the "Series 2010 Bonds"), dated March 15, 2010, authorized by a resolution of the Board on October 28, 2010 (the "Series 2010 Bond Resolution"), (viii) the North Texas Municipal Water District Water System Revenue Bonds, Taxable Series 2010A (Build America Bonds - Direct Payment) (the "Series 2010A Bonds"), dated March 15, 2010, authorized by a resolution of the Board on October 28, 2010 (the "Series 2010A Bond Resolution"), (ix) the North Texas Municipal Water District Water System Revenue Refunding and Improvement Bonds, Series 2012 (the "Series 2012 Bonds"), dated as of June 15, 2012, authorized by a resolution of the Board on June 28, 2012 (the "Series 2012 Bond Resolution"), (x) the North Texas Municipal Water District Water System Revenue Refunding and Improvement Bonds, Series 2014 (the "Series 2014 Bonds"), dated as of June 15, 2014, authorized by a resolution of the Board on June 26, 2014 (the "Series 2014 Bond Resolution"), (xi) the North Texas Municipal Water District Water System Revenue Refunding and Improvement Bonds, Series 2015 (the "Series 2015 Bonds"), dated as of April 15, 2015, authorized by a resolution of the Board on April 23, 2015 (the "Series 2015 Bond Resolution"), (xii) the North Texas Municipal Water District Water System Revenue Refunding and Improvement Bonds, Series 2016 (the "Series 2016 Bonds"), dated as of October 15, 2016, authorized by a resolution of the Board on October 27, 2016 (the "Series 2016 Bond Resolution"), (xiii) the North Texas Municipal Water District Water System Revenue Bonds, Series 2017 (the "Series 2017 Bonds"), authorized by a resolution of the Board on June 22, 2017 (the "Series 2017 Bond Resolution"), (xiv) the North Texas Municipal Water District Water System Revenue Bonds, Series 2018 (the "Series 2018 Bonds"), authorized by a resolution of the Board on June 22, 2017 (the "Series 2018 Bond Resolution"), (xv) the North Texas Municipal Water District Water System Revenue Bonds, Series 2018A (the "Series 2018A Bonds"), authorized by a resolution of the Board on March 22, 2018 (the "Series 2018 Bond Resolution"), and (xvi) the North Texas Municipal Water District Water System Revenue Bonds, Series 2019 (the "Series 2019 Bonds"), authorized by a resolution of the Board on March 22, 2018 (the "Series 2019 Bond Resolution").

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



The term "year" or "fiscal year" shall mean the Issuer's fiscal year, which currently begins on October 1 of each calendar year, but which subsequently may be any other 12 month period hereafter established by the Issuer as a fiscal year for the purposes of any resolution authorizing the Bonds or any Additional Bonds.

Section 9. PLEDGE. (a) The Bonds authorized by this Resolution are hereby designated as, and shall be, "Additional Bonds" as permitted by Sections 22 and 23, respectively, of the Series 2008 Bond Resolution, the Series 2009A Bond Resolution, the Series 2009B Bonds Resolution, the Series 2009C Bond Resolution, the Series 2009D Bond Resolution, the Series 2010 Bond Resolution, the Series 2010A Bond Resolution, the Series 2012 Bond Resolution, the Series 2014 Bond Resolution, the Series 2015 Bond Resolution, the Series 2016 Bond Resolution, the Series 2017 Bond Resolution, the Series 2018 Bond Resolution, the Series 2018A Bond Resolution, and the Series 2019 Bond Resolution and it is hereby determined, declared, and resolved that all of the Parity Bonds, including the Bonds authorized by this Resolution, are and shall be secured and payable equally and ratably on a parity, and that Sections 8 through 26 of this Resolution substantially restate and are supplemental to and cumulative of the applicable and pertinent provisions of the resolutions authorizing the issuance of the previously issued Parity Bonds, respectively, with Sections 8 through 26 of this Resolution being equally applicable to all of the Parity Bonds, including the Bonds.

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

Section 10. REVENUE FUND. There has been created and established and there shall be maintained on the books of the Issuer, and accounted for separate and apart from all other funds of the Issuer, a special fund to be entitled the "North Texas Municipal Water District Water System Revenue Refunding and Improvement Bonds Revenue Fund" (hereinafter called the "Revenue Fund"). All Gross Revenues of the System (excepting the investment interest and income from the Interest and Redemption Fund, the Reserve Fund, and the Contingency Fund) 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.

Section 11. INTEREST AND REDEMPTION FUND. For the sole purpose of paying the principal of and interest on all outstanding Parity Bonds and any Additional Bonds, as the same come due, there has been created and established and there shall be maintained at The Bank of New York Mellon Trust Company, National Association, or at the option of the Issuer at any time hereafter, established and maintained at any national bank having a capital and surplus in excess of \$25,000,000, a separate fund to be entitled the "North Texas Municipal Water District Water System Revenue Refunding and Improvement Bonds Interest and Redemption Fund" (hereinafter called the "Interest and Redemption Fund").

Section 12. RESERVE FUND. There has been created and established, and there shall be maintained at The Bank of New York Mellon Trust Company, National Association, or at the option of the Issuer at any time hereafter, established and maintained at any national bank having a capital and surplus in excess of \$25,000,000, a separate fund to be entitled the "North Texas Municipal Water District Regional Water System Revenue Refunding and Improvement Bonds Reserve Fund" (hereinafter called the "Reserve Fund"). The Reserve Fund shall be used solely for the purpose of finally retiring the last of the outstanding Parity Bonds and Additional Bonds, or for paying principal of and interest on any outstanding Parity Bonds and Additional Bonds, when and to the extent the amount in the Interest and Redemption Fund is insufficient for such purpose.

Section 13. CONTINGENCY FUND. There has been created and established, and there shall be maintained at The Bank of New York Mellon Trust Company, National Association, or at the option of the Issuer at any time hereafter, established and maintained at any national bank having a capital and surplus in excess of \$25,000,000, a separate fund to be entitled the "North Texas Municipal Water District Water System Revenue Refunding and Improvement Bonds Contingency Fund" (hereinafter called the "Contingency Fund"). The Contingency Fund shall be used solely for the purpose of paying the costs of improvements, enlargements, extensions, or additions to the System, and unexpected or extraordinary repairs or 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 Parity Bonds or Additional Bonds, when and to the extent the amount in the Interest and Redemption Fund is insufficient for such purpose

Section 14. DEPOSITS OF PLEDGED REVENUES; INVESTMENTS. (a) 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 Resolution.

(b) Money in any Fund established or maintained pursuant to the this Resolution may, at the option of the Issuer, be placed in secured time deposits or secured certificates of deposit, or be invested in direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed by such governmental agencies as the Federal Home Loan Banks, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Association, or Small Business Administration; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund will be available at the proper time or times. Such investments shall be valued in terms of current market value as of the 20th day of August of each year. Interest and income derived from such deposits and investments shall be credited to the Fund from which the deposit or investment was made. Such investments shall be sold promptly when necessary to prevent any default in connection with the Parity Bonds or Additional Bonds.

Section 15. FUNDS SECURED. Money in all Funds described in this Resolution, to the extent not invested, shall be secured in the manner prescribed by law for securing funds of the Issuer.

Section 16. DEBT SERVICE REQUIREMENTS. (a) Promptly after the delivery of the Initial Bond the Issuer shall cause to be deposited to the credit of the Interest and Redemption Fund, from the proceeds received from the sale and delivery of the Initial Bond, all accrued interest, if any, to be used to pay part of the interest coming due on the Bonds.

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

(1) such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month hereafter as will be sufficient, together with other amounts, if any, then on hand in the Interest and Redemption Fund and available for such purpose, to pay the interest scheduled to accrue and come due on all of the Parity Bonds on the next succeeding interest payment date; and

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

Section 17. RESERVE REQUIREMENTS. The Issuer is required to accumulate and maintain in the Reserve Fund an aggregate amount of money and/or investments equal in market value to the average annual principal and interest requirements on all outstanding Parity Bonds (the "Reserve Required Amount"). Immediately after the delivery of the Initial Bond, the District shall deposit to the credit of the Reserve Fund, from the proceeds from the sale and delivery of the Initial Bond, an amount of money, if any, which will cause the Reserve Fund to contain, together with the other money and/or investments then on hand therein, an amount of money and/or investments equal in market value to the Reserve Required Amount. No deposits shall be made into the Reserve Fund as long as the money and investments in the Reserve Fund are at least equal in market value to the Reserve Required Amount; but if and whenever the market value of money and investments in the Reserve Fund is reduced below said Reserve Required Amount because of a decrease in market value of investments, then the Issuer shall require the Member Cities to increase their payments under their respective Contracts as soon as practicable, and in any event within one year, in an amount sufficient to restore the amount of such decrease; and in the event the Reserve Fund is used pay the principal of or interest on the Bonds because of insufficient amounts being available in the Interest and Redemption Fund, then the Issuer shall require the Member Cities to increase their payments under the their respective Contracts as soon as practicable, and in any event within one year, in an amount sufficient to restore the Reserve Fund to the Reserve Required Amount, and the Issuer shall deposit, in the Reserve Fund, in approximately equal periodic payments, not less than annual, such amounts as are required to cause the Reserve Fund to contain the Reserve Required Amount within five years from any date of the use of the Reserve Fund to pay such principal or interest. So long as the Reserve Fund contains the Reserve Required Amount, all amounts in excess thereof shall be deposited to the credit of the Interest and Redemption Fund on or before September 1 of each year.

Section 18. CONTINGENCY REQUIREMENTS. There is now on hand in the Contingency Fund an amount of money and/or investments at least equal in market value to \$500,000. 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 Issuer's Annual Budget for the next ensuing fiscal year or years; provided that the Issuer is not required to budget more than \$200,000 for such purpose during any one fiscal year. So long as the Contingency Fund contains money and investments not less than the amount of \$500,000 in market value, any surplus in the Contingency Fund over said amount may be withdrawn and used for any lawful purpose.

Section 19. DEFICIENCIES; EXCESS PLEDGED REVENUES. (a) If on any occasion there shall not be sufficient Pledged Revenues to make the required deposits into the Interest and Redemption Fund, the Contingency Fund, and the Reserve Fund, then such deficiency shall be made up as soon as possible from the next available Pledged Revenues, or from any other sources lawfully available for such purpose.

(b) Subject to making the required deposits to the credit of the Interest and Redemption Fund, the Contingency Fund, and the Reserve Fund, when and as required by this Resolution, or any Resolution authorizing the issuance of Additional Bonds, the excess Pledged Revenues may be used for any lawful purpose; provided that at the time each Annual Budget is prepared all such excess revenues which are not pledged to the payment of junior or subordinate lien bonds or other obligations of the Issuer, and which have not been committed by formal resolution or order of the Board for a specific purpose, and which exceed twenty-five percent of the Operation and Maintenance Expenses of the Issuer for the fiscal year then ending, shall be applied to the payment of Operation and Maintenance Expenses of the Issuer for the next ensuing fiscal year, and the Annual Budget shall be prepared accordingly.

Section 20. PAYMENT OF PARITY BONDS AND ADDITIONAL BONDS. Semiannually on or before the first day of each March and September while any of the Parity Bonds or Additional Bonds are outstanding and unpaid, the Issuer shall make available to the paying agents therefor, out of the Interest and Redemption Fund, the Contingency Fund, or the Reserve Fund, if necessary, money sufficient to pay such interest on and such principal of the Parity Bonds and Additional Bonds as will accrue or mature on such March 1 or September 1, as the case may be. The paying agents shall destroy all paid Parity Bonds and Additional Bonds, and furnish the Issuer with an appropriate certificate of cancellation or destruction.

Section 21. FINAL DEPOSITS; GOVERNMENTAL OBLIGATIONS. (a) Any Parity Bond or Additional Bond shall be deemed to be paid, retired, and no longer outstanding, when payment of the principal of, redemption premium, if any, on such Parity Bond or Additional Bond, plus interest thereon to the due date thereof (whether such date be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption), or (ii) shall have been provided by irrevocably depositing with a paying agent therefor, (1) money sufficient to make such payment or (2) Government Obligations, as hereinafter defined in this Section, certified by an

independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation, and expenses of such paying agent pertaining to the Parity Bonds and Additional Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of such paying agent. At such time as a Parity Bond or Additional Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits of any Bond Resolution or a lien on and pledge of the Pledged Revenues, and shall be entitled to payment solely from such money or Government Obligations.

(b) Any moneys so deposited with a paying agent may at the direction of the Issuer also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Government Obligations in the hands of the paying agent pursuant to this Section which is not required for the payment of the Parity Bonds and Additional Bonds, the redemption premium, if any, and interest thereon, with respect to which such moneys has been so deposited, shall be turned over to the Issuer.

(c) The Issuer covenants that no deposit will be made or accepted under clause (ii) of this Section and no use made of any such deposit which would cause the Parity Bonds or any Additional Bonds to be treated as arbitrage bonds within the meaning of the Internal Revenue Code of 1986, as amended.

(d) For the purpose of this Section, the term "Government Obligations" shall mean direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, and which may be United States Treasury obligations such as its State and Local Government Series, and which may be in book-entry form.

(e) Notwithstanding any provisions of this Resolution, all money or Government Obligations set aside and held in trust pursuant to the provisions of this Section for the payment of Parity Bonds and Additional Bonds, the redemption premium, if any, and interest thereon, shall be applied to and used for the payment of Parity Bonds and Additional Bonds, the redemption premium, if any, and interest thereon.

(f) Notwithstanding the foregoing, the Issuer covenants that with respect to the Parity Bonds it will provide a paying agent/registrars to perform the services thereof provided for by this Resolution the same as if they had not been defeased, and the Issuer shall make proper arrangements to provide and pay for such paying agent and registrar services.

Section 22. ADDITIONAL BONDS. (a) The Issuer shall have the right and power at any time and from time to time, and in one or more Series or issues, to authorize, issue, and deliver additional parity revenue bonds (herein called "Additional Bonds"), in accordance with law, in any amounts, for any lawful purpose relating to the System, including the refunding of any Parity Bonds or Additional Bonds. Such Additional Bonds, if and when authorized, issued, and delivered in accordance with this Resolution, shall be secured by and made payable equally and ratably on a parity with the Parity Bonds, and all other outstanding Additional Bonds, from a first lien on and pledge of the Pledged Revenues.

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

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

(d) The principal of all Additional Bonds must be scheduled to be paid or mature on September 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.

Section 23. FURTHER REQUIREMENTS FOR ADDITIONAL BONDS. Additional Bonds shall be issued only in accordance with this Resolution, but notwithstanding any provisions of this Resolution to the contrary, no installment, Series, or issue of Additional Bonds shall be issued or delivered unless the President and the Secretary of the Board sign a written certificate to the effect that the Issuer is not in default as to any covenant, condition, or obligation in connection with all outstanding Parity Bonds and Additional Bonds, and the Resolutions authorizing same, and that the Interest and Redemption Fund and the Reserve Fund each contains the amount then required to be therein, and either (a) an independent registered professional engineer of the State of Texas or a firm of such engineers executes a certificate or report to the effect that in his or its opinion the Pledged Revenues in each complete fiscal year thereafter will be at least equal to 1.25 times the average annual principal and interest requirements of all Parity Bonds and Additional Bonds to be outstanding after the delivery of the then proposed Additional Bonds, or (b) in the alternative to (a), above, the President and Secretary of the Board sign a written certificate to the effect that, based upon an opinion of legal counsel to the Issuer, there are Contracts then in effect pursuant to which the Member Cities and others which are parties to such Contracts are obligated to make minimum payments to the Issuer at such times (including during periods when water is not available to such member Cities and others) and in such amounts as shall be necessary to provide to the Issuer Net Revenues of the System sufficient to pay when due all principal of and interest on all Parity Bonds and Additional Bonds to be outstanding after the issuance of the proposed Additional Bonds, and to make the deposits into the Reserve Fund as required under this Resolution.

Section 24. GENERAL COVENANTS. The Issuer further covenants and agrees that:

(a) PERFORMANCE. It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Resolution and each resolution authorizing the issuance of Additional Bonds, and in each and every Parity Bond and Additional Bond; that it will promptly pay or cause to be paid the principal of and interest on every Bond and Additional Bond, on the dates and in the places and manner prescribed in such resolutions and Parity Bonds or Additional Bonds; and that it will, at the times and in the manner prescribed, deposit or cause to be deposited the amounts required to be deposited into the Interest and Redemption Fund and the Reserve Fund; and any holder of the Parity Bonds or Additional Bonds may require the Issuer, its Board, and its officials and employees, to carry out, respect, or enforce the covenants and obligations of this Resolution or any resolution authorizing the issuance of Additional Bonds, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the Issuer, its Board, and its officials and employees.

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

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

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

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

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

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

(h) INSURANCE. (1) It will cause to be insured such parts of the System as would usually be insured by corporations operating like properties, with a responsible insurance company or companies, against risks, accidents, or casualties against which and to the extent insurance is usually carried by corporations operating like properties, including fire and extended coverage insurance. Public liability and property damage insurance shall also be carried unless the general counsel for Issuer, or the Attorney General of Texas, gives a written opinion to the effect that the Issuer, the Board, and its officers and employees, are not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the Issuer shall not be required to carry insurance on the works being constructed, but the contractor shall be required to carry appropriate insurance. All such policies shall be open to the inspection of the owners of the Parity 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 Issuer shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the Issuer. The proceeds of insurance covering such property, together with any other funds necessary and available for such purpose, shall be used forthwith by the Issuer for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the System shall be used promptly as follows:



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

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

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

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

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

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

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

writing. Such annual audit reports shall be open to the inspection of the bondholders and their agents and representatives at all reasonable times.

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

(m) CONTRACTS. It will comply with the terms and conditions of the Contracts, and any amendments thereto, and will cause the Member Cities and other cities and customers to comply with all of their obligations thereunder by all lawful means; provided that the Contracts will not be rescinded, modified, or amended in any way which would materially affect adversely the operation of the System or the rights of the owners of the Parity Bonds and Additional Bonds; provided further that, without violating this Section 24(m), the Contracts may be modified or amended to change the allocation of the Annual Requirement (as defined in the Contracts) among the Member Cities by changing the basis for determination of each Member City's minimum amount of each Annual Requirement.

(n) ANNUAL BUDGET. On or before the first day of the second calendar month prior to the beginning of each fiscal year, it will prepare the preliminary Annual Budget of Operation and Maintenance Expenses of the System for the ensuing fiscal year, and any amounts required to be deposited to the credit of the Contingency Fund during the ensuing fiscal year, and such budget shall include a showing as to the proposed expenditures for such ensuing fiscal year. If the owners of ten per centum (10%) in aggregate principal amount of the Parity 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 such owner 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 daily newspapers (and if no daily newspaper is published in any one of such cities, in a weekly newspaper published in such cities) of general circulation published in Dallas, Texas, 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 owner of a Parity Bond or Additional Bond who shall have filed his or her name and address with the Secretary of the Board for such purpose. The Issuer further covenants that on or before the first day of each fiscal year it will finally adopt the Annual Budget of Operation and Maintenance Expenses of the System for such fiscal year (hereinafter sometimes call the "Annual Budget") and that except as otherwise provided herein the total expenditures in any division thereof will not exceed the total expenditures in the corresponding division in the preliminary 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, and the Board will not expend any amount or incur any obligation for maintenance, repair, and operation in excess of the amounts provided therefor in the Annual Budget; provided, however, that if at any time the Board shall

determine that the amount of the appropriation for any item in the Annual Budget is in excess of the amount which will be required for such item, the Board may by resolution reduce such appropriation and make an appropriation for any item or items not covered by the Annual Budget or increase the appropriation for any other item or items by an amount not exceeding the amount of such reduction; and provided, further, that the Board may at any time by resolution adopt an Amended or Supplemental Annual Budget for the remainder of the then current fiscal year in case of an emergency caused by some extraordinary occurrence which shall be recited in such resolution.

Section 25. AMENDMENT OF RESOLUTION. (a) The owners of Parity Bonds and Additional Bonds aggregating 51% in principal amount of the aggregate principal amount of then outstanding Parity Bonds and Additional Bonds shall have the right from time to time to approve any amendment to any resolution authorizing the issuance of any Parity Bonds or Additional Bonds, which may be deemed necessary or desirable by the Issuer, provided, however, that nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions in said resolutions or in the Parity Bonds or Additional Bonds so as to:

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

(b) If at any time the Issuer shall desire to amend a resolution under this Section, the Issuer shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in the City of New York, New York, once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of each paying agent for any of the Parity Bonds or Additional Bonds for inspection by all owners of Parity Bonds and Additional Bonds. Such publication is not required, however, if notice in writing is given to each holder of Parity Bonds and Additional Bonds.

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

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

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

(f) For the purpose of this Section, the ownership of and other matters relating to the Parity Bonds shall be determined from the registration books kept by the registrar therefor.

Section 26. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS.

(a) Replacement Bonds. In the event any outstanding 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 Bond, in replacement for such Bond in the manner hereinafter provided.

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

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

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

(e) Authority for Issuing Replacement Bonds. In accordance with Section 1201.067, Texas Government Code, this Section of this Resolution shall constitute authority for the issuance of any such replacement bond without necessity of further action by the governing body of the Issuer or any other body or person, and the duty of the replacement of such bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 6(d) of this Resolution for Bonds issued in conversion and exchange for other Bonds.

Section 27. COVENANTS REGARDING TAX-EXEMPTION. (a) Covenants. The Issuer covenants to refrain from any action which would adversely affect, or to take such action to assure, the treatment of the Bonds as obligations described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

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

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

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

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

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

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

(A) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 30 days or less until such proceeds are needed for the purpose for which the Bonds are issued,

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

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

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

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

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

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

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

(c) Rebate Fund. In order to facilitate compliance with the above covenant (a)(8), a "Rebate Fund" is hereby established by the Issuer for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation, the bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

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

Section 28 ALLOCATION OF, AND LIMITATION ON, EXPENDITURES FOR THE PROJECT; DISPOSITION OF THE PROJECT. (a) The Issuer covenants to account for the expenditure of Bond proceeds and investment earnings to be used for the construction or acquisition of the property constituting the projects financed or refinanced with proceeds of the sale of the Bonds on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (1) the expenditure is made or (2) such construction or acquisition is completed. The foregoing notwithstanding, the Issuer shall not expend proceeds of the Bonds or investment earnings thereon more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds or (2) the date the Bonds are retired, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest on the Bonds.

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

Section 29 CUSTODY, APPROVAL, AND REGISTRATION OF BONDS; BOND COUNSEL'S OPINION, CUSIP NUMBERS, PREAMBLE, AND INSURANCE. The President of the Board of Directors of the Issuer and any Authorized Officer is hereby authorized to have control of the Initial Bond issued hereunder and all necessary records and proceedings pertaining to the 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 the 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 the Initial Bond, and the seal of said Comptroller shall be impressed, or placed in facsimile, on the 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 the Initial Bond or on any Bond issued and delivered in conversion of and exchange or replacement of any Bond, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds. The preamble to this Resolution is hereby adopted and made a part hereof for all purposes. If insurance is obtained on any of the Bonds, the Initial Bond and all the Bonds for which insurance has been obtained shall bear an appropriate legend concerning insurance as provided by the insurer.

Section 30. INTEREST EARNINGS ON BOND PROCEEDS. Interest earnings derived from the investment of proceeds from the sale of the Initial Bond, other than proceeds deposited in accordance with Section 16 hereof or deposited pursuant to the Escrow Agreement or Deposit Agreement, as the case may be, authorized by Section 33 hereof, shall be used along with other available proceeds for improving the District's Water System; provided that after such use, if any of such interest earnings remain on hand, such interest earnings on bond proceeds which are required to be rebated to the United States of America pursuant to Section 27 hereof in order to prevent the Bonds from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section.

Section 31. SALE OF BONDS; PURCHASE AGREEMENT. Pursuant to the authorizations in Section 3 hereof, as approved by an Authorized Officer, the Bonds may be sold either pursuant to the taking of bids therefor as provided in an Official Notice of Sale or pursuant to a purchase agreement (the "Purchase Agreement") with a purchaser or purchasers (collectively, the "Purchaser") to be approved by an Authorized Officer, and any supplements thereto which may be necessary to accomplish the issuance of Bonds. Such Purchase Agreement is hereby authorized to be dated, executed and delivered on behalf of the Issuer by an Authorized Officer, with such changes therein as shall be approved by an Authorized Officer, the execution thereof by an Authorized Officer to



constitute evidence of such approval. The delegation of authority to an Authorized Officer to approve the final terms of the Bonds as set forth in this Resolution is, and the decisions made by an Authorized Officer pursuant to such delegated authority will be, in the best interests of the Issuer, and an Authorized Officer is authorized to make a finding to such effect in the Approval Certificate.

Section 32. OFFICIAL STATEMENT. A Preliminary Official Statement relating to the Bonds, in substantially the form as submitted to the Board of Directors at this meeting, is hereby approved and authorized to be distributed to prospective investors and other interested parties in connection with the underwriting and sale of the Bonds, with such changes therein as shall be approved by an Authorized Officer, including such changes as are necessary for distribution as a final Official Statement. It is further officially found, determined, and declared that the statements and representations contained in said Preliminary Official Statement are true and correct in all material respects. The use and distribution by the Purchaser of the Official Statement relating to the Bonds, is hereby approved. For the purpose of review by the Purchaser prior to purchasing the Bonds, the Issuer deems said Preliminary Official Statement to have been "final as of its date" within the meaning of Securities and Exchange Commission Rule 15c2-12.

Section 33. REFUNDING OF REFUNDED BONDS; Escrow or Deposit AGREEMENT. (a) The Refunded Bonds are hereby directed to be called for redemption prior to maturity and shall be redeemed on the dates specified in the Approval Certificate. As soon as practicable after sale of the Bonds, a Notice of Redemption shall be delivered to the paying agent/registrar for the Refunded Bonds to notify, in accordance with the requirements of the Series 2009C Bond Resolution and the Series 2009D Bond Resolution, the owners of the Refunded Bonds of the call for redemption thereof.

(b) Concurrently with the delivery of the Bonds, the Issuer shall cause to be deposited an amount from the proceeds from the sale of the Bonds, together with, to the extent necessary, available funds of the Issuer, with the paying agent/registrar for the Refunded Bonds, sufficient to provide for the refunding and redemption, on the date fixed for redemption, of all of the Refunded Bonds, in accordance with Subchapter C of Chapter 1207, Texas Government Code, as amended. The President of the Board of Directors of the Issuer and the Secretary of the Board of Directors of the Issuer are hereby authorized, for and on behalf of the Issuer, to execute an Escrow or Deposit Agreement in substantially the form set forth in Exhibit B hereto to accomplish such purpose. In addition, an Authorized Officer is authorized to transfer and deposit such cash from available funds (including surplus funds in the Interest and Redemption Fund and/or the Reserve Fund), as may be necessary for the Escrow Fund described in such Escrow Agreement or the Payment Account described in such Deposit Agreement, as the case may be. It is hereby found and determined that the refunding of the Refunded Bonds is advisable and necessary in order to restructure the principal and interest requirements of the Issuer and to achieve a present value savings in debt service.

Section 34. DTC REGISTRATION. The Bonds initially shall be issued and delivered in such manner that no physical distribution of the Bonds will be made to the public, and the Depository Trust Company ("DTC"), New York, New York, initially will act as depository for the Bonds. DTC has represented that it is a limited purpose trust company incorporated under the laws of the State of New York, 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 under

Section 17A of the federal Securities Exchange Act of 1934, as amended, and the Issuer accepts, but in no way verifies, such representations. The Initial Bond authorized by this Resolution shall be delivered to and registered in the name of the Purchaser. However, it is a condition of delivery and sale that the Purchaser, immediately after such delivery, shall cause the Paying Agent/Registrar, as provided for in this Resolution, to cancel said Initial Bond and deliver in exchange therefor a substitute Bond for each maturity of such Initial Bond, with each such substitute Bond to be registered in the name of CEDE & CO., the nominee of DTC, and it shall be the duty of the Paying Agent/Registrar to take such action. It is expected that DTC will hold the Bonds on behalf of the Purchaser and/or the DTC Participants, as defined and described in the Official Statement referred to and approved in Section 32 hereof (the "DTC Participants"). So long as each Bond is registered in the name of CEDE & CO., the Paying Agent/Registrar shall treat and deal with DTC in all respects the same as if it were the actual and beneficial owner thereof. It is expected that DTC will maintain a book entry system which will identify beneficial ownership of the Bonds by DTC Participants in integral amounts of \$5,000, with transfers of ownership being effected on the records of DTC and the DTC Participants pursuant to rules and regulations established by them, and that the substitute Bonds initially deposited with DTC shall be immobilized and not be further exchanged for substitute Bonds except as hereinafter provided. The Issuer is not responsible or liable for any functions of DTC, will not be responsible for paying any fees or charges with respect to its services, will not be responsible or liable for maintaining, supervising, or reviewing the records of DTC or the DTC Participants, or protecting any interests or rights of the beneficial owners of the Bonds. It shall be the duty of the Purchaser and the DTC Participants to make all arrangements with DTC to establish this book-entry system, the beneficial ownership of the Bonds, and the method of paying the fees and charges of DTC. The Issuer does not represent, nor does it in any way covenant that the initial book-entry system established with DTC will be maintained in the future. The Issuer reserves the right and option at any time in the future, in its sole discretion, to terminate the DTC (CEDE & CO.) book-entry only registration requirement described above, and to permit the Bonds to be registered in the name of any owner. If the Issuer exercises its right and option to terminate such requirement, it shall give written notice of such termination to the Paying Agent/ Registrar and to DTC, and thereafter the Paying Agent/Registrar shall, upon presentation and proper request, register any Bond in any name as provided for in this Resolution. Notwithstanding the initial establishment of the foregoing book-entry system with DTC, if for any reason any of the originally delivered substitute Bonds is duly filed with the Paying Agent/Registrar with proper request for transfer and substitution, as provided for in this Resolution, substitute Bonds will be duly delivered as provided in this Resolution, and there will be no assurance or representation that any book-entry system will be maintained for such Bonds.

Section 35. FURTHER PROCEDURES. The President, Vice President, and/or the Secretary of the Board of Directors of the Issuer, the Executive Director, the Deputy Director (Finance and Personnel), and the Interim Deputy Director (Finance and Personnel) of the Issuer, and all other officers, employees, and agents of the Issuer, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and on behalf of the Issuer all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Resolution, the Bond Purchase Agreement, the Bonds, the sale and delivery of the Initial Bond and the Bonds, and all details in connection therewith. In case any officer whose signature shall appear on any Bond shall cease to be such officer before the

delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

#### Section 36. CONTINUING DISCLOSURE UNDERTAKING.

##### (a) Annual Reports.

The Issuer shall provide or cause to be provided annually to the MSRB, (1) within six months after the end of each fiscal year ending in or after 2018, financial information and operating data of the general type included in the final Official Statement authorized by Section 32 of this Resolution, (i) with respect to the Issuer, in tables numbered 1 through 5, and (ii) with respect to each Significant Obligated Persons, in Appendix C, and (2) when and if available, audited financial statements of the Issuer and each Significant Obligated Person. Any financial statements so to be provided shall be prepared in accordance with generally accepted accounting principles or such other accounting principles as the Issuer or any such Significant Obligated Person may be required to employ from time to time pursuant to state law or regulation. If the audit of such financial statements of the Issuer or a Significant Obligated Person is not complete within 12 months after the respective fiscal year end, then the Issuer shall provide or cause to be provided by each Significant Obligated Person unaudited financial statements within such 12-month period and audited financial statements when and if the audit report on such statements become available.

If the Issuer or any such Significant Obligated Person changes its fiscal year, the Issuer will notify or cause the Significant Obligated Person to notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the Issuer or any such Significant Obligated Person otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC

##### (b) Event Notices.

The Issuer shall notify the MSRB, in a timely manner, of any of the following events with respect to the Bonds, not in excess of ten Business Days after 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. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to the rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer or a Significant Obligated Person;
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or a Significant Obligated Person or the sale of all or substantially all of the assets of the Issuer or a Significant Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer shall notify the MSRB, in a timely manner, of any failure by the Issuer to provide financial information or operating data in accordance with Section 36(c) of this Resolution by the time required by such Section. As used in clause 12 above, the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the U.S. 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 Issuer, or if jurisdiction has been assumed by leaving the Board of Directors and official or officers of the Issuer 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 Issuer.

(c) Limitations, Disclaimers, and Amendments.

The Issuer shall be obligated to observe and perform or cause a Significant Obligated Person to observe and perform the covenants specified in this Section for so long as, but only for so long as, such Significant Obligated persons remains a "Significant Obligated Person" with respect to the

Bonds, except that the Issuer in any event will give notice of any deposit made in accordance with Section 21 hereof that causes Bonds no longer to be Outstanding.

The provisions of this Section are for the sole benefit of the Holders and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Issuer undertakes to provide or cause to be provided only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide or cause to be provided any other information that may be relevant or material to a complete presentation of the Issuer's or any Significant Obligated Person's financial results, condition or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The Issuer does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE ISSUER BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE ISSUER, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the Issuer in observing or performing its obligations under this Section shall comprise a breach of or default under this Resolution for purposes of any other provision of this Resolution.

Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the Issuer under federal and state securities laws.

Should the Rule be amended to obligate the Issuer to make filings with or provide notices to entities other than the MSRB, the Issuer hereby agrees to undertake such obligation with respect to the Bonds in accordance with the Rule as amended. The provisions of this Section may be amended by the Issuer from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identify, nature, status, or type of operations of the Issuer or any Significant Obligated Person, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well s such changed circumstances and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a Person that is unaffiliated with the Issuer (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Holders and beneficial owners of the Bonds. If the Issuer so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in

accordance with Subsection (a) hereof an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Issuer may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

(d) Definitions.

As used in this Section, the following terms have the meanings ascribed to such terms below:

"*MSRB*" means the Municipal Securities Rulemaking Board.

"*Rule*" means SEC Rule 15c2-12, as amended from time to time.

"*SEC*" means the United States Securities and Exchange Commission and any successor to its duties.

"*Significant Obligated Person*" means, at any point in time, any Member City or other party contracting with the Issuer, in either case whose payments to the Issuer for the use of or service from the System in the calendar year preceding any such determination exceeded 10% of the Gross Revenues of the System.

Section 37. ATTORNEY GENERAL FEES. The District hereby authorizes and directs payment, from legally available funds of the District, of the nonrefundable examination fee of the Attorney General of the State of Texas required by Section 1202.004, Texas Government Code, as amended.

Section 38. REPEAL OF CONFLICTING RESOLUTIONS. All resolutions and all parts of any resolutions which are in conflict or inconsistent with this Resolution are hereby repealed and shall be of no further force or effect to the extent of such conflict or inconsistency.

Section 39. SECURITY INTEREST. Chapter 1208, Government Code, applies to the issuance of the Bonds and the pledge of the Pledged Revenues granted by the Issuer under Section 9 of this Resolution, and is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the Pledged Revenues granted by the Issuer under Section 9 of this Resolution is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the 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 to perfect the security interest in said pledge to occur.

Section 40. EFFECTIVENESS. This Resolution shall be effective from and after the date of adoption thereof by the Issuer.

\*\*\*\*\*

## EXHIBIT "A"

### WRITTEN PROCEDURES RELATING TO CONTINUING COMPLIANCE WITH FEDERAL TAX COVENANTS

A. Arbitrage. With respect to the investment and expenditure of the proceeds of the Bonds and any Additional Bonds (the "Obligations") the Issuer's Executive Director and Director of Finance (the "Responsible Persons") will :

For Obligations issued for newly acquired property or constructed property:

- instruct the appropriate person or persons that the construction, renovation or acquisition of the facilities must proceed with due diligence and that binding contracts for the expenditure of at least 5% of the proceeds of the Obligations will be entered into within 6 months of the date of delivery of the Obligations ("Issue Date");
- monitor that at least 85% of the proceeds of the Obligations to be used for the construction, renovation or acquisition of any facilities are expended within 3 years of the Issue Date;
- restrict the yield of the investments (other than those in the Reserve Fund) to the yield on the Obligations after 3 years of the Issue Date;
- monitor all amounts deposited into a sinking fund or funds, e.g., the Interest and Redemption Fund and the Reserve Fund, to assure that the maximum amount invested at a yield higher than the yield on the Obligations does not exceed an amount equal to the debt service on the Obligations in the succeeding 12 month period plus a carryover amount equal to one-twelfth of the principal and interest payable on the Obligations for the immediately preceding 12-month period;
- assure that no more than 50% of the proceeds of the Obligations are invested in an investment with a guaranteed yield for 4 years or more;
- assure that the maximum amount of the Reserve Fund invested at a yield higher than the yield on the Obligations will not exceed the lesser of (1) 10% of the original principal amount of the Obligations, (2) 125% of the average annual debt service on the Obligations measured as of the Issue Date, or (3) 100% of the maximum annual debt service on the Obligations as of the Issue Date;

For Obligations issued for refunding purposes:

- monitor the actions of the escrow agent (to the extent an escrow is funded with proceeds) to assure compliance with the applicable provisions of the escrow agreement, including with respect to reinvestment of cash balances;

For all Obligations:



- maintain any official action of the Issuer (such as a reimbursement resolution) stating its intent to reimburse itself with the proceeds of the Obligations any amount expended prior to the Issue Date for the acquisition, renovation or construction of the facilities;
- assure that the applicable information return (e.g., IRS Form 8038-G, 8038-GC, or any successor forms) is timely filed with the IRS;
- assure that, unless excepted from rebate and yield restriction under section 148(f) of the Code, excess investment earnings are computed and paid to the U.S. government at such time and in such manner as directed by the IRS (i) at least every 5 years after the Issue Date and (ii) within 30 days after the date the Obligations are retired.

B. Private Business Use. With respect to the use of the facilities financed or refinanced with the proceeds of the Obligations the Responsible Persons will:

- monitor the date on which the facilities are substantially complete and available to be used for the purpose intended;
- monitor whether, at any time the Obligations are outstanding, any person, other than the Issuer, the employees of the Issuer, the agents of the Issuer or members of the general public has any contractual right (such as a lease, purchase, management or other service agreement) with respect to any portion of the facilities;
- monitor whether, at any time the Obligations are outstanding, any person, other than the Issuer, the employees of the Issuer, the agents of the Issuer or members of the general public has a right to use the output of the facilities (e.g., water, gas, electricity);
- monitor whether, at any time the Obligations are outstanding, any person, other than the Issuer, the employees of the Issuer, the agents of the Issuer or members of the general public has a right to use the facilities to conduct or to direct the conduct of research;
- determine whether, at any time the Obligations are outstanding, any person, other than the Issuer, has a naming right for the facilities or any other contractual right granting an intangible benefit;
- determine whether, at any time the Obligations are outstanding, the facilities are sold or otherwise disposed of; and
- take such action as is necessary to remediate any failure to maintain compliance with the covenants contained in the resolution authorizing the Obligations.

C. Record Retention. The Responsible Persons will maintain or cause to be maintained all records relating to the investment and expenditure of the proceeds of the Obligations and the use of the facilities financed or refinanced thereby for a period ending three (3) years after the complete

extinguishment of the Obligations. If any portion of the Obligations is refunded with the proceeds of another series of tax-exempt obligations, such records shall be maintained until the three (3) years after the refunding obligations are completely extinguished. Such records can be maintained in paper or electronic format.

D. Responsible Persons. Each Responsible Person shall receive appropriate training regarding the Issuer's accounting system, contract intake system, facilities management and other systems necessary to track the investment and expenditure of the proceeds and the use of the facilities financed with the proceeds of the Obligations. The foregoing notwithstanding, the Responsible Persons are authorized and instructed to retain such experienced advisors and agents as may be necessary to carry out the purposes of these instructions.

EXHIBIT "B"

FORM OF ESCROW AGREEMENT OR DEPOSIT AGREEMENT

STATE OF TEXAS       §  
                                  §  
COUNTY OF COLLIN   §

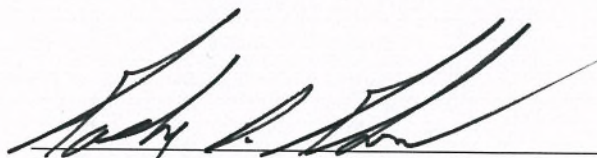
**PUBLIC RECORDS CERTIFICATE OF RODNEY D. RHOADES**

BEFORE ME, the undersigned authority, came Rodney D. Rhoades who, being personally known to me was sworn under oath and testified as follows:

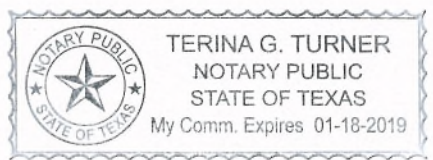
1. "My name is Rodney D. Rhoades. I am employed by the North Texas Municipal Water District (the "District") and am familiar with this petition and lawsuit. I am over the age of eighteen years, am of sound mind, am competent in all respects to make this affidavit, and the following facts are true and correct and within my personal knowledge as the District's Records Management Officer.

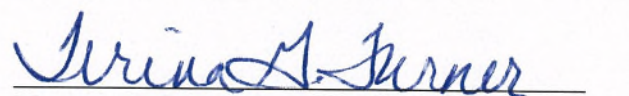
2. I am the custodian of records for the District. Attached to this affidavit is a copy of Resolution No. 18-16 of the District, which has been designated by the District as Exhibit D to the North Texas Municipal Water District's Original Petition for Expedited Declaratory Judgment. The record in Exhibit D is an official statement of the District and sets out the District's activities related to the above-styled matter. I hereby certify that the record bears the signature of the secretary and president of the District's Board of Directors at the time the record was made, that such signatories had the official capacity at that time, and that the signatures are genuine.

3. The record attached hereto is an original or exact duplicate of the original."

  
\_\_\_\_\_  
Rodney D. Rhoades

SWORN AND SUBSCRIBED TO before me on March 07, 2018.



  
\_\_\_\_\_  
Notary Public in and for the State of Texas

# **EXHIBIT E**

APPROVAL CERTIFICATE

A. I, the undersigned, Executive Director of the North Texas Municipal Water District (the "Issuer") and an "Authorized Officer" as defined in Section 3 of the Resolution of the Issuer, adopted on March 22, 2018 (the "Bond Resolution") authorizing the issuance of the Issuer's Water System Revenue Bonds, Series 2018A (the "Bonds"), do hereby approve the following terms of the Bonds:

- (i) a principal amount of the Bonds of \$ \_\_\_\_\_;
- (ii) sale of the Bonds to \_\_\_\_\_ (the "Purchaser"), at a purchase price for the Bonds of \$ \_\_\_\_\_ (which is \_\_\_\_\_% of the principal amount of the Bonds);
- (iii) interest rates on the Bonds, as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
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- (iv) a net effective interest rate on the Bonds of \_\_\_\_\_%;
- (v) annual installments of principal payable on September 1 in the years and amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
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- (vi) an initial interest payment date on the Bonds of \_\_\_\_\_;
- (vii) a dated date of the Bonds of \_\_\_\_\_;

(viii) optional redemption of the outstanding Bonds on \_\_\_\_\_, and on any date thereafter; and

B. Upon consultation with the Issuer's financial advisor, the undersigned hereby determines and finds that the final terms of the Bonds as set forth in this Certificate are in the Issuer's best interests.

EXECUTED AND DELIVERED \_\_\_\_\_.

NORTH TEXAS MUNICIPAL WATER DISTRICT

By: \_\_\_\_\_  
Title: Executive Director



GENERAL CERTIFICATE

THE STATE OF TEXAS :  
COUNTIES OF COLLIN, DALLAS, KAUFMAN, AND ROCKWALL :  
NORTH TEXAS MUNICIPAL WATER DISTRICT :

We, the undersigned officers of North Texas Municipal Water District (the "Issuer"), hereby certify that:

1. This certificate is executed for the benefit of the Attorney General of the State of Texas and the prospective owner of the proposed North Texas Municipal Water District Water System Revenue Bond, Series 2018A, dated \_\_\_\_\_, 2018, authorized by a resolution adopted by the Board of Directors of the Issuer on March 22, 2018 (the "Bond Resolution"), initially issued and delivered as a single fully registered bond payable in installments to the registered owner, but convertible into fully registered bonds in any multiple of \$5,000 (collectively, the "Bonds"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Bond Resolution.

2. The Issuer is a governmental agency and political subdivision of the State of Texas operating and existing under the provisions of Chapter 62, Acts of 52nd Legislature of Texas, Regular Session, 1951, as amended (the "Act") (originally compiled as Vernon's Ann. Tex. Civ. St. Article 8280-141) (the "Act"), as a conservation and reclamation district created pursuant to Article 16, Section 59, Texas Constitution; and the Act has not been amended since May 12, 2009, and is in full force and effect.

3. The Issuer consists of the territory contained in the Cities of Allen, Farmersville, Forney, Frisco, Garland, McKinney, Mesquite, Plano, Princeton, Richardson, Rockwall, Royse City, and Wylie, Texas, which are the "Member Cities" of the Issuer and no city or town has been added to or detached from the Issuer since the issuance and delivery of the North Texas Municipal Water District Water System Revenue Bonds, Series 2018 (the "Series 2018 Bonds").

4. The Contracts with the Member Cities, have not been amended, revoked, supplemented, changed, modified or rescinded since the issuance and delivery of the Series 2018 Bonds, all of the Contracts with the Issuer's Member Cities are in full force and effect in accordance with these terms and provisions; the Issuer is presently supplying water under the Contracts; and there are no breaches, violations, or defaults existing with respect to any of the Contracts, and no new contracts similar to the Contracts have been executed since the approval by the Attorney General of Texas of the Series 2018 Bonds.

5. None of the revenues or payments from the Contracts, and no other revenues or income from the Issuer's System, have been pledged or encumbered to the payment of any debt or obligation of the Issuer, except for the payment of Operation and Maintenance Expenses of the System (as defined in the Bond Resolution) and for the payment of the principal of and interest on the unpaid and outstanding Parity Bonds.

6. The Gross Revenues of the System will be at least sufficient to pay all principal, interest, and Reserve Fund requirements in connection with the outstanding Parity Bonds and the Bonds, and to pay all Operation and Maintenance Expenses of the System, and the payments by the Member Cities under the Contract are required to be sufficient at all times to provide, together with any other available "Pledged Revenues," at least the foregoing amounts.

7. No litigation of any nature has been filed and is now pending pertaining to, affecting, or contesting: (a) the authorization, issuance, delivery, payment, security, or validity of the outstanding Parity Bonds or the Bonds, (b) the Contracts, (c) the title of the present members and officers of the Board of Directors of the Issuer to their respective offices; or (d) the validity or corporate existence of the Issuer, except as follows:

- (i) *Petition of the Cities of Garland, Mesquite, Plano, and Richardson Appealing the Decision by North Texas Municipal Water District Affecting Wholesale Water Rates*, Public Utility Commission of Texas, Docket No. 46662
- (ii) *Petition of the Cities of Garland, Mesquite, Plano, and Richardson Appealing the Decision by North Texas Municipal Water District Affecting 2018 Wholesale Water Rates*, Public Utility Commission of Texas, Docket No. 47863

8. The Issuer is not in default as to any covenant, condition, or obligation in connection with the outstanding Parity Bonds or the resolutions authorizing same, respectively; and the Interest and Redemption Fund and the Reserve Fund created and maintained pursuant to said resolutions each contains the amount now required to be therein.

9. The Bond Resolution is in full force and effect and has never been revoked, amended, or rescinded.

10. Attached as Exhibit A is a statement of the revenues and expenses of the System for each of the last three fiscal years of the Issuer.

11. Attached as Exhibit B is a schedule of principal and interest requirements on the Bonds and the Parity Bonds which will be outstanding after the issuance of the Bonds.

12. Based on an opinion of legal counsel to the Issuer, there are Contracts now in effect pursuant to which the Member Cities of the Issuer are obligated to make minimum payments to the Issuer at such times (including during periods when water is not available to such Member Cities) and in such amounts as shall be necessary to provide to the Issuer "Net Revenues of the System," as defined in the Bond Resolution and in the other resolutions authorizing the Parity Bonds, sufficient to pay when due all principal of and interest on all of the Parity Bonds to be outstanding after the issuance of the Bonds, and to make the deposits into the Reserve Fund as required by the Bond Resolution.

13. The terms and conditions of the Bonds, as set forth in the Approval Certificate, comply with the requirements for such terms and conditions set forth in Section 3 of the Bond Resolution.

14. The Issuer has received all required disclosure filings under Section 2252.908, Texas Government Code, in connection with the authorization and issuance of the Bonds and has acknowledged receipt of such filings with the Texas Ethics Commission (the "TEC") in accordance with TEC's rules.

15. With respect to the contracts contained within the transcript of proceedings that are subject to Section 2252.152, Texas Government code, no counterparties to those contracts are companies identified on a list prepared and maintained under Texas Government Code Sections 2270.0201 or 2252.153.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

16. The persons named below were on the date of adoption of the Bond Resolution, and are on the date hereof, the duly elected and qualified incumbents of the offices of the Issuer set opposite their respective names, and the signatures hereinbelow are the genuine signatures of said officers:

Office	Name	Signature
President, Board of Directors	_____	_____
Secretary, Board of Directors	_____	_____
Executive Director	_____	_____

SIGNED AND SEALED \_\_\_\_\_.

NORTH TEXAS MUNICIPAL WATER DISTRICT

\_\_\_\_\_  
Secretary, Board of Directors

\_\_\_\_\_  
President, Board of Directors

\_\_\_\_\_  
Executive Director

(SEAL)

EXHIBIT A

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Income	\$258,967,069	\$221,944,473	\$205,567,790
Expenses	<u>92,301,721</u>	<u>92,566,224</u>	<u>98,546,269</u>
Net Revenues	\$166,665,348	\$129,378,249	\$107,021,521

EXHIBIT B

DEBT SERVICE SCHEDULE

SIGNATURE IDENTIFICATION AND NO-LITIGATION CERTIFICATE

THE STATE OF TEXAS :  
NORTH TEXAS MUNICIPAL WATER DISTRICT :

We, the undersigned officers of North Texas Municipal Water District (the "Issuer"), hereby certify that:

(a) This certificate is executed and delivered with reference to North Texas Municipal Water District Regional Water System Revenue Bond, Series 2018A, authorized by a resolution adopted by the Board of Directors of the Issuer on March 22, 2018, being a single fully registered bond payable in installments to the registered owner thereof (the "Initial Bond") and the bonds (the "Definitive Bonds") initially made available by the Issuer for completion and exchange for the Initial Bond.

(b) Each of us manually signed the Initial Bond.

(c) Each of us signed the Definitive Bonds by causing facsimiles of our manual signatures to be printed or lithographed on each of the Definitive Bonds, and we hereby adopt said facsimile signatures as our own, respectively, and declare that said facsimile signatures constitute our signatures the same as if we had manually signed each of the Definitive Bonds.

(d) The Initial Bond is, and the Definitive Bonds are, substantially in the form, and each of them has been duly executed and signed in the manner, prescribed in the resolution authorizing the issuance thereof.

(e) At the time we so executed and signed the Initial Bond and the Definitive Bonds (collectively the "Bonds") we were, and at the time of executing this certificate we are, the duly chosen, qualified, and acting officers indicated therein, and authorized to execute and sign the same.

(f) Except as listed below, no litigation of any nature has been filed or is now pending to restrain or enjoin the issuance or delivery of any of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the proceedings or authority concerning the issuance of the Bonds, and that so far as we know and believe no such litigation is threatened:

- (1) *Petition of the Cities of Garland, Mesquite, Plano, and Richardson Appealing the Decision by North Texas Municipal Water District Affecting Wholesale Water Rates*, Public Utility Commission of Texas, Docket No. 46662
- (2) *Petition of the Cities of Garland, Mesquite, Plano, and Richardson Appealing the Decision by North Texas Municipal Water District Affecting 2018 Wholesale Water Rates*, Public Utility Commission of Texas, Docket No. 47863



(g) Neither the corporate existence nor boundaries of the Issuer is being contested, that no litigation has been filed or is now pending which would affect the authority of the officers of the Issuer to issue, execute, sign, and deliver any of the Bonds, and that no authority or proceedings for the issuance of any of the Bonds have been repealed, revoked, or rescinded.

(h) We have caused the official seal of the Issuer to be impressed, or printed, or lithographed on each of the Bonds; and said seal on each of the Bonds has been duly adopted as, and is hereby declared to be, the official seal of the Issuer.

EXECUTED and delivered this \_\_\_\_\_.

MANUAL SIGNATURES

OFFICIAL TITLES

\_\_\_\_\_

President, Board of Directors

\_\_\_\_\_

Secretary, Board of Directors

(ISSUER SEAL)

Before me on this day personally appeared the foregoing individuals known to me to be the persons whose true and genuine signatures were subscribed to the foregoing instrument in my presence.

Given under my hand and seal of office this \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

(Notary Seal)

STATE OF TEXAS       §  
                                  §  
COUNTY OF COLLIN   §

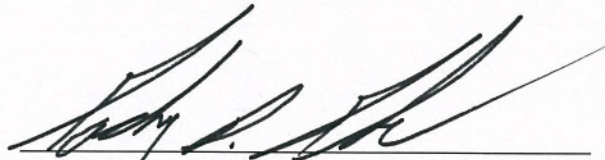
**AFFIDAVIT OF RODNEY D. RHOADES**

BEFORE ME, the undersigned authority, came Rodney D. Rhoades who, being personally known to me was sworn under oath and testified as follows:

1. “My name is Rodney D. Rhoades. I am employed by the North Texas Municipal Water District (the “District”) and am familiar with this petition and lawsuit. I am over the age of eighteen years, am of sound mind, am competent in all respects to make this affidavit, and the following facts are true and correct and within my personal knowledge as the District’s Records Management Officer.

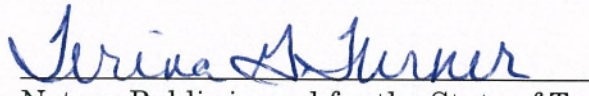
2. I am the custodian of records for the District. Attached to this affidavit is a copy of Proposed Closing Documents (Approval Certificate, Signature Identification and No-Litigation Certificate, and General Certificate) for the District’s Series 2018A Bonds, which has been designated by the District as Exhibit E to the North Texas Municipal Water District’s Original Petition for Expedited Declaratory Judgment. The documents in Exhibit E are closing documents that the District proposes to use if the Series 2018A Bonds are issued.

3. The record attached hereto is an original or exact duplicate of the original.”

  
\_\_\_\_\_  
Rodney D. Rhoades

SWORN AND SUBSCRIBED TO before me on March 07, 2018.



  
\_\_\_\_\_  
Notary Public in and for the State of Texas

# **EXHIBIT F**

APPROVAL CERTIFICATE

A. I, the undersigned, Executive Director of the North Texas Municipal Water District (the "Issuer") and an "Authorized Officer" as defined in Section 3 of the Resolution of the Issuer, adopted on March 22, 2018 (the "Bond Resolution") authorizing the issuance of the Issuer's Water System Revenue Bonds, Series 2019 (the "Bonds"), do hereby approve the following terms of the Bonds:

- (i) a principal amount of the Bonds of \$ \_\_\_\_\_;
- (ii) sale of the Bonds to \_\_\_\_\_ (the "Purchaser"), at a purchase price for the Bonds of \$ \_\_\_\_\_ (which is \_\_\_\_\_% of the principal amount of the Bonds);
- (iii) interest rates on the Bonds, as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
-------------	-------------	-------------	-------------

- (iv) a net effective interest rate on the Bonds of \_\_\_\_\_%;
- (v) annual installments of principal payable on September 1 in the years and amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
-------------	-------------------------	-------------	-------------------------

- (vi) an initial interest payment date on the Bonds of \_\_\_\_\_;
- (vii) a dated date of the Bonds of \_\_\_\_\_;

(viii) optional redemption of the outstanding Bonds on \_\_\_\_\_, and on any date thereafter; and

B. Upon consultation with the Issuer's financial advisor, the undersigned hereby determines and finds that the final terms of the Bonds as set forth in this Certificate are in the Issuer's best interests.

EXECUTED AND DELIVERED \_\_\_\_\_.

NORTH TEXAS MUNICIPAL WATER DISTRICT

By: \_\_\_\_\_  
Title: Executive Director

GENERAL CERTIFICATE

THE STATE OF TEXAS :  
COUNTIES OF COLLIN, DALLAS, KAUFMAN, AND ROCKWALL :  
NORTH TEXAS MUNICIPAL WATER DISTRICT :

We, the undersigned officers of North Texas Municipal Water District (the "Issuer"), hereby certify that:

1. This certificate is executed for the benefit of the Attorney General of the State of Texas and the prospective owner of the proposed North Texas Municipal Water District Water System Revenue Bond, Series 2019, dated \_\_\_\_\_, 2019, authorized by a resolution adopted by the Board of Directors of the Issuer on March 22, 2018 (the "Bond Resolution"), initially issued and delivered as a single fully registered bond payable in installments to the registered owner, but convertible into fully registered bonds in any multiple of \$5,000 (collectively, the "Bonds"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Bond Resolution.

2. The Issuer is a governmental agency and political subdivision of the State of Texas operating and existing under the provisions of Chapter 62, Acts of 52nd Legislature of Texas, Regular Session, 1951, as amended (the "Act") (originally compiled as Vernon's Ann. Tex. Civ. St. Article 8280-141) (the "Act"), as a conservation and reclamation district created pursuant to Article 16, Section 59, Texas Constitution; and the Act has not been amended since May 12, 2009, and is in full force and effect.

3. The Issuer consists of the territory contained in the Cities of Allen, Farmersville, Forney, Frisco, Garland, McKinney, Mesquite, Plano, Princeton, Richardson, Rockwall, Royse City, and Wylie, Texas, which are the "Member Cities" of the Issuer and no city or town has been added to or detached from the Issuer since the issuance and delivery of the North Texas Municipal Water District Water System Revenue Bonds, Series 2018A (the "Series 2018A Bonds").

4. The Contracts with the Member Cities, have not been amended, revoked, supplemented, changed, modified or rescinded since the issuance and delivery of the Series 2018A Bonds, all of the Contracts with the Issuer's Member Cities are in full force and effect in accordance with these terms and provisions; the Issuer is presently supplying water under the Contracts; and there are no breaches, violations, or defaults existing with respect to any of the Contracts, and no new contracts similar to the Contracts have been executed since the approval by the Attorney General of Texas of the Series 2018A Bonds.

5. None of the revenues or payments from the Contracts, and no other revenues or income from the Issuer's System, have been pledged or encumbered to the payment of any debt or obligation of the Issuer, except for the payment of Operation and Maintenance Expenses of the System (as defined in the Bond Resolution) and for the payment of the principal of and interest on the unpaid and outstanding Parity Bonds.

6. The Gross Revenues of the System will be at least sufficient to pay all principal, interest, and Reserve Fund requirements in connection with the outstanding Parity Bonds and the Bonds, and to pay all Operation and Maintenance Expenses of the System, and the payments by the Member Cities under the Contract are required to be sufficient at all times to provide, together with any other available "Pledged Revenues," at least the foregoing amounts.

7. No litigation of any nature has been filed and is now pending pertaining to, affecting, or contesting: (a) the authorization, issuance, delivery, payment, security, or validity of the outstanding Parity Bonds or the Bonds, (b) the Contracts, (c) the title of the present members and officers of the Board of Directors of the Issuer to their respective offices; or (d) the validity or corporate existence of the Issuer, except as follows:

- (i) *Petition of the Cities of Garland, Mesquite, Plano, and Richardson Appealing the Decision by North Texas Municipal Water District Affecting Wholesale Water Rates*, Public Utility Commission of Texas, Docket No. 46662
- (ii) *Petition of the Cities of Garland, Mesquite, Plano, and Richardson Appealing the Decision by North Texas Municipal Water District Affecting 2018 Wholesale Water Rates*, Public Utility Commission of Texas, Docket No. 47863

8. The Issuer is not in default as to any covenant, condition, or obligation in connection with the outstanding Parity Bonds or the resolutions authorizing same, respectively; and the Interest and Redemption Fund and the Reserve Fund created and maintained pursuant to said resolutions each contains the amount now required to be therein.

9. The Bond Resolution is in full force and effect and has never been revoked, amended, or rescinded.

10. Attached as Exhibit A is a statement of the revenues and expenses of the System for each of the last three fiscal years of the Issuer.

11. Attached as Exhibit B is a schedule of principal and interest requirements on the Bonds and the Parity Bonds which will be outstanding after the issuance of the Bonds.

12. Based on an opinion of legal counsel to the Issuer, there are Contracts now in effect pursuant to which the Member Cities of the Issuer are obligated to make minimum payments to the Issuer at such times (including during periods when water is not available to such Member Cities) and in such amounts as shall be necessary to provide to the Issuer "Net Revenues of the System," as defined in the Bond Resolution and in the other resolutions authorizing the Parity Bonds, sufficient to pay when due all principal of and interest on all of the Parity Bonds to be outstanding after the issuance of the Bonds, and to make the deposits into the Reserve Fund as required by the Bond Resolution.



13. The terms and conditions of the Bonds, as set forth in the Approval Certificate, comply with the requirements for such terms and conditions set forth in Section 3 of the Bond Resolution.

14. The Issuer has received all required disclosure filings under Section 2252.908, Texas Government Code, in connection with the authorization and issuance of the Bonds and has acknowledged receipt of such filings with the Texas Ethics Commission (the "TEC") in accordance with TEC's rules.

15. With respect to the contracts contained within the transcript of proceedings that are subject to Section 2252.152, Texas Government code, no counterparties to those contracts are companies identified on a list prepared and maintained under Texas Government Code Sections 2270.0201 or 2252.153.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

16. The persons named below were on the date of adoption of the Bond Resolution, and are on the date hereof, the duly elected and qualified incumbents of the offices of the Issuer set opposite their respective names, and the signatures hereinbelow are the genuine signatures of said officers:

Office	Name	Signature
President, Board of Directors	_____	_____
Secretary, Board of Directors	_____	_____
Executive Director	_____	_____

SIGNED AND SEALED \_\_\_\_\_.

NORTH TEXAS MUNICIPAL WATER DISTRICT

\_\_\_\_\_  
Secretary, Board of Directors

\_\_\_\_\_  
President, Board of Directors

\_\_\_\_\_  
Executive Director

(SEAL)

EXHIBIT A

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Income		\$258,967,069	\$221,944,473
Expenses		<u>92,301,721</u>	<u>92,566,224</u>
Net Revenues		\$166,665,348	\$129,378,249

EXHIBIT B  
DEBT SERVICE SCHEDULE

SIGNATURE IDENTIFICATION AND NO-LITIGATION CERTIFICATE

THE STATE OF TEXAS :  
NORTH TEXAS MUNICIPAL WATER DISTRICT :

We, the undersigned officers of North Texas Municipal Water District (the "Issuer"), hereby certify that:

(a) This certificate is executed and delivered with reference to North Texas Municipal Water District Regional Water System Revenue Bond, Series 2019, authorized by a resolution adopted by the Board of Directors of the Issuer on March 22, 2018, being a single fully registered bond payable in installments to the registered owner thereof (the "Initial Bond") and the bonds (the "Definitive Bonds") initially made available by the Issuer for completion and exchange for the Initial Bond.

(b) Each of us manually signed the Initial Bond.

(c) Each of us signed the Definitive Bonds by causing facsimiles of our manual signatures to be printed or lithographed on each of the Definitive Bonds, and we hereby adopt said facsimile signatures as our own, respectively, and declare that said facsimile signatures constitute our signatures the same as if we had manually signed each of the Definitive Bonds.

(d) The Initial Bond is, and the Definitive Bonds are, substantially in the form, and each of them has been duly executed and signed in the manner, prescribed in the resolution authorizing the issuance thereof.

(e) At the time we so executed and signed the Initial Bond and the Definitive Bonds (collectively the "Bonds") we were, and at the time of executing this certificate we are, the duly chosen, qualified, and acting officers indicated therein, and authorized to execute and sign the same.

(f) Except as listed below, no litigation of any nature has been filed or is now pending to restrain or enjoin the issuance or delivery of any of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the proceedings or authority concerning the issuance of the Bonds, and that so far as we know and believe no such litigation is threatened:

- (1) *Petition of the Cities of Garland, Mesquite, Plano, and Richardson Appealing the Decision by North Texas Municipal Water District Affecting Wholesale Water Rates*, Public Utility Commission of Texas, Docket No. 46662
- (2) *Petition of the Cities of Garland, Mesquite, Plano, and Richardson Appealing the Decision by North Texas Municipal Water District Affecting 2018 Wholesale Water Rates*, Public Utility Commission of Texas, Docket No. 47863

(g) Neither the corporate existence nor boundaries of the Issuer is being contested, that no litigation has been filed or is now pending which would affect the authority of the officers of the Issuer to issue, execute, sign, and deliver any of the Bonds, and that no authority or proceedings for the issuance of any of the Bonds have been repealed, revoked, or rescinded.

(h) We have caused the official seal of the Issuer to be impressed, or printed, or lithographed on each of the Bonds; and said seal on each of the Bonds has been duly adopted as, and is hereby declared to be, the official seal of the Issuer.

EXECUTED and delivered this \_\_\_\_\_.

MANUAL SIGNATURES

OFFICIAL TITLES

\_\_\_\_\_

President, Board of Directors

\_\_\_\_\_

Secretary, Board of Directors

(ISSUER SEAL)

Before me on this day personally appeared the foregoing individuals known to me to be the persons whose true and genuine signatures were subscribed to the foregoing instrument in my presence.

Given under my hand and seal of office this \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

(Notary Seal)

STATE OF TEXAS       §  
                                  §  
COUNTY OF COLLIN   §


**AFFIDAVIT OF RODNEY D. RHOADES**

BEFORE ME, the undersigned authority, came Rodney D. Rhoades who, being personally known to me was sworn under oath and testified as follows:

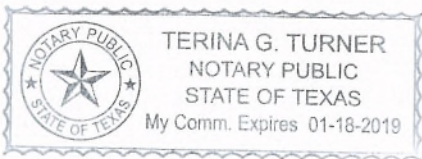
1. “My name is Rodney D. Rhoades. I am employed by the North Texas Municipal Water District (the “District”) and am familiar with this petition and lawsuit. I am over the age of eighteen years, am of sound mind, am competent in all respects to make this affidavit, and the following facts are true and correct and within my personal knowledge as the District’s Records Management Officer.

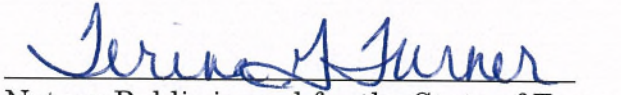
2. I am the custodian of records for the District. Attached to this affidavit is a copy of Proposed Closing Documents (Approval Certificate, Signature Identification and No-Litigation Certificate, and General Certificate) for the District’s Series 2019 Bonds, which has been designated by the District as Exhibit F to the North Texas Municipal Water District’s Original Petition for Expedited Declaratory Judgment. The documents in Exhibit F are closing documents that the District proposes to use if the Series 2019 Bonds are issued.

3. The record attached hereto is an original or exact duplicate of the original.”

  
\_\_\_\_\_  
Rodney D. Rhoades

SWORN AND SUBSCRIBED TO before me on March 07, 2018.



  
\_\_\_\_\_  
Notary Public in and for the State of Texas



# **EXHIBIT G**

APPROVAL CERTIFICATE

A. I, the undersigned, Executive Director of the North Texas Municipal Water District (the "Issuer") and an "Authorized Officer" as defined in Section 3 of the Resolution of the Issuer, adopted on March 22, 2018, as amended by a Resolution Extending Delegation Authority adopted on \_\_\_\_\_ (collectively, the "Bond Resolution") authorizing the issuance of the Issuer's Water System Revenue Refunding Bonds, Series 2019 (the "Bonds"), do hereby approve the following terms of the Bonds:

- (i) a principal amount of the Bonds of \$ \_\_\_\_\_;
- (ii) sale of the Bonds to \_\_\_\_\_ (the "Purchaser"), at a purchase price for the Bonds of \$ \_\_\_\_\_ (which is \_\_\_\_\_% of the principal amount of the Bonds);

(iii) interest rates on the Bonds, as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
-------------	-------------	-------------	-------------

- (iv) a net effective interest rate on the Bonds of \_\_\_\_\_%;
- (v) annual installments of principal payable on September 1 in the years and amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
-------------	-------------------------	-------------	-------------------------

- (vi) an initial interest payment date on the Bonds of \_\_\_\_\_;
- (vii) a dated date of the Bonds of \_\_\_\_\_;

(viii) optional redemption of the outstanding Bonds on \_\_\_\_\_, and on any date thereafter;

[(ix) Mandatory Sinking Fund Redemption for the Initial Bond and substitute Bonds as follows:

**[Principal Installments] [Term Bonds] Maturing on \_\_\_\_\_**

Years

Amounts]

(x) refunding of the bonds listed on Exhibit A hereto (the "Refunded Bonds") and redemption of the Refunded Bonds on the redemption date specified on Exhibit A hereto.

B. Upon consultation with the Issuer's financial advisor, the undersigned hereby determines and finds that the refunding of the Refunded Bonds will result in a present value debt service savings of \_\_\_\_\_% of the total principal amount of the Refunded Bonds, net of expenses and any Issuer contribution and that the final terms of the Bonds as set forth in this Certificate are in the Issuer's best interests.

EXECUTED AND DELIVERED \_\_\_\_\_.

NORTH TEXAS MUNICIPAL WATER DISTRICT

By: \_\_\_\_\_  
Title: Executive Director

**EXHIBIT A**

SCHEDULE OF REFUNDED BONDS

North Texas Municipal Water District  
Water System Revenue Refunding and Improvement Bonds,  
Series 2009C

<u>Maturity</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>
------------------------------------	-----------------------------------

Total      \$ \_\_\_\_\_

Redemption Date: \_\_\_\_\_

North Texas Municipal Water District  
Water System Revenue Bonds,  
Taxable Series 2009D  
(Build America Bonds - Direct Payment)

<u>Maturity</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>
------------------------------------	-----------------------------------

Total      \$ \_\_\_\_\_

Redemption Date: \_\_\_\_\_

GENERAL CERTIFICATE

THE STATE OF TEXAS :  
COUNTIES OF COLLIN, DALLAS, KAUFMAN, AND ROCKWALL :  
NORTH TEXAS MUNICIPAL WATER DISTRICT :

We, the undersigned officers of North Texas Municipal Water District (the "Issuer"), hereby certify that:

1. This certificate is executed for the benefit of the Attorney General of the State of Texas and the prospective owner of the proposed North Texas Municipal Water District Water System Revenue Refunding Bond, Series 2019, dated \_\_\_\_\_, 2019, authorized by a resolution adopted by the Board of Directors of the Issuer on March 22, 2018 (the "Bond Resolution"), initially issued and delivered as a single fully registered bond payable in installments to the registered owner, but convertible into fully registered bonds in any multiple of \$5,000 (collectively, the "Bonds"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Bond Resolution.

2. The Issuer is a governmental agency and political subdivision of the State of Texas operating and existing under the provisions of Chapter 62, Acts of 52nd Legislature of Texas, Regular Session, 1951, as amended (the "Act") (originally compiled as Vernon's Ann. Tex. Civ. St. Article 8280-141) (the "Act"), as a conservation and reclamation district created pursuant to Article 16, Section 59, Texas Constitution; and the Act has not been amended since May 12, 2009, and is in full force and effect.

3. The Issuer consists of the territory contained in the Cities of Allen, Farmersville, Forney, Frisco, Garland, McKinney, Mesquite, Plano, Princeton, Richardson, Rockwall, Royse City, and Wylie, Texas, which are the "Member Cities" of the Issuer and no city or town has been added to or detached from the Issuer since the issuance and delivery of the North Texas Municipal Water District Water System Revenue Bonds, Series 2019 (the "Series 2019 Bonds").

4. The Contracts with the Member Cities, have not been amended, revoked, supplemented, changed, modified or rescinded since the issuance and delivery of the Series 2019 Bonds, all of the Contracts with the Issuer's Member Cities are in full force and effect in accordance with these terms and provisions; the Issuer is presently supplying water under the Contracts; and there are no breaches, violations, or defaults existing with respect to any of the Contracts, and no new contracts similar to the Contracts have been executed since the approval by the Attorney General of Texas of the Series 2019 Bonds.

5. None of the revenues or payments from the Contracts, and no other revenues or income from the Issuer's System, have been pledged or encumbered to the payment of any debt or obligation of the Issuer, except for the payment of Operation and Maintenance Expenses of the System (as defined in the Bond Resolution) and for the payment of the principal of and interest on the unpaid and outstanding Parity Bonds.

6. The Gross Revenues of the System will be at least sufficient to pay all principal, interest, and Reserve Fund requirements in connection with the outstanding Parity Bonds and the Bonds, and to pay all Operation and Maintenance Expenses of the System, and the payments by the Member Cities under the Contract are required to be sufficient at all times to provide, together with any other available "Pledged Revenues," at least the foregoing amounts.

7. No litigation of any nature has been filed and is now pending pertaining to, affecting, or contesting: (a) the authorization, issuance, delivery, payment, security, or validity of the outstanding Parity Bonds or the Bonds, (b) the Contracts, (c) the title of the present members and officers of the Board of Directors of the Issuer to their respective offices; or (d) the validity or corporate existence of the Issuer, except as follows:

- (i) *Petition of the Cities of Garland, Mesquite, Plano, and Richardson Appealing the Decision by North Texas Municipal Water District Affecting Wholesale Water Rates*, Public Utility Commission of Texas, Docket No. 46662
- (ii) *Petition of the Cities of Garland, Mesquite, Plano, and Richardson Appealing the Decision by North Texas Municipal Water District Affecting 2018 Wholesale Water Rates*, Public Utility Commission of Texas, Docket No. 47863

8. The Issuer is not in default as to any covenant, condition, or obligation in connection with the outstanding Parity Bonds or the resolutions authorizing same, respectively; and the Interest and Redemption Fund and the Reserve Fund created and maintained pursuant to said resolutions each contains the amount now required to be therein.

9. The statements and information set forth in the Official Statement, dated \_\_\_\_\_, 2019 (the "Official Statement") pertaining to the Bonds, the Issuer, and the Member Cities, and particularly the operating statements, water and sewer rates (which rates, respectively, have been set by pertinent and applicable ordinances or resolution duly passed or adopted and now in effect), debt service requirements, revenues, and other information set forth therein are true and correct in all material respects, and the above statements and information concerning the Member Cities have been verified by the Issuer from official documents and information furnished to the Issuer by the Member Cities, respectively, specifically for inclusion in the Official Statement.

10. The Bond Resolution is in full force and effect and has never been revoked, amended, or rescinded.

11. Attached as Exhibit A is a statement of the revenues and expenses of the System for each of the last three fiscal years of the Issuer.

12. Attached as Exhibit B is a schedule of principal and interest requirements on the Bonds and the Parity Bonds which will be outstanding after the issuance of the Bonds.

13. None of the Refunded Bonds has ever been held in, or purchased for the account of, the Interest and Redemption Fund or the Reserve Fund created and maintained for the benefit of the Refunding Bonds being refunded.

14. No funds of the Issuer will be deposited into the [Payment Account] [Escrow Fund] created pursuant to the [Deposit Agreement] [Escrow Agreement] authorized by the Bond Resolution other than proceeds from the sale of the Bonds and surplus amounts of the Issuer, if any, otherwise lawfully available therefor.

15. After the delivery of the Bonds and the refunding and defeasance of the Refunded Bonds, such refunding will result in a reduction in the amount of principal and interest which otherwise would be payable with respect to the Refunded Bonds, both on an actual and present value basis, as shown on Exhibit C attached hereto.

16. Based on an opinion of legal counsel to the Issuer, there are Contracts now in effect pursuant to which the Member Cities of the Issuer are obligated to make minimum payments to the Issuer at such times (including during periods when water is not available to such Member Cities) and in such amounts as shall be necessary to provide to the Issuer "Net Revenues of the System," as defined in the Bond Resolution and in the other resolutions authorizing the Parity Bonds, sufficient to pay when due all principal of and interest on all of the Parity Bonds to be outstanding after the issuance of the Bonds, and to make the deposits into the Reserve Fund as required by the Bond Resolution.

17. The terms and conditions of the Bonds, as set forth in the Approval Certificate, comply with the requirements for such terms and conditions set forth in Section 3 of the Bond Resolution.

18. The Issuer has received all required disclosure filings under Section 2252.908, Texas Government Code, in connection with the authorization and issuance of the Bonds and has acknowledged receipt of such filings with the Texas Ethics Commission (the "TEC") in accordance with TEC's rules.

19. With respect to the contracts contained within the transcript of proceedings that are subject to Section 2252.152, Texas Government code, no counter parties to those contracts are companies identified on a list prepared and maintained under Texas Government Code Sections 2270.0201 or 2252.153.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]



20. The persons named below were on the date of adoption of the Bond Resolution, and are on the date hereof, the duly elected and qualified incumbents of the offices of the Issuer set opposite their respective names, and the signatures hereinbelow are the genuine signatures of said officers:

Office	Name	Signature
President, Board of Directors	_____	_____
Secretary, Board of Directors	_____	_____
Executive Director	_____	_____

SIGNED AND SEALED \_\_\_\_\_.

NORTH TEXAS MUNICIPAL WATER DISTRICT

\_\_\_\_\_  
Secretary, Board of Directors

\_\_\_\_\_  
President, Board of Directors

\_\_\_\_\_  
Executive Director

(SEAL)

EXHIBIT A

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Income		\$258,967,069	\$221,944,473
Expenses		<u>92,301,721</u>	<u>92,566,224</u>
Net Revenues		\$166,665,348	\$129,378,249

EXHIBIT B  
DEBT SERVICE SCHEDULE

EXHIBIT C  
REFUNDING SAVINGS ANALYSIS

SIGNATURE IDENTIFICATION AND NO-LITIGATION CERTIFICATE

THE STATE OF TEXAS :  
NORTH TEXAS MUNICIPAL WATER DISTRICT :

We, the undersigned officers of North Texas Municipal Water District (the "Issuer"), hereby certify that:

(a) This certificate is executed and delivered with reference to North Texas Municipal Water District Regional Water System Revenue Refunding Bond, Series 2019, authorized by a resolution adopted by the Board of Directors of the Issuer on March 22, 2018, being a single fully registered bond payable in installments to the registered owner thereof (the "Initial Bond") and the bonds (the "Definitive Bonds") initially made available by the Issuer for completion and exchange for the Initial Bond.

(b) Each of us manually signed the Initial Bond.

(c) Each of us signed the Definitive Bonds by causing facsimiles of our manual signatures to be printed or lithographed on each of the Definitive Bonds, and we hereby adopt said facsimile signatures as our own, respectively, and declare that said facsimile signatures constitute our signatures the same as if we had manually signed each of the Definitive Bonds.

(d) The Initial Bond is, and the Definitive Bonds are, substantially in the form, and each of them has been duly executed and signed in the manner, prescribed in the resolution authorizing the issuance thereof.

(e) At the time we so executed and signed the Initial Bond and the Definitive Bonds (collectively the "Bonds") we were, and at the time of executing this certificate we are, the duly chosen, qualified, and acting officers indicated therein, and authorized to execute and sign the same.

(f) Except as listed below, no litigation of any nature has been filed or is now pending to restrain or enjoin the issuance or delivery of any of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the proceedings or authority concerning the issuance of the Bonds, and that so far as we know and believe no such litigation is threatened:

- (1) *Petition of the Cities of Garland, Mesquite, Plano, and Richardson Appealing the Decision by North Texas Municipal Water District Affecting Wholesale Water Rates*, Public Utility Commission of Texas, Docket No. 46662
- (2) *Petition of the Cities of Garland, Mesquite, Plano, and Richardson Appealing the Decision by North Texas Municipal Water District Affecting 2018 Wholesale Water Rates*, Public Utility Commission of Texas, Docket No. 47863

(g) Neither the corporate existence nor boundaries of the Issuer is being contested, that no litigation has been filed or is now pending which would affect the authority of the officers of the Issuer to issue, execute, sign, and deliver any of the Bonds, and that no authority or proceedings for the issuance of any of the Bonds have been repealed, revoked, or rescinded.

(h) We have caused the official seal of the Issuer to be impressed, or printed, or lithographed on each of the Bonds; and said seal on each of the Bonds has been duly adopted as, and is hereby declared to be, the official seal of the Issuer.

EXECUTED and delivered this \_\_\_\_\_.

MANUAL SIGNATURES

OFFICIAL TITLES

\_\_\_\_\_

President, Board of Directors

\_\_\_\_\_

Secretary, Board of Directors

(ISSUER SEAL)

Before me on this day personally appeared the foregoing individuals known to me to be the persons whose true and genuine signatures were subscribed to the foregoing instrument in my presence.

Given under my hand and seal of office this \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

(Notary Seal)

STATE OF TEXAS       §  
                                  §  
COUNTY OF COLLIN   §

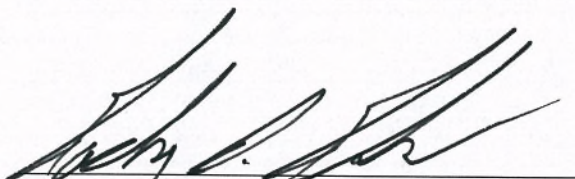
**AFFIDAVIT OF RODNEY D. RHOADES**

BEFORE ME, the undersigned authority, came Rodney D. Rhoades who, being personally known to me was sworn under oath and testified as follows:

1. "My name is Rodney D. Rhoades. I am employed by the North Texas Municipal Water District (the "District") and am familiar with this petition and lawsuit. I am over the age of eighteen years, am of sound mind, am competent in all respects to make this affidavit, and the following facts are true and correct and within my personal knowledge as the District's Records Management Officer.

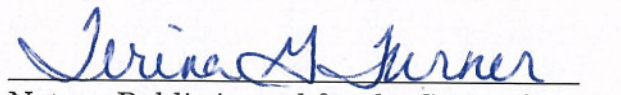
2. I am the custodian of records for the District. Attached to this affidavit is a copy of Proposed Closing Documents (Approval Certificate, Signature Identification and No-Litigation Certificate, and General Certificate) for the District's Series 2019 Refunding Bonds, which has been designated by the District as Exhibit G to the North Texas Municipal Water District's Original Petition for Expedited Declaratory Judgment. The documents in Exhibit G are closing documents that the District proposes to use if the Series 2019 Refunding Bonds are issued.

3. The record attached hereto is an original or exact duplicate of the original."

  
\_\_\_\_\_  
Rodney D. Rhoades

SWORN AND SUBSCRIBED TO before me on March 27, 2018, 2018.



  
\_\_\_\_\_  
Notary Public in and for the State of Texas



# EXHIBIT H



**NORTH TEXAS MUNICIPAL  
WATER DISTRICT**

*Regional Service Through Unity*

February 1, 2018

Mr. Tom Entsminger  
Texas Water Development Board  
Stephen F. Austin Building  
1700 N. Congress Avenue  
Austin, Texas 78701

**RE: SWIFT Funding Abridged Application  
Treatment and Treated Water Distribution Improvements**

Dear Mr. Entsminger:

The North Texas Municipal Water District (NTMWD) is pleased to submit the enclosed SWIFT Abridged Application for a portion of the Treatment and Treated Water Distribution Improvements project. Enclosed is the SWIFT Abridged Application.

We appreciate the opportunity to provide this application for financial assistance so that we may move forward in meeting our customer's needs. Please contact Erik Felthous, Finance Manager, at 469-626-4354 or via email [efelthous@ntmwd.com](mailto:efelthous@ntmwd.com) at any time if you need further information.

Sincerely,

Thomas W. Kula  
Executive Director / General Manager

Enclosure



# Application

# Abridged

5:00pm

Due February 2, 2018 by

Submit via email: [SWIFT@twdb.texas.gov](mailto:SWIFT@twdb.texas.gov)

By submitting this abridged application, you understand and confirm that the information provided is true and correct to the best of your knowledge and further understand that the failure to submit a complete abridged application by the stated deadlines, or to respond in a timely manner to additional requests for information, may result in the withdrawal of the abridged application without review.

**NOTE:** You may also complete and submit your Abridged Application online at <https://ola.twdb.texas.gov/>.

GENERAL INFORMATION				
Name of Entity		County		Regional Water Planning Area
North Texas Municipal Water District		Collin (Primary)		C – Region C
Entity Contact Information				
Contact Person	Name	Erik Felthous		
	Title	Finance Manager		
Mailing Address		501 E. Brown Street		
		Wylie, TX 75098		
Phone Number	469-626-4354	Fax Number	972-442-5400	
Email Address	efelthous@ntmwd.com			
PROJECT DESCRIPTION				
Name of Project <i>(As it appears in the 2017 State Water Plan)</i>		Treatment and Treated Water Distribution Improvements		
Where can the project be found in the most recent Regional Water Plan?	Project described on page:	5C.26	Capital costs listed on page:	5C.31/Q.56
Phase(s) Applied For	<input type="checkbox"/> Planning <input checked="" type="checkbox"/> Acquisition <input type="checkbox"/> Design <input checked="" type="checkbox"/> Construction			
Population Served When Fully Operational	1,900,000 in 2022			



# Application

# Abridged

Due February 2, 2018 by

5:00pm

Submit via email: SWIFT@twdb.texas.gov

Description of Proposed Project Components
<p>The Leonard Water Treatment Plant and associated pipelines is projected to:</p> <ul style="list-style-type: none"> <li>• Have a treatment capacity of 70 MGD</li> <li>• Be completed and supplying water in 2022</li> </ul> <p>NTMWD is requesting financial assistance with the following:</p> <ul style="list-style-type: none"> <li>• 70 MGD Leonard Water Treatment Plant</li> <li>• 84-inch Treated Water Pipeline from Leonard Water Treatment Plant to Highway 5 Pump Station</li> </ul> <p>Note: - Also Serves counties: Dallas, Denton, Ellis, Fannin, Hunt, Kaufman, Rains, and Rockwall.            - NTMWD is a Regional Wholesale provider of Potable Water. The residential water bill and household income have been estimated for the City of Plano, NTMWD's largest wholesale customer, based on information from the City of Plano's website, Texas Municipal League and the U.S. Census Bureau.            - Public Water System ID numbers: Wylie PWS - # 0430044, Tawakoni PWS - # 1290052, Bonham PWS - # 0740051, Future Leonard/North WTP - #NA.            - NTMWD plans to receive the USACE Clean Water Act Section 404 Permit in 1<sup>st</sup> Quarter 2018. In June 2015, NTMWD received the TCEQ Water Rights Permit for the Lower Bois d'Arc Creek Reservoir.</p>

<b>Emergency</b> <i>(select all that apply)</i>	<input type="checkbox"/> Applicant/entity's water supply will last less than 180 days. <input type="checkbox"/> Applicant has received or applied for Federal emergency funding. <input checked="" type="checkbox"/> None of the above.
--	---

<b>Agricultural Efficiency Project?</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<b>Efficiency improvement achieved by implementing the project</b> <i>(Please provide an attachment showing the basis for your calculation.)</i>
		<input type="checkbox"/> <1% <input type="checkbox"/> 10%-13.9% <input type="checkbox"/> 1%-1.9% <input type="checkbox"/> 14%-17.9% <input type="checkbox"/> 2%-5.9% <input type="checkbox"/> ≥18% <input type="checkbox"/> 6%-9.9%

**Household Cost Factor**  
*(Household Cost Factor for SWIFT prioritization is calculated by dividing the service area's average residential water bill by its annual median household income. For regional projects, these should represent the combined service areas of all participating entities.)*

<b>Estimated average annual residential water bill:</b>	\$797.27	<b>Annual Median Household Income:</b>	\$85,085
---	----------	--	----------

<b>The proposed project addresses:</b>	<input type="checkbox"/> Conservation <input type="checkbox"/> Water Loss <input checked="" type="checkbox"/> N/A
--	---

Volume of Water Produced/Conserved (in Acre/Feet per Year)					
2020	2030	2040	2050	2060	2070
0	120,200	120,200	118,000	115,800	113,600



# Application

# Abridged

Due February 2, 2018 by

5:00pm

Submit via email: [SWIFT@twdb.texas.gov](mailto:SWIFT@twdb.texas.gov)

<p><b>Readiness to Proceed</b> <i>(select all that apply)</i></p>	<p><input checked="" type="checkbox"/> Preliminary planning or design work (30% of total project) has been completed or is not required.</p> <p><input checked="" type="checkbox"/> Applicant is prepared to begin implementation or construction within 18 months of application deadline.</p> <p><input checked="" type="checkbox"/> Applicant has acquired all water rights associated with the proposed project, or none will be required.</p>
---	--

### ESTIMATED COSTS

<b>Estimated Project Costs</b>	Project Cost		\$282,819,907
	Cost of Issuance		\$ 17,180,093
	Total Low-interest Loan		<b>\$300,000,000</b>
	Deferred Loan		\$
	Board Participation		\$
	Local Contribution		\$ 10,298,773
	Other:	SWIFT 1 - 11/2017	\$ 20,477,141
		SWIFT 1 - 4/2018	\$ 91,220,454
SWIFT 1 - 11/2018		\$143,671,516	
Total Estimated Project Costs			\$565,667,884

<p><b>Anticipated Commitments</b> <i>Attach proposed schedule for multi-year commitments</i></p>	<p><input checked="" type="checkbox"/> One-Time Commitment      <input type="checkbox"/> Multi-Year Commitments</p>
--	---

<p><b>Anticipated Debt Service Structure</b> <i>Please attach explanation if requesting non-level debt service..</i></p>	<p><input checked="" type="checkbox"/> Level      <input type="checkbox"/> Other Request</p>
--	--

**Required Attachments:**

- A list of all water systems served by the proposed project - **ATTACHED**
- Proposed multi-year commitment schedule (if applicable)
- Explanation of requested debt service structure (if applicable)

## Beneficiaries of Leonard WTP

From Appendix H, Table H.23\*, 2016 Region C Water Plan

\* Removed any NTWMD customers that were not allocated supply from Lower Bois d'Arc Creek Reservoir in DB17

### Current Customers

Ables Springs WSC  
Allen  
Anna  
Blackland WSC  
Bonham  
BHP WSC (Hunt Co portion)  
Caddo Basin SUD  
Cash SUD  
College Mound WSC  
Collin Co. Other  
Copeville SUD  
Crandall  
Culleoka WSC  
Denton County Other  
East Fork SUD  
Fairview  
Farmersville  
Fate  
Forney  
Forney Lake WSC  
Frisco  
Garland  
Gastonia-Scurry SUD  
Hackberry  
Heath  
High Point WSC  
Howe  
Hunt County Other  
Josephine  
Kaufman  
Kaufman County Other  
Lavon  
Lavon WSC  
Little Elm  
Lowry Crossing  
Lucas  
McKinney  
McLendon-Chisolm  
Melissa  
Mesquite  
Milligan WSC

### Potential Future Customers

Blue Ridge  
Celina  
Ector  
Fannin County Other  
Honey Grove  
Leonard  
Savoy  
Southwest Fannin Co SUD  
Trenton  
Weston  
Kaufman County Mining  
Fannin County Mining

## Beneficiaries of Leonard WTP

From Appendix H, Table H.23\*, 2016 Region C Water Plan

\* Removed any NTWMD customers that were not allocated supply from Lower Bois d'Arc Creek Reservoir in DB17

### Current Customers

Mt. Zion WSC  
Murphy  
Nevada  
North Collin WSC  
New Hope  
Oak Grove  
Parker  
Plano  
Post Oak Bend City  
Princeton  
Prosper  
RCH WSC  
Richardson  
Rockwall  
Rockwall Co. Other  
Rose Hill SUD  
Rowlett  
Royse City  
Sachse  
Saint Paul  
Scurry  
Seis Lagos UD  
Sunnyvale  
Talty  
Talty WSC  
Terrell  
The Colony  
Van Alstyne  
Wylie  
Wylie Northeast SUD  
Non-Municipal Customers  
Collin County Manufacturing  
Dallas County Manufacturing  
Denton County Manufacturing  
Fannin County Manufacturing  
Grayson County Manufacturing  
Kaufman County Manufacturing  
Kaufman County Steam Electric  
Rockwall County Manufacturing

### Potential Future Customers



Mark through name, then initial, date, and forward to next individual indicated.  
 When appropriate, take the necessary action and/or reply as indicated.

SEQUENCE	NAME	DATE	EMAILED	Due Date
4	Tom Kula	<i>Rec'd Signature Jul 21/10</i>		
3	Judd Sanderson			
	Joe Stankiewicz			
	Mike Rickman			
	Jeff Mayfield			Responsible
	Jim Shirley			(name)
	Dave Patton			(name)
	Billy George			no later than
	Jenna Covington			(date)
	R J Muraski			(name)
2	Rodney Rhoades	✓		no later than
	Cesar Baptista			(date)
	Christopher Metz			(date)
	Ken Wesson			Filed in Laserfiche
	Robert McCarthy			(date)
	Denise Hickey			(date)
	John Montgomery			
	Jeff Ray			
	Janet Rummel			
1	Erik Felthous	<i>EF 1/31/18</i>		
5	Daniel Sellars			

*Requester by TWOB.*

**Comments:** 2018 SWIFT Abridged Application and Resubmittal of 2017 SWIFT Abridged Application

*Have to Mail Today for 2/2/19*

1/31/2018 Date Daniel Sellars Sender *Recalline.*



00060  
00100

**FedEx** Express **Package** US Airbill  
Sender's Tracking Number **81119 2834 1380**

1 From Please print and press hard.  
Date **02/01/2018** Sender's FedEx Account Number **18381974023**

Sender's Name **Daniel Sellers (SWIFT)** Phone ( **972**) **442-5405**

Company **N TEXAS MUNICIPAL WATER DIST.**  
Address **505 E BROWN ST**

City **WYLIE** State **TX** ZIP **75078-4406**

2 Your Internal Billing Reference  
Print 24 characters will appear on invoice.

3 To Recipient's Name **Tom Entsminger** Phone ( )  
Company **TWOB**

Address **Stephen F. Austin Bldg** Dept./Floor/Suite/Room  
We cannot deliver to P.O. boxes or P.O. ZIP codes.

Address **1700 N. Congress Ave**  
Use this line for the HOLD location address or for contribution of your shipping cost.

City **Austin** State **TX** ZIP **78701**

0127801887



Form ID No. **0215** **MUR4** **Scatter Pack**

4 Express Package Service \* To meet location.  
Packages up to 150 lbs.  
For packages over 100 lbs., use the FedEx Express Freight US Airbill.

- FedEx First Overnight (Next business day delivery to select locations. Friday shipments will be delivered on Monday unless Saturday Delivery is selected.)
- FedEx Priority Overnight (Next business day delivery to select locations. Monday through Friday shipments will be delivered on Monday unless Saturday Delivery is selected.)
- FedEx Standard Overnight (Next business day delivery to select locations. Saturday Delivery NOT available.)
- FedEx 2Day A.M. (Second business day delivery to select locations. Saturday Delivery NOT available.)
- FedEx 2Day (Second business day delivery to select locations. Monday through Friday shipments will be delivered on Monday unless Saturday Delivery is selected.)
- FedEx Express Saver (Third business day delivery to select locations. Saturday Delivery NOT available.)

5 Packaging \* Declared value limit 5000.  
 FedEx Envelope\*  FedEx Pak\*  FedEx Box  FedEx Tube  Other

6 Special Handling and Delivery Signature Options Fees may apply. See the FedEx Service Guide.  
 Saturday Delivery (NOT available for FedEx Standard Overnight, FedEx 2Day A.M., or FedEx Express Saver.)

- No Signature Required (Package may be left without delivery signature.)
  - Direct Signature (Someone at recipient's address may sign for delivery.)
  - Indirect Signature (If no one is available at recipient's address, someone at a neighboring address may sign for delivery, for residential deliveries only.)
- Does this shipment contain dangerous goods?  
 No (One box must be checked.)  
 Yes (Unpackaged Shipper's Declaration. By Fed. & Int'l Reg.  Div/cls  UN 1400  X  kg)  
 Yes (Packaged Shipper's Declaration. By Fed. & Int'l Reg.  Div/cls  UN 1400  X  kg)
- Restrictions apply for dangerous goods — see the current FedEx Service Guide.  
 Cargo Aircraft Only

7 Payment Bill to:  
 Sender (Bill to the account holder)  
 Recipient  Third Party  Credit Card  Cash/Check  
Enter FedEx Account No. or Credit Card No. below. Exp. Date

Total Packages  Total Weight  Total Declared Value

Our liability is limited to USD100 unless you declare a higher value. See back for details. By using this airbill you agree to the conditions on the back of this airbill and the current FedEx Service Guide, including terms and conditions.  
Rev. 01/15 • Part #181734 • © 1994-2015 FedEx • PRINTED IN U.S.A. 584

fedex.com 1.800.GoFedEx 1.800.453.3339



February 2, 2018

Dear Customer:

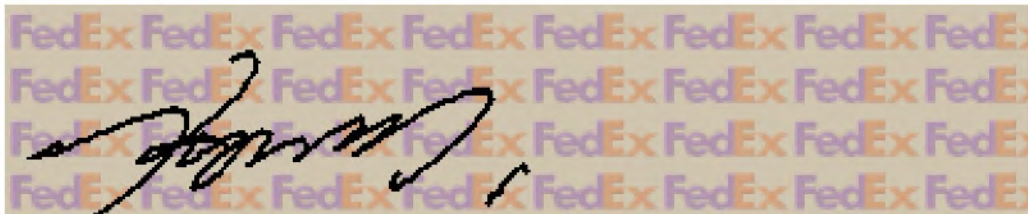
The following is the proof-of-delivery for tracking number **811928341380**.

---

**Delivery Information:**

---

<b>Status:</b>	Delivered	<b>Delivered to:</b>	Mailroom
<b>Signed for by:</b>	K.BURTON	<b>Delivery location:</b>	1700 N CONGRESS AVE 610B TX 78701
<b>Service type:</b>	FedEx Priority Overnight	<b>Delivery date:</b>	Feb 2, 2018 09:30
<b>Special Handling:</b>	Deliver Weekday  Direct Signature Required		



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**Shipping Information:**

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<b>Tracking number:</b>	811928341380	<b>Ship date:</b>	Feb 1, 2018
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**Recipient:**  
TOM ENTSMINGER  
TWDB  
1700 N CONGRESS AVE F AUSTIN B  
TX 78701 US

**Shipper:**  
DANIEL SELLARS SWIT  
N TEXAS MUNICIPAL WATER DIS  
505 E BROWN ST  
WYLIE, TX 750984406 US

Thank you for choosing FedEx.

STATE OF TEXAS       §  
                                  §  
COUNTY OF COLLIN   §


**BUSINESS RECORDS AFFIDAVIT OF RODNEY D. RHOADES**

BEFORE ME, the undersigned authority, came Rodney D. Rhoades who, being personally known to me was sworn under oath and testified as follows:

1. “My name is Rodney D. Rhoades. I am employed by the North Texas Municipal Water District (the “District”) and am familiar with this petition and lawsuit. I am over the age of eighteen years, am of sound mind, am competent in all respects to make this affidavit, and the following facts are true and correct and within my personal knowledge as the District’s Records Management Official.

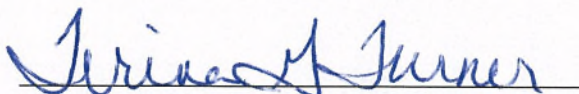
2. I am the custodian of records for the District. Attached to this affidavit is a copy of the North Texas Municipal Water District’s Application to Texas Water Development Board for SWIFT Funding, which has been designated by the District as Exhibit H to the North Texas Municipal Water District’s Original Petition for Expedited Declaratory Judgment. The record reflected in Exhibit H is kept in the regular course of business of the District, and it is the District’s regular course of business for an employee or representative of the District with knowledge of the act, event, condition, opinion, or diagnosis recorded to make the record or to transmit information thereof to be included in such a record; and the record was made at or near the time or reasonably soon thereafter.

3. The record attached hereto is an original or exact duplicate of the original.”

  
\_\_\_\_\_  
Rodney D. Rhoades

SWORN AND SUBSCRIBED TO before me on March 27, 2017.



  
\_\_\_\_\_  
Notary Public in and for the State of Texas

# **EXHIBIT I**



NORTH TEXAS MUNICIPAL WATER DISTRICT  
REGIONAL WATER SUPPLY FACILITIES AMENDATORY CONTRACT

THE STATE OF TEXAS :

NORTH TEXAS MUNICIPAL WATER DISTRICT :

THIS AMENDATORY CONTRACT (the "Contract") made and entered into as of the 1st day of AUGUST, 1988 (the "Contract Date"), by and between NORTH TEXAS MUNICIPAL WATER DISTRICT (the "District"), a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Article 16, Section 59, of the Texas Constitution, pursuant to Chapter 62, Acts of the 52nd Legislature, Regular Session, 1951, as amended (the "District Act"), and the following:

CITY OF FARMERSVILLE, IN COLLIN COUNTY, TEXAS,  
CITY OF FORNEY, IN KAUFMAN COUNTY, TEXAS,  
CITY OF GARLAND, IN DALLAS COUNTY, TEXAS  
CITY OF MCKINNEY, IN COLLIN COUNTY, TEXAS,  
CITY OF MESQUITE, IN DALLAS COUNTY, TEXAS,  
CITY OF PLANO, IN COLLIN AND DENTON COUNTIES, TEXAS,  
CITY OF PRINCETON, IN COLLIN COUNTY, TEXAS,  
CITY OF RICHARDSON, IN DALLAS AND COLLIN COUNTIES, TEXAS,  
CITY OF ROCKWALL, IN ROCKWALL COUNTY, TEXAS,  
CITY OF ROYSE CITY, IN ROCKWALL AND COLLIN COUNTIES, TEXAS, and  
CITY OF WYLIE, IN COLLIN COUNTY, TEXAS

(collectively the "Initial Contracting Parties").

W I T N E S S E T H

WHEREAS, each of the Initial Contracting Parties is a duly incorporated city and political subdivision of the State of Texas operating under the Constitution and laws of the State of Texas; and

WHEREAS, the District and the Initial Contracting Parties are authorized to enter into this Contract pursuant to the District Act, Vernon's Ann. Tex. Civ. St. Article 4413(32c) (the "Interlocal Cooperation Act"), and other applicable laws; and

WHEREAS, the District presently owns water rights in Lavon Reservoir on the East Fork of the Trinity River in Collin County, Texas, and owns and operates other water supply and treatment facilities which serve the Initial Contracting Parties (the "Existing System"); and

WHEREAS, the District has duly issued and delivered the following described bonds (the "Outstanding Bonds") which were issued to acquire and construct, and to refund bonds issued to acquire and construct, the Existing System:

North Texas Municipal Water District Water System Revenue Bonds, Series 1985, dated August 1, 1985, now outstanding in the aggregate principal amount of \$78,967,321.45; and

North Texas Municipal Water District Water System Revenue Bonds, Series 1987, dated March 1, 1987, now outstanding in the aggregate principal amount of \$24,565,000; and

WHEREAS, the District presently supplies and sells treated water from the Existing System to the Initial Contracting Parties under eleven separate treated water supply contracts, including various amendments thereto, now in effect; and it is acknowledged and agreed that the Existing System is inadequate to provide known future treated water requirements of the Initial Contracting Parties, thus making this Contract

necessary to enable the District to acquire and construct additional treated water supply and treatment facilities and make it possible for the District to supply such requirements; and

WHEREAS, the existing treated water supply contracts recognize that the District has assumed the responsibility for supplying all treated water needs of the Initial Contracting Parties; and

WHEREAS, each of said existing treated water supply contracts originally was dated as of December 12, 1953, except for the City of Richardson contract originally dated as of April 7, 1965, and each is similar in form and substance, and such contracts, including all amendments thereto, collectively presently provide the principal source and security for the payment of the District's Outstanding Bonds; and

WHEREAS the District proposes to acquire, construct, and complete additional surface water supply and treatment facilities from the following additional sources: Lake Texoma on the Red River, Cooper Dam and Reservoir in Hopkins and Delta Counties, Texas, a proposed new Bonham Dam and Reservoir in Fannin County, Texas, and other facilities wherever located to enable the District to supply treated water as needed to Contracting Parties and others (the "Projects"); and

WHEREAS, it is deemed necessary and advisable by the parties hereto that each of the eleven separate existing

treated water supply contracts, and amendments thereto, between the District and each Initial Contracting Party be amended and completely replaced with this single Contract so that the entire relationship between the District and all of the Initial Contracting Parties with respect to the System and the Bonds (as such terms are hereinafter defined) will be set forth in this Contract; and

WHEREAS, it is specifically represented, certified, and covenanted by the District that none of the amendments or modifications to the aforesaid existing treated water supply contracts with the Initial Contracting Parties which will occur as a result of entering into this Contract will in any way have an adverse affect on the operation of the System or the rights of the owners of any Bonds; and that this Contract will provide security for the owners of all Bonds and obligate the Initial Contracting Parties to make and assume unconditional specific payments with respect to the System and the Bonds; and

WHEREAS, the provisions of this Contract are similar in concept, essence, and intent to the provisions of the aforesaid existing treated water supply contracts and basically restate, reorganize, and expand same, including certain clarifications and updating, and establishing certain billing procedures and adjustments between the parties with respect to the use of, and payments with respect to, treated water from the System, which billing procedures and adjustments are solely between the



Initial Contracting Parties and do not affect the unconditional obligations of such parties with respect to the System and Bonds; and

WHEREAS, it is expected by the parties hereto that after the execution of this Contract, Bonds for parts of the Projects will be issued as soon as deemed advisable and necessary by the District.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the District agrees to use its best efforts to acquire, construct, and complete the Projects and other System facilities, when and as the District deems it advisable, and to supply treated water to Contracting Parties and others from the System, upon and subject to the terms and conditions hereinafter set forth, and, subject to the provisions of Section 13(b) and (c) hereof, the District and the Initial Contracting Parties agree that each of the eleven presently existing treated water supply contracts described above between the District and the Initial Contracting Parties are hereby amended, modified, combined, and consolidated so as henceforth to be in their entirety and for all purposes as follows, to-wit:

Section 1. DEFINITION OF TERMS. The following terms and expressions as used in this Contract, unless the context clearly shows otherwise, shall have the following meanings:

(a) "Additional Contracting Party" means any party not defined as one of the Initial Contracting Parties with which the District makes a contract similar to this Contract for supplying treated water from the System, provided that after execution of any such contract such party shall become one of the Contracting Parties for all purposes of this Contract.

(b) "Annual Payment" means the amount of money to be paid to the District by each of the Contracting Parties during each Annual Payment Period as its proportionate share of the Annual Requirement.

(c) "Annual Payment Period" means the District's fiscal year, which currently begins on October 1 of each calendar year and ends on September 30 of the next following calendar year, but which may be any twelve consecutive month period fixed by the District; and the first Annual Payment Period under this Contract shall be the period of October 1, 1988, through September 30, 1989.

(d) "Annual Requirement" means the total amount of money required for District to pay all Operation and Maintenance Expenses of the System, and to pay the Bond Service Component of the Annual Requirement as described in Section 9(a) hereof, including debt service on its Bonds, and any sums required to pay or restore any amounts required to be deposited in any special or reserve funds required to be established and/or maintained by the provisions of the Bond Resolutions.

(e) "Bond Resolution" means any resolution of the District which authorizes any Bonds.

(f) "Bonds" means the Outstanding Bonds listed in the preamble to this Contract, and all bonds hereafter issued by the District, whether in one or more series or issues, and the interest thereon, to acquire, construct, complete, improve, and/or extend the System or any System facilities, including the Projects, and/or otherwise to improve or extend the System, and any bonds issued to refund any Bonds or to refund any such refunding bonds.

(g) "Contracting Parties" means the "Initial Contracting Parties", as defined in the first paragraph of this Contract, together with any other party or parties which hereafter becomes one of the Contracting Parties by becoming an Additional Contracting Party.

(h) "Contracting Party" means any one of the Contracting Parties.

(i) "District" means the "District" as defined in the preamble to this Contract.

(j) "Existing System" means the "Existing System" as defined in the preamble to this Contract.

(k) "MGD" is an abbreviation for "million gallons of water per day" and means a quantity of water during a period of time expressed for convenience in terms of an average annual daily quantity during an Annual Payment Period. The value of 2

MGD, for example, is calculated as follows: two million gallons multiplied by the number of days in an Annual Payment Period.

(l) "Operation and Maintenance Expenses" means all reasonable costs and expenses of operation and maintenance of the System, including (for greater certainty but without limiting the generality of the foregoing) repairs and replacements, operating personnel, the cost of utilities, the amounts required to pay the U.S. Army Corps of Engineers or any other federal, state, or local agency for water storage rights or other interests in water in any reservoir, or for the purchase of water, or for the use or operation of any property or facilities, the costs of supervision, engineering, accounting, auditing, legal services, insurance premiums, supplies, services, administration of the System, and equipment necessary for proper operation and maintenance of the System, and payments made by District in satisfaction of judgments resulting from claims not covered by District's insurance arising in connection with the acquisition, construction, operation, and maintenance of the System. The term also includes the charges of the bank or banks acting as paying agents and/or registrars for any Bonds. The term does not include depreciation.

(m) "Outstanding Bonds" means the Outstanding Bonds, as defined in the preamble to this Contract.

(n) "Projects" means the "Projects" as defined in the preamble to this Contract.

(o) "System" means collectively the Existing System and the Projects, and all of the District's existing water rights, and water storage, treatment, transportation, distribution, and supply facilities, including all dams, reservoirs, and other properties or interests therein wherever located, which heretofore have been acquired or constructed with the proceeds from the sale of the Outstanding Bonds, or the bonds refunded by same, or with any other bonds or other obligations of the District payable from and secured by a lien on and pledge of any part of the 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 and/or water rights, which are acquired or constructed with the proceeds from the sale of any Bonds or revenues from the System, and any water supply or treatment facilities which are deliberately and specifically, at the option of the District, made a part of the System by resolution of the Board of Directors of the District, and all repairs to or replacements of the System. Said terms do not include any District facilities which provide wastewater treatment or disposal services, or solid waste disposal services, of any kind. Said terms do 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 Bonds (as hereinbefore defined), and which are payable from any source, contract, or revenues whatsoever other than revenues from the System.

(p) "treated water" means potable water treated to the standards of quality specified in Section 5 of this Contract. Such term does not include non-potable water such as wastewater or other non-potable water derived, treated, or produced from any source by any Contracting Party.

(q) "Water Year" means the period of August 1 of each calendar year through July 31 of the next following calendar year.

Section 2. CONSTRUCTION OF PROJECTS. The District agrees to use its best efforts to issue its Bonds, payable from Annual Payments under this Contract, to acquire and construct the Projects and other System facilities when and as needed, as determined by the District, to supply treated water to all Contracting Parties. It is anticipated that such acquisition and construction will be in phases and that each phase will be financed by the District through the issuance of one or more series or issues of its Bonds; and the District agrees to use its best efforts to issue its Bonds for such purpose. Bonds also may, at the discretion of the District, be issued to refund any Bonds, and be issued to improve and/or extend

any System facilities. The proceeds from the sale and delivery of the Bonds may be used to fund debt service reserve funds or contingency funds and interest during construction to the extent deemed advisable by the District, and for the payment of all of the District's expenses and costs in connection with any Projects or other System facilities and the Bonds, including, without limitation, all financing, legal, printing, and other expenses and costs related to the Bonds and the Projects and other System facilities.

Section 3. QUANTITY. (a) The District agrees to sell and to deliver treated water under this Contract to each Initial Contracting Party, respectively, at its Point or Points of Delivery as described in Section 6 hereof, and each Initial Contracting Party agrees to take at its Point or Points of Delivery all treated water required for use by such Initial Contracting Party during the term of this Contract, including all treated water for such Initial Contracting Party's own use and for distribution to all customers served by such Initial Contracting Party's treated water distribution system, whether inside or outside its boundaries. It is specifically provided, however, that after the Contract Date, no Contracting Party shall enter into, renew, or amend with regard to volume of water to be supplied, any agreement to supply any such treated water for use outside its boundaries or the area of its statutory extraterritorial jurisdiction unless each such agreement

is approved by the Board of Directors of the District (which approval shall not be unreasonably withheld) and made subject and subordinate in all respects to the water requirements of all of the Contracting Parties collectively. No Contracting Party shall become a party to any contract for the sale of treated water which would violate or be inconsistent with the provisions of this Contract, and all such contracts shall recognize the priority of treated water use as provided in this Contract. It is the intention of the parties hereto that the System shall be the sole and exclusive source of all treated water supply for each of the Contracting Parties. However, notwithstanding the foregoing provisions of this subsection (a), if, after the Contract Date, any Contracting Party should legally and finally annex or consolidate with any territory which has a source of treated water supply other than from such Contracting Party, then the District and such Contracting Party are authorized to, and may, negotiate and enter into agreements which would allow the continued use of such other source within such annexed territory upon such terms and conditions as are mutually agreeable to the District and such Contracting Party, and as an exception to the foregoing requirements with respect to exclusivity. The District will use its best efforts to furnish and remain in position to furnish treated water sufficient for all reasonable treated water requirements of each Contracting Party, but its obligation shall be limited to the



amount of treated water available to it from the System; and provided that the maximum rate of delivery shall be consistent with the capacities and abilities of System facilities, and shall not exceed the amounts fixed on an equitable and uniform basis by the Board of Directors of the District. The District agrees to use its best efforts to issue its Bonds in amounts necessary to acquire, construct, maintain, improve, and extend the entire System, including the Projects and other System facilities, so as to enable the District to furnish such treated water. As between the Contracting Parties, if treated water from the System must be rationed 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 treated water from the entire System taken by each such Contracting Party, respectively, during the last preceding Annual Payment Period in which rationing among said parties was not necessary.

(b) If the District is at any time during the term of this Contract unable to supply all the treated 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 water requirements, and any Contracting Party determines that it is necessary to procure treated water from sources other than the District, then such Contracting Party shall give written notice to the District of its intention and desire to procure treated water

from sources other than the District, and its reasons therefor. Unless, within sixty (60) days from the receipt by the District of such written notice, the District shall object to such procurement (such objection to be evidenced by a resolution adopted by a vote of a majority of all members of the District's Board of Directors), then such Contracting Party may proceed to procure such treated 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. However, such Contracting Party shall nevertheless continue to be obligated to take from the District and pay for all treated water at any time available to such Contracting Party from the District's System up to the full treated water requirements of such Contracting Party. In no event shall the taking of treated water from a source other than the District relieve any Contracting Party from making all payments due the District under this Contract. Further, all Contracting Parties shall at all times have the right to secure treated water from any possible source (i) in any emergency when the District is unable to deliver treated water from the System because of any "Force Majeure" as defined in this Contract, or (ii) in any other emergency situation, as determined by a Contracting Party for a period not to exceed thirty days, or for any longer period approved in writing by the District. Notwithstanding the foregoing provisions of this Contract, any Contracting

Party also may purchase treated water from a source other than the System, if the District determines that such purchase is in the best interests of the District and the Contracting Parties and gives written approval to such purchase; and in such case, for the purposes of this Contract, the District shall be deemed to be the constructive purchaser of such water and such water shall be deemed to be System water, and the District shall either pay for said water on behalf of such Contracting Party or reimburse such Contracting Party for the cost of such water, and such Contracting Party shall pay the District for such water the same as if it were regular System water.

Section 4. OTHER CONTRACTS. (a) The District reserves the right to supply treated water from the System to Additional Contracting Parties under contracts similar to this Contract, subject to the requirements concerning "minimums" as provided in Section 9(c) hereof. Each contract with any Additional Contracting Party shall comply with the requirements of this Contract, shall substantially restate the essential provisions of this Contract, and shall be structured to be similar hereto to the fullest extent applicable and practicable, with such additions or changes as are necessary to meet the actual circumstances, with the effect that each Additional Contracting Party will in effect adopt the provisions of this Contract, as supplemented and necessarily changed by its contract.

(b) It is recognized and agreed that the District now has many System water supply contracts with entities other than the Initial Contracting Parties, which contracts will remain in full force and effect, in accordance with their terms and provisions, after the Contract Date. The District shall enforce the aforesaid existing water supply contracts during the entire terms thereof, unless any such contract is replaced by a contract with an Additional Contracting Party hereunder. Upon the expiration of each such contract with any party the District thereafter may sell water to such party only on the basis that it is a new customer with respect to System water.

(c) It is further recognized and agreed that in the future the District may sell any water from the System to parties which are not Additional Contracting Parties, provided that all such future sales of water from the System to parties which are not Additional Contracting Parties shall, within the limits permitted by law, in all respects be subordinate to the prior rights of the Contracting Parties to water from the System, and all such sales and contracts relating thereto shall recognize, and be made subordinate to, such prior rights.

(d) It is recognized and agreed that concurrently with the execution of this Contract the District and the City of Garland will execute a separate agreement with respect to raw industrial water to be taken directly by Garland from Lavon Reservoir for use as cooling water for its steam electric

generating plant. Such agreement will substantially restate and completely replace the rights and obligations of the parties with respect to raw industrial water from Lavon Reservoir under the presently existing additions and modifications dated November 6, 1964, and August 7, 1973, respectively, to the original treated water contract dated December 12, 1953, between the District and Garland. After the execution of said separate agreement, it will constitute the sole agreement between said parties with respect to raw industrial water in Lavon Reservoir, and this Contract will constitute the sole agreement between said parties with respect to treated water from the System.

Section 5. QUALITY. The water to be delivered by the District and received by each Contracting Party shall be treated water from the System. Each Initial Contracting Party has satisfied itself that such water will be suitable for its needs, but the District is obligated to treat such water so as to meet the standards of all State and Federal agencies having jurisdiction over water quality. The District and the Contracting Parties shall cooperate, each within its legal powers, in preventing, to the extent practicable, the pollution and contamination of the reservoirs and watersheds from which System water is obtained.

Section 6. POINTS OF DELIVERY. The Point or Points of Delivery for each Initial Contracting Party shall be the Point

or Points of Delivery applicable to it under its present treated water supply contract with the District, or at any other Point or Points of Delivery mutually agreed upon between the District and such Initial Contracting Party. Each Contracting Party shall construct, maintain, and operate, at its own cost and expense, all facilities and equipment necessary to receive and take all treated water delivered to it under this Contract.

Section 7. MEASURING EQUIPMENT.

(a) District shall furnish, install, operate, and maintain at its own expense at each Point of Delivery of each Contracting Party the necessary equipment and devices of standard type for measuring properly the quantity of treated water delivered under this agreement. Such meter or meters and other equipment so installed shall remain the property of District. Each Contracting Party shall have access to such metering equipment at all reasonable times, but the reading, calibration, and adjustment thereof shall be done only by the employees or agents of the District. For the purpose of this agreement the original record or reading of the meter or meters shall be the journal or other record book of District in its office in which the records of the employees or agents of District who take the reading are or may be transcribed. Upon written request of any Contracting Party, District will send it a copy of such journal or record book, or permit it to have

access to the same in the office of District during reasonable business hours.

Not more than once in each calendar month, on a date as near the end of such calendar month as practical, District shall calibrate its meters if requested in writing by a Contracting Party to do so, in the presence of a representative of the Contracting Party, and the parties shall jointly observe any adjustments which are made to the meters in case any adjustments shall be necessary, and if the check meters hereinafter provided for have been installed, the same shall also be calibrated by Contracting Party in the presence of a representative of District and the parties shall jointly observe any adjustment in case any adjustment is necessary. If any Contracting Party shall in writing request District to calibrate its meters and District shall give the Contracting Party notice of the time when any such calibration is to be made and a representative of the Contracting Party is not present at the time set, District may proceed with calibration and adjustment in the absence of any representative of the Contracting Party.

If a Contracting Party or the District at any time observes a variation between the delivery meter or meters and the check meter or meters at that Contracting Party's Point or Points of Delivery, if any such check meter or meters shall be installed, such party will promptly notify the other party, and the District and such Contracting Party shall then cooperate to

procure an immediate calibration test and joint observation of any adjustment and the same meter or meters shall then be adjusted to accuracy. The party performing the test shall give the other party forty-eight (48) hours' notice of the time of all tests of meters so that the other party may conveniently have a representative present.

If upon any test, the percentage of inaccuracy of any metering equipment is found to be in excess of two per cent (2%), registration thereof shall be corrected for a period extending back to the time when such inaccuracy began, if such time is ascertainable, and if such time is not ascertainable, then for a period extending back one-half ( $\frac{1}{2}$ ) of the time elapsed since the last date of calibration, but in no event further back than a period of six (6) months. If for any reason any meters are out of repair so that the amount of water delivered to a Contracting Party cannot be ascertained or computed from the reading thereof, the water delivered through the period such meters are out of service or out of repair shall be estimated and agreed upon by the District and such Contracting Party upon the basis of the best data available. For such purpose, the best data available shall be deemed to be the registration of any check meter or meters if the same have been installed and are accurately registering. Otherwise, the amount of water delivered during such period may be estimated (i) by correcting the error if the percentage of the error is



ascertainable by calibration tests or mathematical calculation, or (ii) estimating the quantity of delivery by deliveries during the preceding periods under similar conditions when the meter or meters were registering accurately.

Any Contracting Party may, at its option and its own expense, install and operate a check meter to check each meter installed by District, but the measurement of water for the purpose of this agreement shall be solely by District's meters, except in the cases hereinabove specifically provided to the contrary. All such check meters shall be of standard make and shall be subject at all reasonable times to inspection and examination by any employee or agent of District, but the reading, calibration and adjustment thereof shall be made only by the Contracting Party, except during any period when a check meter may be used under the provisions hereof for measuring the amount of water delivered, in which case the reading, calibration, and adjustment thereof shall be made by District with like effect as if such check meter or meters had been furnished or installed by District.

Section 8. UNIT OF MEASUREMENT. The unit of measurement for treated water delivered under this Contract shall be 1,000 gallons of water, U.S. Standard Liquid Measure.

Section 9. PRICES AND TERMS; PAYMENTS BY CONTRACTING PARTIES. (a) Annual Requirement and Proportionate Payment.

It is acknowledged and agreed that payments to be made under this Contract and any similar contracts with Additional Contracting Parties will be the primary source available to the District to provide the Annual Requirement, and that, in compliance with the District's duty to fix and from time to time revise the rates of compensation or charges for water sold and services rendered and made available by the District, the Annual Requirement will change from time to time, and that each such Annual Requirement shall be allocated among the Contracting Parties as hereinafter provided, and that the Annual Requirement for each Annual Payment Period 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:
  - (1) the principal of, redemption premium, if any, and interest on, its Bonds, as such principal, redemption premium, if any, and interest become due, less interest to be paid out of Bond proceeds 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; and
- (2) the proportionate amount of any special, reserve, or contingency funds required to be accumulated and maintained by the provisions of any Bond Resolution; and
  - (3) 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.

It is agreed that for the treated water supply to be provided to Contracting Parties under this Contract and similar contracts, each of the Contracting Parties shall pay, at the time and in the manner hereinafter provided, its proportionate share of the Annual Requirement, which shall be determined as hereafter described and shall constitute a Contracting Party's Annual Payment. Each of the Contracting Parties shall pay its proportionate share of the Annual Requirement for each Annual Payment Period directly to the District, in approximately equal monthly installments, or before the 10th day of each month.

(b) Calculation of Proportionate Payments; Rates. For each Annual Payment Period each Contracting Party's proportionate share of the Annual Requirement shall be a percentage obtained by dividing the minimum amount specified and calculated for it for such period, in accordance with sub-section (c)

of this Section 9, by the aggregate minimum amounts specified and calculated for all Contracting Parties for such period in accordance with said sub-section (c). Thus the base "rate" per 1,000 gallons of treated water which each Contracting Party must pay for treated water during any Annual Payment Period may be calculated and expressed by dividing the dollar amount of such Contracting Party's proportionate share of the Annual Requirement by the number of 1,000 gallons contained within its specified minimum amount for such Annual Payment Period. All such payments for each Annual Payment Period shall be made in accordance with a schedule of payments for the appropriate Annual Payment Period which will be supplied to each of the Contracting Parties by the District.

(c) Minimums. For the purpose of calculating the minimum amount of each Annual Requirement for which each Initial Contracting Party is unconditionally liable, without offset or deduction (also see Section 10(g)), each Initial Contracting Party, during each Annual Payment Period, shall be deemed to have taken and used the minimum annual average daily amount of System treated water (regardless of whether or not such amount is or was actually taken or used) specified for such Initial Contracting Party as follows:

for each of the Initial Contracting Parties, respectively, a minimum amount, expressed in MGD, during each Annual Payment Period, equal to the greater of:

- (1) .898 MGD for the City of Farmersville  
1.159 MGD for the City of Forney  
32.476 MGD for the City of Garland  
4.433 MGD for the City of McKinney  
15.806 MGD for the City of Mesquite  
28.688 MGD for the City of Plano  
.634 MGD for the City of Princeton  
19.760 MGD for the City of Richardson  
2.633 MGD for the City of Rockwall  
.523 MGD for the City of Royse City  
1.186 MGD for the City of Wylie, or

- (2) the maximum number of MGD actually taken from the System by such Initial Contracting Party during any previous Water Year (as hereinbefore defined) during the term of this Contract; it being agreed and understood that any use of System water in any Water Year by any Initial Contracting Party in excess of (i) the minimum amount specified for it in clause (1), above, or (ii) as determined in accordance with this clause (2), will establish a new minimum amount to be effective for the next following Annual Payment Period and thereafter until any previously increased minimum amount is further

exceeded in any subsequent Water Year, with each such increase in minimums to be effective for the next following Annual Payment Period and thereafter until further increased in accordance with this clause (2) .

Notwithstanding the foregoing provisions of this subsection (c), if any portion of an Initial Contracting Party's minimum amount is attributable to treated water sold or delivered to an entity outside of its boundaries, pursuant to a treated water supply contract, and (i) if such entity should become an Additional Contracting Party and such treated water supply contract be terminated, or (ii) if such treated water supply contract with such Initial Contracting Party otherwise should be terminated and in lieu thereof such entity should enter into a treated water supply contract with the District as permitted in Section 4 hereof, then such Initial Contracting Party's minimum amount for the next Annual Payment Period and thereafter shall be reduced by the maximum MGD previously taken by said entity from such Initial Contracting Party during any previous Water Year pursuant to such terminated treated water supply contract with such Initial Contracting Party.

All contracts with Additional Contracting Parties shall provide for equitable minimums similar to those provided for above. Such minimums shall be fixed in amounts at least sufficient, as determined by the District, to assure an initial

Annual Payment by each Additional Contracting Party for not less than the amount of its estimated use of treated water during the first year of service under such contract.

(d) Excess Water Charges. It is further agreed that, in addition to the amounts required to be paid by Contracting Parties pursuant to sub-sections (a), (b), (c), and (e) of this Section 9, if any Contracting Party during any Water Year uses System treated water in excess of the minimum amount applicable to it for the Annual Payment Period which commenced during such Water Year, then such Contracting Party shall pay an "Excess Water Charge" equal to that part of the Operation and Maintenance Expenses (electric power, chemicals, and other similar costs) directly attributable to supplying such excess treated water to such Contracting Party, all as determined by the District. Such Excess Water Charge shall be billed by the District to such Contracting Party as soon as practicable after the end of such Water Year and shall be paid to the District as soon as practicable thereafter, and in all events prior to the beginning of the next Annual Payment Period. Such Excess Water Charges shall be credited to and be used for paying part of the Operation and Maintenance Expenses for the then current Annual Payment Period and reduce to the extent of such credits the amounts which otherwise would be payable by the Contracting Parties during such then current Annual Payment Period.

(e) Redetermination of Annual Requirement. Each Contracting Party's share of the Annual Requirement shall be redetermined, after consultation with each of the Contracting Parties, at any time during any Annual Payment Period, to the extent deemed necessary or advisable by the District, if:

- (i) The District commences supplying System treated water to an Additional Contracting Party or Parties;
- (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.

(f) Other Revenues. During each Annual Payment Period the revenues derived from sales of System water, other than sales of treated water to Contracting Parties, shall be credited to and be used for paying part of the Annual Requirement in the manner determined by the District, with the result that



such credits shall reduce, to the extent of such credits, the amounts which otherwise would be payable by the Contracting Parties pursuant to the methods prescribed in sub-sections (a) (b), (c), and (e), above. The District shall estimate all such credits which it expects to make during each Annual Payment Period in calculating each Annual Payment.

(g) Annual Budget. On or before the first day of the fourth calendar month prior to the beginning of each Annual Payment Period hereafter the District shall furnish each Contracting Party with a tentative or preliminary estimated schedule of the monthly payments to be made by such party to the District for the ensuing Annual Payment Period. On or before the first day of the second calendar month prior to the beginning of each Annual Payment Period hereafter the District shall furnish each Contracting Party with an updated estimated schedule of the monthly payments to be made by such Party to the District for the next ensuing Annual Payment Period. Prior to the first day of each Annual Payment Period hereafter the District shall furnish each Contracting Party with a final estimated schedule of the monthly payments to be made by such Party to the District for the next ensuing Annual Payment Period, together with the supporting budgetary data showing the basis for arriving at such schedule. Any surplus budgeted funds remaining on hand at the end of any Annual Payment Period shall be used during the following Annual Payment Period and

reduce in the manner determined by the District, to the extent of any such surplus funds, the amounts which otherwise would be payable by the Contracting Parties under sub-sections (a), (b), (c), and (e), above. Each Contracting Party hereby agrees that it will make such payments to the District on or before the 10th day of each month of such Annual Payment Period. If any Contracting Party at any time disputes the amount to be paid by it to the District, such complaining party shall nevertheless promptly make such payment or payments, but if it is subsequently determined by agreement or court decision that such disputed payments made by such complaining party should have been less, or more, the District shall promptly revise and reallocate the charges among all Contracting Parties in such manner that such complaining party will recover its overpayment or the District will recover the amount due it.

(h) Delinquencies. All amounts due and owing to the District by each Contracting Party or due and owing to any Contracting Party by the District shall, if not paid when due, bear interest at the rate of ten (10) percent per annum from the date when due until paid. The District shall, to the extent permitted by law, suspend delivery of water from the System to any Contracting Party which remains delinquent in any payments due hereunder for a period of sixty days, and shall not resume delivery of water while such Contracting Party is so delinquent. It is further provided and agreed that if any

Contracting Party should remain delinquent in any payments due hereunder for a period of one hundred twenty days, and if such delinquency continues during any period thereafter, such Contracting Party's minimum amount of MGD as described in sub-section (c), above, shall be deemed to have been zero MGD during all periods of such delinquency, for the purpose of calculating and redetermining the percentage of each Annual Payment to be paid by the non-delinquent Contracting Parties. However, the District shall promptly pursue all legal remedies against any such delinquent Contracting Party to enforce and protect the rights of the District, the other Contracting Parties, and the owners of the Bonds, and such delinquent Contracting Party shall not be relieved of the liability to the District for the payment of all amounts which would have been due hereunder, in the absence of the next preceding sentence. It is understood that the foregoing provisions are for the benefit of the owners of the Bonds so as to insure that all of each Annual Requirement will be paid by the non-delinquent Contracting Parties during each Annual Payment Period regardless of the delinquency of a Contracting Party. If any amount due and owing by any Contracting Party to the District is placed with an attorney for collection, such Contracting Party shall pay to the District all attorneys fees, in addition to all other payments provided for herein, including interest.

(i) Updated Schedules of Payment. If, during any Annual Payment Period, any Contracting Party's Annual Payment is redetermined as provided in this Section, the District will promptly furnish such Contracting Party with an updated schedule of monthly payments reflecting such redetermination.

Section 10. SPECIAL CONDITIONS AND PROVISIONS. (a) Operation and Maintenance of System. The District will continuously operate and maintain the System in an efficient manner and in accordance with good business and engineering practices, and at reasonable cost and expense. By executing this Contract the Initial Contracting Parties waive any and all claims, as against each other, to any preferential right or entitlement to the capacity or use of specific water sources of the District. The District recognizes its right and duty to operate the various facilities of the System in the most prudent and economical manner for the benefit of all the Contracting Parties. The District shall exercise loyalty, good faith, and fair dealing relating to all System activities undertaken by the District as between the District and the Contracting Parties.

(b) Permits, Financing, and Applicable Laws. It is understood that any obligations on the part of the District to acquire, construct, and complete the Projects and other System facilities and to provide treated water from the Projects and other System facilities to the Contracting Parties shall be (i) conditioned upon the District's ability to obtain all necessary

permits, material, labor, and equipment, and upon the ability of the District to finance the cost of the Projects and other System facilities through the actual sale of the District's Bonds and (ii) subject to all present and future valid laws, orders, rules, and regulations of the United States of America, the State of Texas, and any regulatory body having jurisdiction.

(c) Title to Water; Indemnification. Title to all treated water supplied to each Contracting Party shall be in the District up to each Point of Delivery, at which point title shall pass to the receiving Contracting Party. The District and each of the Contracting Parties shall save and hold each other party harmless from all claims, demands, and causes of action which may be asserted by anyone on account of the transportation and delivery of said water while title remains in such party. Notwithstanding any other provision of this Contract, it is specifically provided that water obtained or resulting from the wastewater treatment operations of any Contracting Party shall be under the sole and exclusive dominion, control, and ownership of such Contracting Party and the District shall have no right, title, or interest in or claim against such water of any nature whatsoever.

(d) Payments Solely From Revenues. The District shall never have the right to demand payment by any Initial Contracting Party of any obligations assumed by it or imposed on it under and by virtue of this Contract from funds raised or to be raised by taxes, and the obligations under this Contract shall

never be construed to be a debt of such kind as to require any of the Initial Contracting Parties to levy and collect a tax to discharge such obligation.

(e) Operating Expenses of Initial Contracting Parties. Each of the Initial Contracting Parties represents and covenants that all payments to be made by it under this Contract shall constitute reasonable and necessary "operating expenses" of its waterworks system, in accordance with Vernon's Ann. Tex. Civ. St. Articles 1113 and 4413(32c). It is further recognized that the waterworks system of each Initial Contracting Party is presently combined with its sewer system in accordance with law for operating and financing purposes. Each of the Initial Contracting Parties, respectively, represents and has determined that the treated water supply to be obtained from the System, including the Projects and other System facilities, is absolutely necessary and essential to the present and future operation of its waterworks system and is the only available and adequate source of supply of treated water therefor. Accordingly, the payments required by this Contract to be made by each Initial Contracting Party shall constitute reasonable and necessary operating expenses of its waterworks system and shall be made as provided by law, including the aforesaid Articles 1113 and 4413(32c). In accordance with said Article 1113, such payments shall have priority over the payment of principal of and interest on all bonds and other

similar obligations heretofore or hereafter issued by any Initial Contracting Party.

(f) Initial Contracting Parties' Rates For Water and Sewer System Services. Each of the Initial Contracting Parties agrees throughout the term of this Contract to continuously operate and maintain its combined waterworks and sewer system, and to fix and collect such rates and charges for water and sewer services to be supplied by its combined waterworks and sewer system as aforesaid as will produce revenues in an amount equal to at least (i) all of its payments under this Contract and (ii) all other amounts required to be paid from said revenues by law and the provisions of the ordinances or resolutions authorizing its revenue bonds or other obligations now or hereafter outstanding.

(g) Initial Contracting Parties' Unconditional Obligations. Recognizing the fact that the Initial Contracting Parties urgently require the facilities and services of the System, and that such facilities and services are essential and necessary for actual use and for standby purposes, and recognizing the fact that the District will use payments received from the Initial Contracting Parties to pay and secure the Bonds, it is hereby agreed that each of the Initial Contracting Parties shall be unconditionally obligated to pay, without

offset or deduction, its proportionate share of each Annual Requirement, as provided and determined by this Contract (including the obligations for paying for "minimums" as described in Section 9 (c) hereof), regardless of whether or not the District actually acquires, constructs, or completes the Projects or other System facilities or is actually delivering water from the System to any Contracting Party, or whether or not any Contracting Party actually receives or uses water from the System whether due to Force Majeure or otherwise, and regardless of any other provisions of this or any other contract or agreement between any of the parties hereto. This covenant by the Initial Contracting Parties shall be for the benefit of, and enforceable by, the owners of the Bonds as well as the District.

Section 11. FORCE MAJEURE. If by reason of force majeure any party hereto shall be rendered unable wholly or in part to carry out its obligations under this Contract, other than the obligation of each Contracting Party to make the payments required under Section 9 of this Contract, then if such party shall give notice and full particulars of such force majeure in writing to the other parties within a reasonable time after occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such



party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas, or any Civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, or on account of any other causes not reasonably within the control of the party claiming such inability.

Section 12. INSURANCE. The District agrees to carry and arrange for fire, casualty, public liability, and/or other insurance, including self insurance, on the System for purposes and in amounts which, as determined by the District, ordinarily would be carried by a privately owned utility company owning and operating such facilities, except that the District shall not be required to provide liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of the District's legal counsel, be liable under the Texas Tort Claims Act or any similar law or judicial decision. Such insurance will provide, to the extent feasible and practicable, for the restoration of damaged or destroyed

properties and equipment, to minimize the interruption of the services of such facilities. All premiums for such insurance shall constitute an Operation and Maintenance Expense of the System.

Section 13. TERM AND EFFECT OF CONTRACT. (a) This Contract shall, upon execution by the District and all of the Initial Contracting Parties, be effective as of the Contract Date, and this Contract shall continue in force and effect until all Bonds and all interest thereon shall have been paid or provided for, and thereafter shall continue in force and effect during the entire useful life of the System. The requirement for making the Annual Payments as prescribed in Section 9 of this Contract shall commence as of October 1, 1988. Until October 1, 1988, payments for treated water shall continue to be made to the District by the Initial Contracting Parties in accordance with the eleven separate existing treated water supply contracts, and amendments thereto, between the District and the Initial Contracting Parties.

(b) It is specifically agreed and understood that this Contract, as of the Contract Date, will supersede all of the contracts, agreements, and arrangements between each of the parties hereto with respect to the System and treated water from the System and the Bonds, and that this Contract, as of the Contract Date, will completely amend and supersede all such contracts, agreements, and arrangements with respect to the

System and treated water from the System and the Bonds, and will constitute the sole agreement between the parties hereto or any of them with respect to the System and treated water from the System and the Bonds; and all such previous contracts, agreements, and arrangements shall be void and shall be of no force or effect, except for payments due and liabilities accrued thereunder prior to October 1, 1988, and except as provided in subsections (a) and (c), of this Section 13, and except that the "AGREEMENT BETWEEN THE NORTH TEXAS MUNICIPAL WATER DISTRICT AND THE CITY OF MCKINNEY FOR AN ADDITIONAL POINT OF DELIVERY", authorized by said City's resolution adopted September 2, 1986, and the District's resolution adopted December 18, 1986, shall be and remain in full force and effect until its expiration, and said City shall make payments to the District thereunder in addition to those required under this Contract, with such additional payments to be treated and applied as "other revenues" in accordance with Section 9(b) of this Contract.

(c) It is recognized by the parties to this Contract that the eleven previous treated water supply contracts, and amendments thereto, between the District and the Initial Contracting Parties, respectively, which are being amended hereby, together with the proceedings relating thereto, previously have been submitted to an Attorney General of Texas, along with bonds of the District heretofore issued, as provided in the District

Act, and that an Attorney General, in his certificates and opinions relating to such bonds, found that such contracts were made in accordance with the Constitution and laws of the State of Texas, and that they are valid and enforceable in accordance with their terms and provisions. Further, an Attorney General approved each of such contracts, with the effect that pursuant to the provisions of the District Act such contracts "shall be valid and binding and shall be incontestable for any cause". In order to protect the rights of the owners of the Bonds and the parties to this Contract, it is specifically agreed and understood by the parties to this Contract that, any provisions of this Contract to the contrary notwithstanding, if for any reason whatsoever this Contract, or any part of this Contract significantly affecting the rights of the owners of the Bonds, should be held to be invalid or unconstitutional, or in contravention of any law or any constitutional provisions, then the foregoing contracts shall be construed and deemed to be and to have been in full force and effect at all times to the extent required to protect the rights of the owners of the Bonds and the parties to such contracts. It is further agreed and understood by the parties to this Contract that this Contract is amendatory in nature and is not intended to, and does not, abrogate the rights of the owners of any Bonds, and is not intended to, and does not, affect adversely in any way the security therefor, but is intended to and does confirm the

security therefor, substantially restate, clarify, carry forward, update, improve, and extend the provisions of the previous contracts.

Section 14. MODIFICATION. No change or modification of this Contract shall be made which will affect adversely the prompt payment when due of all moneys required to be paid by any Contracting Party under the terms of this Contract or any similar contract, and no such change shall be effective which would cause a violation of any provisions of any Bond Resolution. No change or modification of this Contract shall be made without the written consent of all parties hereto.

Section 15. REGULATORY BODIES AND LAWS. This Contract is subject to all applicable Federal and State laws and any applicable permits, ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having or asserting jurisdiction, but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule, or regulation in any forum having jurisdiction.

Section 16. NOTICES. Unless otherwise provided herein, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made, or accepted by any party to any other party must be in writing and may be

given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties shall, until changed as hereinafter provided, be as follows:

If to the District, to:

North Texas Municipal Water District  
P. O. Drawer C  
Wylie, Texas 75098

If to the Initial Contracting Parties, as follows:

City of Farmersville  
303 S. Main  
Farmersville, Texas 75031

City of Forney  
101 E. Main Street  
Forney, Texas 75126

City of Garland  
200 N. Fifth Street  
P. O. Box 469002  
Garland, Texas 75040

City of McKinney  
P. O. Box 517  
McKinney, Texas 75069

City of Mesquite  
711 N. Galloway  
Mesquite, Texas 75149

City of Plano  
P. O. Box 860358  
Plano, Texas 75086-0358

City of Princeton  
306 N. Front Street  
Princeton, Texas 75077

City of Richardson  
411 W. Arapaho Road  
Richardson, Texas 75080

City of Rockwall  
205 W. Rusk  
Rockwall, Texas 75087

City of Royse City  
P. O. Drawer A  
Royse City, Texas 75089

City of Wylie  
P. O. Box 428  
Wylie, Texas 75098

The parties hereto shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days' written notice to the other parties hereto.

Section 17. SEVERABILITY. The parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional,

under the laws or constitutions of the State of Texas or the United States of America, or in contravention of any such laws or constitutions, such invalidity, unconstitutionality, or contravention shall not affect any other sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any other situation or circumstance, and it is intended that this Contract shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause, or word had not been included herein, and the rights and obligations of the parties hereto shall be construed and remain in force accordingly.

Section 18. REMEDIES UPON DEFAULT. It is not intended hereby to specify (and this Contract shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any party hereto and shall be cumulative. Recognizing however, that the District's undertaking to provide and maintain a supply of water hereunder is an obligation, failure in the performance of which cannot be adequately compensated in money damages alone, the District agrees, in the event of any default on its part, that each Contracting Party shall have available to it the equitable remedy of mandamus and specific performance in addition to any



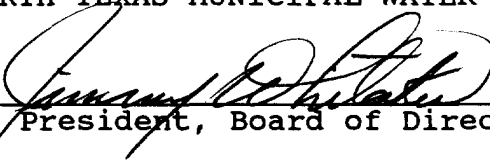
other legal or equitable remedies (other than termination) which may also be available. Recognizing that failure in the performance of any Initial Contracting Party's obligations hereunder could not be adequately compensated in money damages alone, each Initial Contracting Party agrees in the event of any default on its part that the District shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to the District. No waiver or waivers of any breach or default (or any breaches or defaults) by any party hereto or of performance by any other party of any duty or obligation hereunder shall be deemed a waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be waiver of subsequent breaches or defaults of any kind, character, or description, under any circumstances.

Section 19. VENUE. All amounts due under this Contract, including, but not limited to, payments due under this Contract or damages for the breach of this Contract, shall be paid and be due in Collin County, Texas, which is the County in which the principal administrative offices of the District are located. It is specifically agreed among the parties to this Contract that Collin County, Texas, is a principal place of performance of this Contract; and in the event that any legal

proceeding is brought to enforce this Contract or any provision hereof, the same shall be brought in Collin County, Texas.

IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Contract to be duly executed in several counterparts, each of which shall constitute an original, all as of the day and year first above written, which is the date of this Contract.

NORTH TEXAS MUNICIPAL WATER DISTRICT

BY   
President, Board of Directors

ATTEST:

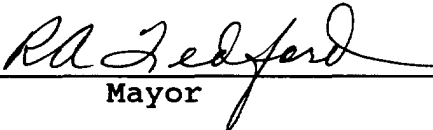
  
Secretary, Board of Directors

APPROVED AS TO FORM AND LEGALITY:

  
Attorneys for the District

(DISTRICT SEAL)

CITY OF FARMERSVILLE, TEXAS

BY   
Mayor

ATTEST:

  
City Secretary

APPROVED AS TO FORM AND LEGALITY:

Joe Costantini  
City Attorney

(CITY SEAL)

CITY OF FORNEY, TEXAS

Don T. Cates  
Mayor

ATTEST:

Shelly Green  
City Secretary

APPROVED AS TO FORM AND LEGALITY:

Robert R. Hillard  
City Attorney

(CITY SEAL)

CITY OF GARLAND, TEXAS

Ruth Nicholson  
Mayor

ATTEST:

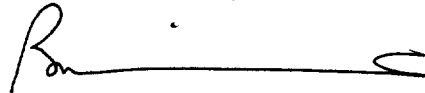
Alice Church  
City Secretary

APPROVED AS TO FORM AND LEGALITY:

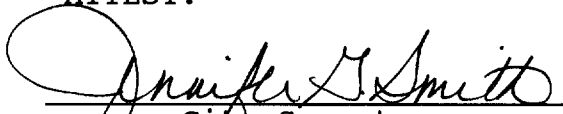
Charles M. [Signature]  
City Attorney

(CITY SEAL)

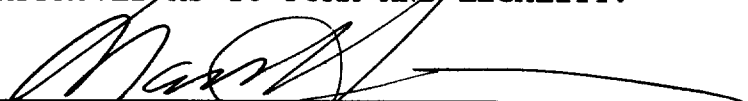
CITY OF MCKINNEY, TEXAS

BY   
Mayor

ATTEST:

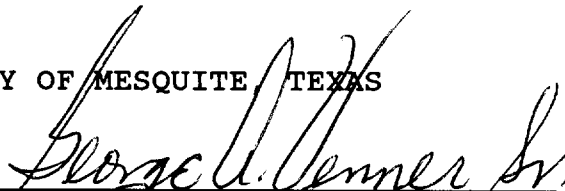
  
City Secretary

APPROVED AS TO FORM AND LEGALITY:

  
City Attorney

(CITY SEAL)

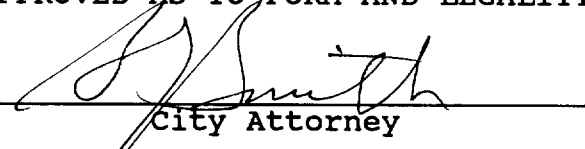
CITY OF MESQUITE, TEXAS

BY   
Mayor

ATTEST:

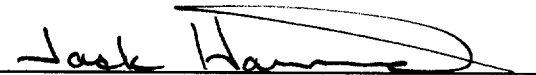
  
City Secretary

APPROVED AS TO FORM AND LEGALITY:

  
City Attorney

(CITY SEAL)

CITY OF PLANO, TEXAS

BY   
Mayor

ATTEST:

Jackie Blakely  
City Secretary

APPROVED AS TO FORM AND LEGALITY:

Larry Cotton  
City Attorney

(CITY SEAL)

CITY OF PRINCETON, TEXAS

BY Mary K. Edwards  
Mayor

ATTEST:

Henni Price  
City Secretary

APPROVED AS TO FORM AND LEGALITY:

Mark P. [Signature]  
City Attorney

(CITY SEAL)

CITY OF RICHARDSON, TEXAS

BY Charles Spann  
Mayor

ATTEST:

Paula Miller  
City Secretary

APPROVED AS TO FORM AND LEGALITY

Peter J. Smith  
City Attorney

(CITY SEAL)

CITY OF ROCKWALL, TEXAS

BY *John R. Miller*  
Mayor

ATTEST:

*Mary Nichols*  
City Secretary

APPROVED AS TO FORM AND LEGALITY

*[Signature]*  
City Attorney

(CITY SEAL)

CITY OF ROYSE CITY, TEXAS

*Ann Brubaker*  
Mayor

ATTEST:

*Doris Williams*  
City Secretary

APPROVED AS TO FORM AND LEGALITY:

*[Signature]*  
City Attorney

(CITY SEAL)

CITY OF WYLIE, TEXAS

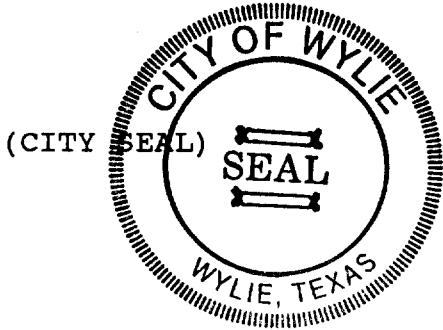
*[Signature]*  
Mayor

ATTEST:

Carolyn Jones  
City Secretary

APPROVED AS TO FORM AND LEGALITY

Robert L. Dillard III  
City Attorney *RD*



STATE OF TEXAS       §  
                                  §  
COUNTY OF COLLIN   §


**BUSINESS RECORDS AFFIDAVIT OF RODNEY D. RHOADES**

BEFORE ME, the undersigned authority, came Rodney D. Rhoads who, being personally known to me was sworn under oath and testified as follows:

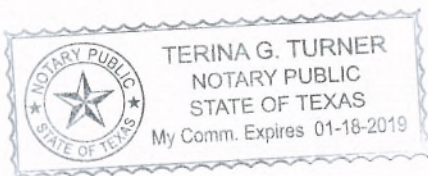
1.       “My name is Rodney D. Rhoades. I am employed by the North Texas Municipal Water District (the “District”) and am familiar with this petition and lawsuit. I am over the age of eighteen years, am of sound mind, am competent in all respects to make this affidavit, and the following facts are true and correct and within my personal knowledge as the District’s Records Management Official.

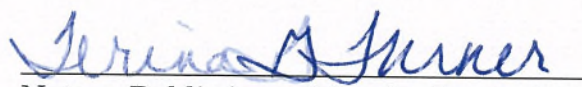
2.       I am the custodian of records for the District. Attached to this affidavit is a copy of the August 1, 1988 Regional Water Supply Facilities Amendatory Contract between the District and the Member Cities, which has been designated by the District as Exhibit I to the North Texas Municipal Water District’s Original Petition for Expedited Declaratory Judgment. The record reflected in Exhibit I is kept in the regular course of business of the District, and it is the District’s regular course of business for an employee or representative of the District with knowledge of the act, event, condition, opinion, or diagnosis recorded to make the record or to transmit information thereof to be included in such a record; and the record was made at or near the time or reasonably soon thereafter.

3.       The record attached hereto is an original or exact duplicate of the original.”

  
\_\_\_\_\_  
Rodney D. Rhoades

SWORN AND SUBSCRIBED TO before me on March 07, 2018.



  
\_\_\_\_\_  
Notary Public in and for the State of Texas



# **EXHIBIT J**

NORTH TEXAS MUNICIPAL WATER DISTRICT  
REGIONAL WATER SUPPLY FACILITIES CONTRACT

THE STATE OF TEXAS :

NORTH TEXAS MUNICIPAL WATER DISTRICT :

THIS REGIONAL WATER SUPPLY FACILITIES CONTRACT (the "Contract"), executed on the dates hereinafter set forth but effective as of October 1, 1998 (the "Contract Date"), by and between NORTH TEXAS MUNICIPAL WATER DISTRICT (the "District"), a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Article 16, Section 59, of the Texas Constitution, pursuant to Chapter 62, Acts of the 52<sup>nd</sup> Legislature, Regular Session, 1951, as amended (the "District Act"), and the CITY OF ALLEN, IN COLLIN COUNTY, TEXAS (the "City").

WITNESSETH:

WHEREAS, the City is a duly incorporated home rule city under the Constitution and laws of the State of Texas;

WHEREAS, the District and the City are authorized to enter into this Contract pursuant to the District Act, Chapter 791, Texas Government Code, as amended (the "Interlocal Cooperation Act"), and other applicable laws;

WHEREAS, the District owns certain water rights and owns and operates water supply and treatment facilities (the "Existing System") which provide all of the treated water needs of the Cities of Farmersville, Forney, Garland,, McKinney, Mesquite, Plano, Princeton, Richardson, Rockwall, Royse City, and Wylie (the "Initial Contracting Parties") pursuant to a "North Texas Municipal Water District Regional Water Supply Facilities Amendatory Contract", dated as of August 1, 1988 (the "Initial Contract");

WHEREAS, the District has duly issued and delivered, and there are now outstanding and unpaid, the following described bonds (the "Outstanding Bonds") which were issued to acquire and construct, and to refund bonds issued to acquire and construct, the Existing System:

\$89,987,321.45 in aggregate principal amount of North Texas Municipal Water District Water System Revenue Bonds, Series 1985, dated August 1, 1985, now outstanding in the aggregate principal amount of \$2,982,321;

\$14,825,000 in aggregate principal amount of North Texas Municipal Water District Water System Revenue Bonds, Series 1989, dated August 1, 1989, now outstanding in the aggregate principal amount of \$750,000;

\$45,705,000 in aggregate principal amount of North Texas Municipal Water District Water System Revenue Refunding Bonds, Series 1992, dated March 1, 1992, now outstanding in the aggregate principal amount of \$20,700,000;

\$24,800,000 in aggregate principal amount of North Texas Municipal Water District Water System Revenue Refunding Bonds, Series 1996, dated April 1, 1996, now outstanding in the aggregate principal amount of \$22,935,000;

WHEREAS, the District proposes to acquire, construct, and complete additional surface water supply and treatment facilities from the following additional sources: Lake Texoma on the Red River, Cooper Dam and Reservoir in Hopkins and Delta Counties, Texas, a proposed new Bonham Dam and Reservoir in Fannin County, Texas, and other facilities wherever located to enable the District to supply treated water as needed to Contracting Parties and others (the "Projects") and it is expected that Bonds (as defined herein) for all or parts of the Projects will be issued as deemed advisable and necessary by the District;

WHEREAS, the Initial Contracting Parties are all "member cities" of the District within the meaning of the Act;

WHEREAS, the City currently is a customer of the System under a contract entered into pursuant to the District's policies for serving entities which are not "member cities" within the meaning of the Act;

WHEREAS, the City requested, and the District accepted the City's request, that the territory comprising the City be annexed to the District and, thereby become a "member city" of the District;

WHEREAS, at an election held on August 8, 1998, voters with the City approved the annexation of the territory comprising the City to the District;

WHEREAS, by Order of the Texas Natural Resource Conservation Commission (the "TNRCC"), dated September 15, 1998, the TNRCC declared the results of such election and ordered that the territory comprising the City be annexed to the District;

WHEREAS, the Initial Contract makes provision for Additional Contracting Parties to become Contracting Parties with substantially the same rights and obligations as each of the Initial Contracting Parties, upon the execution of a contract similar to the Initial Contract;

WHEREAS, the District and the City have determined that, as a "member city" within the meaning of the Act, the City should now become an Additional Contracting Party;

WHEREAS, upon the execution of this Contract, the City will become such an Additional Contracting Party, and thus a Contracting Party, in accordance with the requirements of the Initial Contract, with all conditions prerequisite to such execution having been met;

WHEREAS, this Contract complies with the requirements of the Initial Contract, substantially restates the essential provisions of the Initial Contract, and is structured to be similar to the Initial Contract to the fullest extent applicable and practicable, including requirements with respect to "minimums", but with such additions and changes that are necessary to meet the actual circumstances, with the effect that the City, as an Additional Contracting Party, hereby adopts the provisions of the Initial Contract, as supplemented and necessarily changed by this Contract;

WHEREAS, the "minimums" set for the City in Section 9(c) of this Contract are equitable and have been fixed by the District as required in the Initial Contract; and

WHEREAS, it is specifically represented, certified and covenanted that this Contract will provide security for the owners of all Bonds (as defined herein) and obligate the City, as an Additional Contracting Party, to make and assume unconditional specific payments with respect to the System and the Bonds;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the District agrees to use its best efforts to acquire, construct, and complete the Projects and other System facilities, when and as the District deems it advisable, and to supply treated water to Contracting Parties and others from the System, upon and subject to the terms and conditions hereinafter set forth, to-wit:

Section 1. DEFINITION OF TERMS. The following terms and expressions as used in this Contract, unless the context clearly shows otherwise, shall have the following meanings:

(a) "Additional Contracting Party" means any party with which, in accordance with the Initial Contract and the Contract, the District makes a contract similar to this Contract for supplying treated water from the System provided that after execution of any such contract such party shall become one of the Contracting Parties for all purposes of this Contract.

(b) "Annual Payment" means the amount of money to be paid to the District by each of the Contracting Parties during each Annual payment Period as its proportionate share of the Annual Requirement.

(c) "Annual Payment Period" means the District's fiscal year, which currently beings on October 1, of each calendar year and ends on September 30 of the next following calendar year, but which may be any twelve consecutive month period fixed by the District; and the first Annual Payment Period under this Contract shall be the period of October 1, 1998, through September 30, 1999.

(d) "Annual Requirement" means the total amount of money required for the District to pay all Operation and Maintenance Expenses of the System, and to pay the Bond Service Component of the Annual Requirement as described in Section 9(a) hereof, including debt service on its Bonds, and any sums required to pay or restore any amounts required to be deposited in any special or reserve funds required to be established and/or maintained by the provisions of the Bond Resolutions.

(e) "Bond Resolution" means any resolution of the District which authorizes any Bonds.

(f) "Bonds" means the Outstanding Bonds listed in the preamble to this Contract, and all bonds hereafter issued by the District, whether in one or more series or issues, and the interest thereon, to acquire, construct, complete, improve, and/or extend the System or any System facilities, including the Projects, and/or otherwise improve or extend the system and any bonds issued to refund any Bonds or to refund any such refunding Bonds.

(g) "City" means the "City" as defined in the preamble to this Contract.

(h) "Contract" means this "Contract" as defined in the preamble hereto and includes the provisions of the Initial Contract as applicable and as supplemented and necessarily changed hereby.

(i) "Contracting Parties" means the City and the "Initial Contracting Parties," as defined in the first paragraph of this Contract, together with any other party or parties which hereafter becomes one of the Contracting Parties by becoming an Additional Contracting party.

(j) "Contracting Party" means any one of the Contracting Parties.

(k) "District" means the "District" as defined in the preamble to this Contract.

(l) "Existing System" means the "Existing System" as defined in the preamble to this Contract.

(m) "Initial Contract" means the "Initial Contract" as defined in the preamble to this Contract.

(n) "MGD" is an abbreviation for "million gallons of water per day" and means a quantity of water during a period of time expressed for convenience in terms of an average annual daily quantity during an Annual Payment Period. The value of 2 MGD, for example, is calculated as follows: two million gallons multiplied by the number of days in an Annual Payment Period.

(o) "Operation and Maintenance Expenses" means all reasonable costs and expenses of operation and maintenance of the System, including (for greater certainty but without limiting the generality of the foregoing) repairs and replacements, operating personnel, the cost of utilities, the amounts required to pay the U.S. Army Corps of Engineers or any other federal, state, or local agency for water storage rights or other interests in water in any reservoir, or for the purchase of water, or for the use or operation of any property or facilities, the costs of supervision, engineering, accounting, auditing, legal services, insurance premiums, supplies, services, administration of the System, and equipment necessary for proper operation and maintenance of the System, and payments made by the District in satisfaction of judgments resulting from claims not covered by the District's insurance arising in connection with the acquisition, construction, operation, and maintenance of the System. The term also includes the charges of the bank or banks acting as paying agents and/or registrars for any Bonds. The term does not include depreciation.

(p) "Outstanding Bonds" means the Outstanding Bonds, as defined in the preamble to this Contract.

(q) "Projects" means the "Projects" as defined in the preamble to this Contract.

(r) "System" means collectively the Existing System and the Projects, and all of the District's existing water rights, and water storage, treatment, transportation, distribution, and supply facilities, including all dams, reservoirs, and other properties or interests therein wherever located, which heretofore have been acquired or constructed with the proceeds from the sale of the

Outstanding Bonds, or the bonds refunded by same, or with any other bonds or other obligations of the District payable from and secured by a lien on and pledge of any part of the 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 and/or water rights, which are acquired or constructed with the proceeds from the sale of any Bonds or revenues from the System, and any water supply or treatment facilities which are deliberately and specifically, at the option of the District, made a part of the System by resolution of the Board of Directors of the District, and all repairs to or replacements of the system. Said terms do not include any District facilities which provide wastewater treatment or disposal services, or solid waste disposal services, of any kind. Said terms do 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 Bonds (as hereinbefore defined), and which are payable from any source, contract, or revenues whatsoever other than revenues from the System.

(s) "treated water" means potable water treated to the standards of quality specified in Section 5 of this Contract. Such term does not include non-potable water such as wastewater or other non-potable water derived, treated, or produced from any source by any Contracting Party.

(t) "Water year" means the period of August 1 of each calendar year through July 31, of the next following calendar year.

Section 2. CONSTRUCTION OF PROJECTS. The District agrees to use its best efforts to issue its Bonds, payable from Annual Payments under this Contract, to acquire and construct the Projects and other system facilities when and as needed, as determined by the District, to supply treated water to all Contracting Parties. It is anticipated that such acquisition and construction will be in phases and that each phase will be financed by the District through the issuance of one or more



series or issues of its Bonds; and the District agrees to use its best efforts to issue its Bonds for such purpose. Bonds also may, at the discretion of the District, be issued to refund any Bonds, and be issued to improve and/or extend any System facilities. The proceeds from the sale and delivery of the Bonds may be used to fund debt service reserve funds or contingency funds and interest during construction to the extent deemed advisable by the District, and for the payment of all of the District's expenses and costs in connection with any Projects or other System facilities and the Bonds, including, without limitation, all financing, legal, printing, and other expenses and costs related to the Bonds and the Projects and other System facilities.

Section 3. QUANTITY. (a) The District agrees to sell and to deliver treated water under this Contract to the City at its Point or Points of Delivery as described in Section 6 hereof, and the City agrees to take at its Point or Points of Delivery all treated water required for use by the City during the term of this Contract, including all treated water for the City's own use and for distribution to all customers served by the City's treated water distribution system, whether inside or outside its boundaries. It is specifically provided, however, that after the Contract Date, the City shall not enter into, renew, or amend with regard to volume of water to be supplied, any agreement to supply any such treated water for use outside its boundaries or the area of its statutory extraterritorial jurisdiction unless such agreement is approved by the Board of Directors of the District (which approval shall not be unreasonably withheld) and made subject and subordinate in all respects to the water requirements of all of the Contracting parties collectively. No Contracting Party shall become a party to any contract for the sale of treated water which would violate or be inconsistent with the provisions of this Contract, and all such contracts shall recognize the priority of treated water use as provided in this Contract. It is the intention of the parties hereto that the System shall be the sole and exclusive source of all treated water supply for each of the Contracting Parties. However, notwithstanding the

foregoing provisions of this subsection (a), if, after the Contract Date, any Contracting Party should legally and finally annex or consolidate with any territory which has a source of treated water supply other than from such Contracting Party, then the District and such Contracting Party are authorized to, and may, negotiate and enter into agreements which would allow the continued use of such other source within such annexed territory upon such terms and conditions as are mutually agreeable to the District and such Contracting Party, and as an exception to the foregoing requirements with respect to exclusivity. The District will use its best efforts to furnish and remain in position to furnish treated water sufficient for all reasonable treated water requirements of each Contracting Party, but its obligation shall be limited to the amount of treated water available to it from the System; and provided that the maximum rate of delivery shall be consistent with the capacities and abilities of System facilities, and shall not exceed the amounts fixed on an equitable and uniform basis by the Board of Directors of the District. The District agrees to use its best efforts to issue its Bonds in amounts necessary to acquire, construct, maintain, improve, and extend the entire System, including the Projects and other System facilities, so as to enable the District to furnish such treated water. As between the Contracting Parties, if treated water from the System must be rationed 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 treated water from the entire System taken by each such Contracting Party, respectively, during the last preceding Annual Payment Period in which rationing among said parties was not necessary.

(b) If the District is at any time during the term of this Contract unable to supply all the treated 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 water requirements, and any Contracting Party determines that it is necessary to procure treated water from sources other

than the District, then such Contracting Party shall give written notice to the District of its intention and desire to procure treated water from sources other than the District, and its reasons therefor. Unless, within sixty (60) days from the receipt by the District of such written notice, the District shall object to such procurement (such objection to be evidenced by a resolution adopted by a vote of a majority of all members of the District's Board of Directors), then such Contracting Party may proceed to procure such treated 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. However, such Contracting Party shall nevertheless continue to be obligated to take from the District and pay for all treated water at any time available to such Contracting Party from the District's System up to the full treated water requirements of such Contracting Party. In no event shall the taking of treated water from a source other than the District relieve any Contracting Party from making all payments due the District under this Contract. Further, all Contracting Parties shall at all times have the right to secure treated water from any possible source (i) in any emergency when the District is unable to deliver treated water from the System because of any "Force Majeure" as defined in the Contract, or (ii) in any other emergency situation, as determined by a Contracting Party for a period not to exceed thirty days, or for any longer period approved in writing by the District. Notwithstanding the foregoing provisions of this Contract, any Contracting Party also may purchase treated water from a source other than the System, if the District determines that such purchase is in the best interests of the District and the Contracting Parties and gives written approval to such purchase; and in such case, for the purposes of this Contract, the District shall be deemed to be the constructive purchaser of such water and such water shall be deemed to be System water, and the District shall either pay for

said water on behalf of such Contracting Party or reimburse such Contracting Party for the cost of such water, and such Contracting Party shall pay the District for such water the same as if it were regular System water.

Section 4. OTHER CONTRACTS. (a) The District reserves the right to supply treated water from the System to Additional Contracting Parties under contracts similar to this Contract, subject to the requirements concerning "minimums" as provided in Section 9(c) hereof. Each contract with any Additional Contracting Party shall comply with the requirements of this Contract, shall substantially restate the essential provisions of this Contract, and shall be structured to be similar hereto to the fullest extent applicable and practicable, with such additions or changes as are necessary to meet the actual circumstances, with the effect that each Additional Contracting Party will in effect adopt the provisions of this Contract, as supplemented and necessarily changed by its contract.

(b) It is recognized and agreed that the District not has many System water supply contracts with entities other than the Contracting Parties, which contracts will remain in full force and effect, in accordance with their terms and provisions, after the Contract Date. The District shall enforce the aforesaid existing water supply contracts during the entire terms thereof, unless any such contract is replaced by a contract with an Additional Contracting party hereunder. Upon the expiration of each such contract with any party the District thereafter may sell water to such party only on the basis that it is a new customer with respect to System water.

(c) It is further recognized and agreed that in the future the District may sell any water from the System to parties which are not Additional Contracting Parties, provided that all such future sales of water from the System to parties which are not Additional Contracting Parties shall, within the limited permitted by law, in all respects be subordinate to the prior rights of the Contracting

Parties to water from the System, and all such sales and contracts relating thereto shall recognize, and be made subordinate to, such prior rights.

Section 5. QUALITY. The water to be delivered by the District and received by each Contracting Party shall be treated water from the System. The City has satisfied itself that such water will be suitable for its needs, but the District is obligated to treat such water so as to meet the standards of all State and Federal agencies having jurisdiction over water quality. The District and the Contracting Parties shall cooperate, each within its legal powers, in preventing, to the extent practicable, the pollution and contamination of the reservoirs and watersheds from which System water is obtained.

Section 6. POINTS OF DELIVERY. The Point or Points of Delivery for the City shall be the Point or Points of Delivery applicable to it under its present treated water supply contract with the District, or at any other Point or Points of Delivery mutually agreed upon between the District and the City. Each Contracting Party shall construct, maintain, and operate, at its own cost and expenses, all facilities and equipment necessary to receive and take all treated water delivered to it under this Contract.

Section 7. MEASURING EQUIPMENT. (a) The District shall furnish, install, operate, and maintain at its own expense at each Point of Delivery of each Contracting Party the necessary equipment and devices of standard type for measuring properly the quantity of treated water delivered under this agreement. Such meter or meters and other equipment so installed shall remain the property of the District. Each Contracting Party shall have access to such metering equipment at all reasonable times, but the reading, calibration, and adjustment thereof shall be done only by the employees or agents of the District. For the purpose of this agreement the original record or reading

of the meter or meters shall be the journal or other record book of the District in its office in which the records of the employees or agents of the District who take the reading are or may be transcribed. Upon written request of any Contracting Party, the District will send it a copy of such journal or record book, or permit it to have access to the same in the office of the District during reasonable business hours.

Not more than once in each calendar month, on a date as near the end of such calendar month as practical, the District shall calibrate its meters if requested in writing by a Contracting Party to do so, in the presence of a representative of the Contracting Party, and the parties shall jointly observe any adjustments which are made to the meters in case any adjustments shall be necessary, and if the check meters hereinafter provided for have been installed, the same shall also be calibrated by Contracting Party in the presence of a representative of the District and the parties shall jointly observe any adjustment in case any adjustment is necessary. If any Contracting Party shall in writing request the District to calibrate its meters and the District shall give the Contracting Party notice of the time when any such calibration is to be made and a representative of the Contracting Party is not present at the time set, the District may proceed with calibration and adjustment in the absence of any representative of the Contracting Party.

If a Contracting Party or the District at any time observes a variation between the delivery meter or meters and the check meter or meters at that Contracting Party's Point or Points of Delivery, if any such check meter or meters shall be installed, such party will promptly notify the other party, and the District and such Contracting Party shall then cooperate to procure an immediate calibration test and joint observation of any adjustment and the same meter or meters shall then be adjusted to accuracy. The party performing the test shall give the other party forty-eight (48) hours' notice of the time of all tests of meters so that the other party may conveniently have a representative present.

If upon any test, the percentage of inaccuracy of any metering equipment is found to be in excess of two percent (2%), registration thereof shall be corrected for a period extending back to the time when such inaccuracy began, if such time is ascertainable, and if such time is not ascertainable, then for a period extending back one-half ( $\frac{1}{2}$ ) of the time elapsed since the last date of calibration, but in no event further back than a period of six (6) months. If for any reason any meters are out of repair so that the amount of water delivered to a Contracting Party cannot be ascertained or computed from the reading thereof, the water delivered through the period such meters are out of service or out of repair shall be estimated and agreed upon by the District and such Contracting Party upon the basis of the best data available. For such purpose, the best data available shall be deemed to be the registration of any check meter or meters if the same have been installed and are accurately registering. Otherwise, the amount of water delivered during such period may be estimated (i) by correcting the error if the percentage of the error is ascertainable by calibration tests or mathematical calculation, or (ii) estimating the quantity of delivery by deliveries during the preceding periods under similar conditions when the meter or meters were registering accurately.

Any Contracting Party may, at its option and its own expense, install and operate a check meter to check each meter installed by the District, but the measurement of water for the purpose of this agreement shall be solely by the District's meters, except in the cases hereinabove specifically provided to the contrary. All such check meters shall be of standard make and shall be subject at all reasonable times to inspection and examination by any employee or agent of the District, but the reading, calibration and adjustment thereof shall be made only by the Contracting Party, except during any period when a check meter may be used under the provisions hereof for measuring the amount of water delivered, in which case the reading, calibration, and adjustment thereof shall be made by

the District with like effect as if such check meter or meters had been furnished or installed by the District.

Section 8. UNIT OF MEASUREMENT. The unit of measurement for treated water delivered under this Contract shall be 1,000 gallons of water, U.S. Standard Liquid Measure.

Section 9. PRICES AND TERMS; PAYMENTS BY CONTRACTING PARTIES. (a) Annual Requirement and Proportionate Payment. It is acknowledged and agreed that payments to be made under this Contract and any similar contracts with Additional Contracting Parties will be the primary source available to the District to provide the Annual Requirement, and that, in compliance with the District's duty to fix and from time to time revise the rates of compensation or charges for water sold and services rendered and made available by the District, the Annual Requirement will change from time to time, and that each such Annual Requirement shall be allocated among the Contracting Parties as hereinafter provided, and that the Annual Requirement for each Annual Payment Period 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:
  - (1) the principal of, redemption premium, if any, and interest on, its Bonds, as such principal, redemption premium, if any, and interest become due, less interest to be paid out of Bond proceeds 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; and



- (2) the proportionate amount of any special, reserve, or contingency funds required to be accumulated and maintained by the provisions of any Bond Resolution; and
- (3) 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.

It is agreed that for the treated water supply to be provided to Contracting Parties under this Contract and similar contracts, each of the Contracting Parties shall pay, at the time and in the manner hereinafter provided, its proportionate share of the Annual Requirement, which shall be determined as hereafter described and shall constitute a Contracting Party's Annual Payment. Each of the Contracting Parties shall pay its proportionate share of the Annual Requirement for each Annual Payment Period directly to the District, in approximately equal monthly installments, or before the 10th day of each month.

(b) Calculation of Proportionate Payments; Rates. For each Annual Payment Period each Contracting Party's proportionate share of the Annual Requirement shall be a percentage obtained by dividing the minimum amount specified and calculated for it for such period, in accordance with subsection (c) of this Section 9, by the aggregate minimum amounts specified and calculated for all Contracting Parties for such period in accordance with said subsection (c). Thus the base "rate" per 1,000 gallons of treated water which each Contracting Party must pay for treated water during any Annual Payment Period may be calculated and expressed by dividing the dollar amount of such Contracting Party's proportionate share of the Annual Requirement by the number of 1,000 gallons contained within its specified minimum amount for such Annual Payment Period. All such payments

for each Annual Payment Period shall be made in accordance with a schedule of payments for the appropriate Annual Payment Period which will be supplied to each of the Contracting Parties by the District.

(c) Minimums. For the purpose of calculating the minimum amount of each Annual Requirement for which each Contracting Party is unconditionally liable, without offset or deduction (also see Section 10(g)), each Contracting Party, during each Annual Payment Period, shall be deemed to have taken and used the minimum annual average daily amount of System treated water (regardless of whether or not such amount is or was actually taken or used) specified for such Contracting Party as follows:

for each of the Contracting Parties, respectively, a minimum amount, expressed in MGD, during each Annual Payment Period, equal to the greater of:

- (1) 6.720 MGD for the City of Allen
- .898 MGD for the City of Farmersville
- 1.159 MGD for the City of Forney
- 32.476 MGD for the City of Garland
- 4.433 MGD for the City of McKinney
- 15.806 MGD for the City of Mesquite
- 28.688 MGD for the City of Plano
- .634 MGD for the City of Princeton
- 19.760 MGD for the City of Richardson
- 2.633 MGD for the City of Rockwall
- .523 MGD for the City of Royse City
- 1.186 MGD for the City of Wylie, or

- (2) the maximum number of MGD actually taken from the System by such Contracting Party during any previous Water Year (as hereinbefore defined) during the term of this Contract; it being agreed and understood that any use of System water in any Water Year by any Contracting Party in excess of (i) the minimum amount specified for it in clause (1) above, or (ii) as determined in accordance with this clause (2), will establish a new minimum amount to be effective for the next following Annual Payment Period and thereafter until any previously increased minimum amount is further exceeded in any subsequent Water Year, with each such increase in minimums to be effective for the next following Annual Payment Period and thereafter until further increased in accordance with this clause (2).

Notwithstanding the foregoing provisions of this subsection (c), if any portion of a Contracting Party's minimum amount is attributable to treated water sold or delivered to an entity outside of its boundaries, pursuant to a treated water supply contract, and (i) if such entity should become an Additional Contracting Party and such treated water supply contract be terminated, or (ii) if such treated water supply contract with such Contracting Party otherwise should be terminated and in lieu thereof such entity should enter into a treated water supply contract with the District as permitted in Section 4 hereof, then such Contracting Party's minimum amount for the next Annual Payment Period and thereafter shall be reduced by the maximum MGD previously taken by said entity from such Contracting Party during any previous Water Year pursuant to such terminated treated water supply contract with such Contracting Party.

All contracts with Additional Contracting Parties shall provide for equitable minimums similar to those provided for above. Such minimums shall be fixed in amounts at least sufficient, as determined by the District, to assure an initial Annual Payment by each Additional Contracting Party for not less than the amount of its estimated use of treated water during the first year of service under such contract.

(d) Excess Water Charges. It is further agreed that, in addition to the amounts required to be paid by Contracting Parties pursuant to subsections (a), (b), (c), and (e) of this Section 9, if any Contracting Party during any Water Year uses System treated water in excess of the minimum amount applicable to it for the Annual Payment Period which commenced during such Water Year, then such Contracting Party shall pay an "Excess Water Charge" equal to that part of the Operation and Maintenance Expenses (electric power, chemicals, and other similar costs) directly attributable to supplying such excess treated water to such Contracting Party, all as determined by the District. Such Excess Water Charge shall be billed by the District to such Contracting Party as soon as practicable after the end of such Water Year and shall be paid to the District as soon as practicable thereafter, and in all events prior to the beginning of the next Annual Payment Period. Such Excess Water Charges shall be credited to and be used for paying part of the Operation and Maintenance Expenses for the then current Annual Payment Period and reduce the extent of such credits the amounts which otherwise would be payable by the Contracting Parties during such then current Annual Payment Period.

(e) Redetermination of Annual Requirement. Each Contracting Party's share of the Annual Requirement shall be redetermined, after consultation with each of the Contracting Parties, at any time during any Annual Payment Period, to the extent deemed necessary or advisable by the District, if:

- (i) The District commences supplying System treated water to an Additional Contracting Party or Parties;
- (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.

(f) Other Revenues. During each Annual Payment Period the revenues derived from sales of System water, other than sales of treated water to Contracting Parties, shall be credited to and be used for paying part of the Annual Requirement in the manner determined by the District, with the result that such credits shall reduce, to the extent of such credits, the amounts which otherwise would be payable by the Contracting Parties pursuant to the methods prescribed in subsections (a), (b), (c), and (e), above. The District shall estimate all such credits which it expects to make during each Annual Payment Period in calculating each Annual Payment.

(g) Annual Budget. On or before the first day of the fourth calendar month prior to the beginning of each Annual Payment Period hereafter the District shall furnish each Contracting Party with a tentative or preliminary estimated schedule of the monthly payments to be made by such party to the District for the ensuing Annual Payment Period. On or before the first day of the second calendar month prior to the beginning of each Annual Payment Period hereafter the District shall furnish each Contracting Party with an updated estimated schedule of the monthly payments to be

made by such Party to the District for the next ensuing Annual Payment Period. Prior to the first day of each Annual Payment Period hereafter the District shall furnish each Contracting Party with a final estimated schedule of the monthly payments to be made by such Party to the District for the next ensuing Annual Payment Period, together with the supporting budgetary data showing the basis for arriving at such schedule. Any surplus budgeted funds remaining on hand at the end of any Annual Payment Period shall be used during the following Annual Payment Period and reduce in the manner determined by the District, to the extent of any such surplus funds, the amounts which otherwise would be payable by the Contracting Parties under subsections (a), (b), (c), and (e), above. Each Contracting Party hereby agrees that it will make such payments to the District on or before the 10th day of each month of such Annual Payment Period. If any Contracting Party at any time disputes the amount to be paid by it to the District, such complaining party shall nevertheless promptly make such payment or payments, but if it is subsequently determined by agreement or court decision that such disputed payments made by such complaining party should have been less, or more, the District shall promptly revise and reallocate the charges among all Contracting Parties in such manner that such complaining party will recover its overpayment or the District will recover the amount due it.

(h) Delinquencies. All amounts due and owing to the District by each Contracting Party or due and owing to any Contracting Party by the District shall, if not paid when due, bear interest at the rate of ten (10) percent per annum from the date when due until paid. The District shall, to the extent permitted by law, suspend delivery of water from the System to any Contracting Party which remains delinquent in any payments due hereunder for a period of sixty days, and shall not resume delivery of water while such Contracting Party is so delinquent. It is further provided and agreed that if any Contracting Party should remain delinquent in any payments due hereunder for a period of one hundred twenty days, and if such delinquency continues during any period thereafter, such

Contracting Party's minimum amount of MGD as described in subsection (c), above, shall be deemed to have been zero MGD during all periods of such delinquency, for the purpose of calculating and redetermining the percentage of each Annual Payment to be paid by the non-delinquent Contracting Parties. However, the District shall promptly pursue all legal remedies against any such delinquent Contracting Party to enforce and protect the rights of the District, the other Contracting Parties, and the owners of the Bonds, and such delinquent Contracting Party shall not be relieved of the liability to the District for the payment of all amounts which would have been due hereunder, in the absence of the next preceding sentence. It is understood that the foregoing provisions are for the benefit of the owners of the Bonds so as to insure that all of each Annual Requirement will be paid by the non-delinquent Contracting Parties during each Annual Payment Period regardless of the delinquency of a Contracting Party. If any amount due and owing by any Contracting Party to the District is placed with an attorney for collection, such Contracting Party shall pay to the District all attorneys fees, in addition to all other payments provided for herein, including interest.

(i) Updated Schedules of Payment. If, during any Annual Payment Period, any Contracting Party's Annual Payment is redetermined as provided in this Section, the District will promptly furnish such Contracting Party with an updated schedule of monthly payments reflecting such redetermination.

Section 10. SPECIAL CONDITIONS AND PROVISIONS. (a) Operation and Maintenance of System. The District will continuously operate and maintain the System in an efficient manner and in accordance with good business and engineering practices, and at reasonable cost and expense. Each Contracting Party waives any and all claims, as against the other Contracting Parties, to any preferential right or entitlement to the capacity or use of specific water sources of the District. The

District recognizes its right and duty to operate the various facilities of the System in the most prudent and economical manner for the benefit of all the Contracting Parties. The District shall exercise loyalty, good faith, and fair dealing relating to all System activities undertaken by the District as between the District and the Contracting Parties.

(b) Permits, Financing, and Applicable Laws. It is understood that any obligations on the part of the District to acquire, construct, and complete the Projects and other System facilities and to provide treated water from the Projects and other System facilities to the Contracting Parties shall be (i) conditioned upon the District's ability to obtain all necessary permits, material, labor, and equipment, and upon the ability of the District to finance the cost of the Projects and other System facilities through the actual sale of the District's Bonds and (ii) subject to all present and future valid laws, orders, rules, and regulations of the United States of America, the State of Texas, and any regulatory body having jurisdiction.

(c) Title to Water; Indemnification. Title to all treated water supplied to each Contracting Party shall be in the District up to each Point of Delivery, at which point title shall pass to the receiving Contracting Party. The District and each of the Contracting Parties shall save and hold each other party harmless from all claims, demands, and causes of action which may be asserted by anyone on account of the transportation and delivery of said water while title remains in such party. Notwithstanding any other provision of this Contract, it is specifically provided that water obtained or resulting from the wastewater treatment operations of any Contracting Party shall be under the sole and exclusive dominion, control, and ownership of such Contracting Party and the District shall have no right, title, or interest in or claim against such water of any nature whatsoever.

(d) Payments Solely From Revenues. The District shall never have the right to demand payment by any Contracting Party of any obligations assumed by it or imposed on it under and by



virtue of this Contract from funds raised or to be raised by taxes, and the obligations under this Contract shall never be construed to be a debt of such kind as to require any of the Contracting Parties to levy and collect a tax to discharge such obligation.

(e) Operating Expenses of Contracting Parties. Each of the Contracting Parties has represented and covenanted or hereby represents and covenants that all payments to be made by it under this Contract constitute reasonable and necessary "operating expenses" of its waterworks system, in accordance with Vernon's Ann. Tex. Civ. St. Article 1113 and The Interlocal Cooperation Act. It is further recognized that the waterworks system of the City is presently combined with its sewer system in accordance with law for operating and financing purposes. Each of the Contracting Parties, respectively, has represented and determined or hereby represents and determines that the treated water supply to be obtained from the System, including the Projects and other System facilities, is absolutely necessary and essential to the present and future operation of its waterworks system and is the only available and adequate source of supply of treated water therefor. Accordingly, the payments required by this Contract to be made by each Contracting Party shall constitute reasonable and necessary operating expenses of its waterworks system and shall be made as provided by law, including the aforesaid Article 1113 and the Interlocal Cooperation Act. In accordance with said Article 1113, such payments shall have priority over the payment of principal of and interest on all bonds and other similar obligations heretofore or hereafter issued by any Contracting Party.

(f) Contracting Parties' Rates For Water and Sewer System Services. Each of the Contracting Parties has agreed or hereby agrees throughout the term of this Contract to continuously operate and maintain its combined waterworks and sewer system, and to fix and collect such rates and charges for water and sewer services to be supplied by its combined waterworks and sewer

system as aforesaid as will produce revenues in an amount equal to at least (i) all of its payments under this Contract and (ii) all other amounts required to be paid from said revenues by law and the provisions of the ordinances or resolutions authorizing its revenue bonds or other obligations now or hereafter outstanding.

(g) Contracting Parties' Unconditional Obligations. Recognizing the fact that the Contracting Parties urgently require the facilities and services of the System, and that such facilities and services are essential and necessary for actual use and for standby purposes, and recognizing the fact that the District will use payments received from the Contracting Parties to pay and secure the Bonds, it is hereby agreed that each of the Contracting Parties shall be unconditionally obligated to pay, without offset or deduction, its proportionate share of each Annual Requirement, as provided and determined by this Contract (including the obligations for paying for "minimums" as described in Section 9 (c) hereof), regardless of whether or not the District actually acquires, constructs, or completes the Projects or other System facilities or is actually delivering water from the System to any Contracting Party, or whether or not any Contracting Party actually receives or uses water from the System whether due to Force Majeure or otherwise, and regardless of any other provisions of this or any other contract or agreement between any of the parties hereto. This covenant by the Contracting Parties shall be for the benefit of, and enforceable by, the owners of the Bonds as well as the District.

Section 11. FORCE MAJEURE. If by reason of force majeure any party hereto shall be rendered unable wholly or in part to carry out its obligations under this Contract, other than the obligation of each Contracting Party to make the payments required under Section 9 of this Contract, then if such party shall give notice and full particulars of such force majeure in writing to the other parties within a reasonable time after occurrence of the event or cause relied on, the obligation of the

party giving such notice, so far as it is affected by such force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas, or any Civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, or on account of any other causes not reasonably within the control of the party claiming such inability.

Section 12. INSURANCE. The District agrees to carry and arrange for fire, casualty, public liability, and/or other insurance, including self insurance, on the System for purposes and in amounts which, as determined by the District, ordinarily would be carried by a privately owned utility company owning and operating such facilities, except that the District shall not be required to provide liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of the District's legal counsel, be liable under the Texas Tort Claims Act or any similar law or judicial decision. Such insurance will provide, to the extent feasible and practicable, for the restoration of damaged or destroyed properties and equipment, to minimize the interruption of the services of such facilities. All premiums for such insurance shall constitute an Operation and Maintenance Expense of the System.

Section 13. TERM AND EFFECT OF CONTRACT. (a) This Contract shall, upon execution by the District and the City, be effective as of the Contract Date, and this Contract shall

continue in force and effect until all Bonds and all interest thereon shall have been paid or provided for, and thereafter shall continue in force and effect during the entire useful life of the System.

(b) It is specifically agreed and understood that this Contract, as of the Contract Date, will supersede all of the contracts, agreements, and arrangements between each of the parties hereto with respect to the System and treated water from the System and the Bonds, and that this Contract, as of the Contract Date, will completely amend and supersede all such contracts, agreements, and arrangements with respect to the System and treated water from the System and the Bonds, and will constitute the sole agreement between the parties hereto or any of them with respect to the System and treated water from the System and the Bonds; and all such previous contracts, agreements, and arrangements shall be void and shall be of no force or effect, except for payments due and liabilities accrued thereunder prior to the Contract Date.

Section 14. MODIFICATION. No change or modification of this Contract shall be made which will affect adversely the prompt payment when due of all moneys required to be paid by any Contracting Party under the terms of this Contract or any similar contract, and no such change shall be effective which would cause a violation of any provisions of any Bond Resolution. No change or modification of this Contract shall be made without the written consent of all parties hereto.

Section 15. REGULATORY BODIES AND LAWS. This Contract is subject to all applicable Federal and State laws and any applicable permits, ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having or asserting jurisdiction, but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule, or regulation in any forum having jurisdiction.

Section 16. NOTICES. Unless otherwise provided herein, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "Notice") herein

provided or permitted to be given, made, or accepted by any party to any other party must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties shall, until changed as hereinafter provided, be as follows:

If to the District, to:

North Texas Municipal Water District  
P. O. Drawer C  
Wylie, Texas 75098

If to the Contracting Parties, as follows:

City of Allen  
One Butler Circle  
Allen, Texas 75013

City of Farmersville  
303 S. Main  
Farmersville, Texas 75031

City of Forney  
101 E. Main Street  
Forney, Texas 75126

City of Garland  
200 N. Fifth Street  
P. O. Box 469002  
Garland, Texas 75040

City of McKinney  
P. O. Box 517  
McKinney, Texas 75069

City of Mesquite  
711 N. Galloway  
Mesquite, Texas 75149

City of Plano  
P. O. Box 860358  
Plano, Texas 75086-0358

City of Princeton  
306 N. Front Street  
Princeton, Texas 75077

City of Richardson  
411 W. Arapaho Road  
Richardson, Texas 75080

City of Rockwall  
205 W. Rusk  
Rockwall, Texas 75087

City of Royse City  
P. O. Drawer A  
Royse City, Texas 75089

City of Wylie  
P. O. Box 428  
Wylie, Texas 75098

The parties hereto shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days' written notice to the other parties hereto.

Section 17. SEVERABILITY. The parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws or constitutions

of the State of Texas or the United States of America, or in contravention of any such laws or constitutions, such invalidity, unconstitutionality, or contravention shall not affect any other sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any other situation or circumstance, and it is intended that this Contract shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause, or word had not been included herein, and the rights and obligations of the parties hereto shall be construed and remain in force accordingly.

Section 18. REMEDIES UPON DEFAULT. It is not intended hereby to specify (and this Contract shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any party hereto and shall be cumulative. Recognizing however, that the District's undertaking to provide and maintain a supply of water hereunder is an obligation, failure in the performance of which cannot be adequately compensated in money damages alone, the District agrees, in the event of any default on its part, that each Contracting Party shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available. Recognizing that failure in the performance of any Contracting Party's obligations hereunder could not be adequately compensated in money damages alone, each Contracting Party has agreed or hereby agrees in the event of any default on its part that the District shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to the District. No waiver or waivers of any breach or default (or any breaches or defaults) by any party hereto or of performance by any other party of any duty or obligation hereunder shall be deemed a waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be

waiver of subsequent breaches or defaults of any kind, character, or description, under any circumstances.

Section 19. VENUE. All amounts due under this Contract, including, but not limited to, payments due under this Contract or damages for the breach of this Contract, shall be paid and be due in Collin County, Texas, which is the County in which the principal administrative offices of the District are located. It is specifically agreed among the parties to this Contract that Collin County, Texas, is a principal place of performance of this Contract; and in the event that any legal proceeding is brought to enforce this Contract or any provision hereof, the same shall be brought in Collin County, Texas.

IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Contract to be duly executed in several counterparts, each of which all constitute an original, all as of the day and year first above written, which is the date of this Contract.

EXECUTED THIS December 22, 1998, but effective as of the Contract Date.

NORTH TEXAS MUNICIPAL WATER DISTRICT

BY Alex R. Schell  
President, Board of Directors

ATTEST:

Jeanie Marshall  
Secretary, Board of Directors

APPROVED AS TO FORM AND LEGALITY:

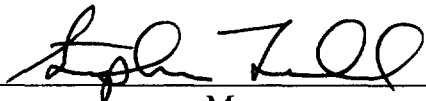
McCall, Parkhurst & Horton L.L.P.  
Attorney for the District

(DISTRICT SEAL)




EXECUTED THIS February 4, 1997 but effective as of the Contract Date.

CITY OF ALLEN, TEXAS

BY   
Mayor

ATTEST:

  
City Secretary

APPROVED AS TO FORM AND LEGALITY:

  
City Attorney

(CITY SEAL)

STATE OF TEXAS       §  
                                  §  
COUNTY OF COLLIN   §

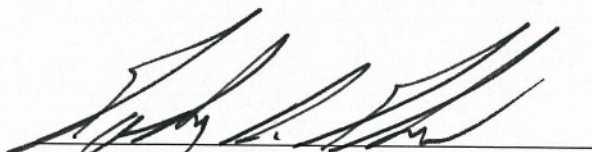
**BUSINESS RECORDS AFFIDAVIT OF RODNEY D. RHOADES**

BEFORE ME, the undersigned authority, came Rodney D. Rhoades who, being personally known to me was sworn under oath and testified as follows:

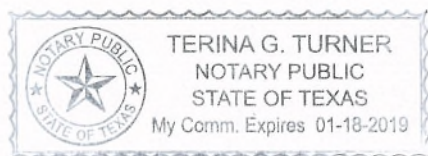
1. “My name is Rodney D. Rhoades. I am employed by the North Texas Municipal Water District (the “District”) and am familiar with this petition and lawsuit. I am over the age of eighteen years, am of sound mind, am competent in all respects to make this affidavit, and the following facts are true and correct and within my personal knowledge as the District’s Records Management Official.


2. I am the custodian of records for the District. Attached to this affidavit is a copy of the October 1, 1998 Regional Water Supply Facilities Contract between the District and the City of Allen, which has been designated by the District as Exhibit J to the North Texas Municipal Water District’s Original Petition for Expedited Declaratory Judgment. The record reflected in Exhibit J is kept in the regular course of business of the District, and it is the District’s regular course of business for an employee or representative of the District with knowledge of the act, event, condition, opinion, or diagnosis recorded to make the record or to transmit information thereof to be included in such a record; and the record was made at or near the time or reasonably soon thereafter.

3. The record attached hereto is an original or exact duplicate of the original.”

  
\_\_\_\_\_  
Rodney D. Rhoades

SWORN AND SUBSCRIBED TO before me on March 07, 2018.



  
\_\_\_\_\_  
Notary Public in and for the State of Texas

# **EXHIBIT K**

NORTH TEXAS MUNICIPAL WATER DISTRICT  
REGIONAL WATER SUPPLY FACILITIES CONTRACT

THE STATE OF TEXAS :

NORTH TEXAS MUNICIPAL WATER DISTRICT :

THIS REGIONAL WATER SUPPLY FACILITIES CONTRACT (the "Contract"), executed on the dates hereinafter set forth but effective as of October 1, 2001 (the "Contract Date"), by and between NORTH TEXAS MUNICIPAL WATER DISTRICT (the "District"), a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Article 16, Section 59, of the Texas Constitution, pursuant to Chapter 62, Acts of the 52<sup>nd</sup> Legislature, Regular Session, 1951, as amended (the "District Act"), and the CITY OF FRISCO, in the Counties of Collin and Denton, Texas (the "City").

WITNESSETH:

WHEREAS, the City is a duly incorporated home rule city under the Constitution and laws of the State of Texas; and

WHEREAS, the District and the City are authorized to enter into this Contract pursuant to the District Act, Chapter 791, Texas Government Code, as amended (the "Interlocal Cooperation Act"), and other applicable laws; and

WHEREAS, the District owns certain water rights and owns and operates water supply, treatment, and transmission facilities (the "Existing System") which provide all of the treated water needs of the Cities of Allen, Farmersville, Forney, Garland, McKinney, Mesquite, Plano, Princeton, Richardson, Rockwall, Royse City, and Wylie (the "Initial Contracting Parties") pursuant to a "North Texas Municipal Water District Regional Water Supply Facilities Amendatory Contract", dated as of August 1, 1988, and a "North Texas Municipal Water District Regional Water Supply Facilities

Contract" between the District and the City of Allen, Texas, dated as of October 1, 1998 (collectively, the "Initial Contract"); and

WHEREAS, the District has duly issued and delivered, and there are now outstanding and unpaid, the following described bonds (the "Outstanding Bonds") which were issued to acquire and construct, and to refund bonds issued to acquire and construct, the Existing System:

\$89,987,321.45 in aggregate principal amount of North Texas Municipal Water District Water System Revenue Bonds, Series 1985, dated August 1, 1985, now outstanding in the aggregate principal amount of \$2,982,321;

\$45,705,000 in aggregate principal amount of North Texas Municipal Water District Water System Revenue Refunding Bonds, Series 1992, dated March 1, 1992, now outstanding in the aggregate principal amount of \$5,380,000;

\$24,800,000 in aggregate principal amount of North Texas Municipal Water District Water System Revenue Refunding Bonds, Series 1996, dated April 1, 1996, now outstanding in the aggregate principal amount of \$16,920,000;

\$39,000,000 in aggregate principal amount of North Texas Municipal Water District Water System Revenue Bonds, Series 2001, dated June 15, 2001, now outstanding in the aggregate principal amount of \$39,000,000;

WHEREAS, the District proposes to acquire, construct, and complete additional surface water supply, treatment, and transmission facilities from the following additional sources: Lake Texoma on the Red River, Cooper Dam and Reservoir in Hopkins and Delta Counties, Texas, a proposed new Bonham Dam and Reservoir in Fannin County, Texas, a proposed Marvin Nichols Reservoir in Red River, Bowie, Morris, Titus and Franklin Counties, Texas, and other facilities wherever located to enable the District to supply treated water as needed to Contracting Parties and others (the "Projects") and it is expected that Bonds (as defined herein) for all or parts of the Projects will be issued as deemed advisable and necessary by the District; and

WHEREAS, the Initial Contracting Parties are all "member cities" of the District within the meaning of the Act; and

WHEREAS, the City currently is a customer of the System under a contract entered into pursuant to the District's policies for serving entities which are not "member cities" within the meaning of the Act; and

WHEREAS, the City requested, and the District accepted the City's request, that the territory comprising the City be annexed to the District and, thereby become a "member city" of the District; and

WHEREAS, at an election held on May 5, 2001, voters with the City approved the annexation of the territory comprising the City to the District; and

WHEREAS, by Order of the Texas Natural Resource Conservation Commission (the "TNRCC"), dated July 11, 2001, the TNRCC declared the results of such election and ordered that the territory comprising the City be annexed to the District; and

WHEREAS, the Initial Contract makes provision for Additional Contracting Parties to become Contracting Parties with substantially the same rights and obligations as each of the Initial Contracting Parties, upon the execution of a contract similar to the Initial Contract; and

WHEREAS, the District and the City have determined that, as a "member city" within the meaning of the Act, the City should now become an Additional Contracting Party; and

WHEREAS, upon the execution of this Contract, the City will become such an Additional Contracting Party, and thus a Contracting Party, in accordance with the requirements of the Initial Contract, with all conditions prerequisite to such execution having been met; and

WHEREAS, this Contract complies with the requirements of the Initial Contract, substantially restates the essential provisions of the Initial Contract, and is structured to be similar to the Initial Contract to the fullest extent applicable and practicable, including requirements with respect to "minimums", but with such additions and changes that are necessary to meet the actual circumstances,

with the effect that the City, as an Additional Contracting Party, hereby adopts the provisions of the Initial Contract, as supplemented and necessarily changed by this Contract; and

WHEREAS, the "minimums" set for the City in Section 9(c) of this Contract are equitable and have been fixed by the District as required in the Initial Contract; and

WHEREAS, it is specifically represented, certified and covenanted that this Contract will provide security for the owners of all Bonds (as defined herein) and obligate the City, as an Additional Contracting Party, to make and assume unconditional specific payments with respect to the System and the Bonds;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the District agrees to use its best efforts to acquire, construct, and complete the Projects and other System facilities, when and as the District deems it advisable, and to supply treated water to Contracting Parties and others from the System, upon and subject to the terms and conditions hereinafter set forth, to-wit:

Section 1. DEFINITION OF TERMS. The following terms and expressions as used in this Contract, unless the context clearly shows otherwise, shall have the following meanings:

(a) "Additional Contracting Party" means any party with which, in accordance with the Initial Contract and the Contract, the District makes a contract similar to this Contract for supplying treated water from the System provided that after execution of any such contract such party shall become one of the Contracting Parties for all purposes of this Contract.

(b) "Annual Payment" means the amount of money to be paid to the District by each of the Contracting Parties during each Annual payment Period as its proportionate share of the Annual Requirement.

(c) "Annual Payment Period" means the District's fiscal year, which currently beings on October 1, of each calendar year and ends on September 30 of the next following calendar year, but which may be any twelve consecutive month period fixed by the District; and the first Annual Payment Period under this Contract shall be the period of October 1, 2001, through September 30, 2002.

(d) "Annual Requirement" means the total amount of money required for the District to pay all Operation and Maintenance Expenses of the System, and to pay the Bond Service Component of the Annual Requirement as described in Section 9(a) hereof, including debt service on its Bonds, and any sums required to pay or restore any amounts required to be deposited in any special or reserve funds required to be established and/or maintained by the provisions of the Bond Resolutions.

(e) "Bond Resolution" means any resolution of the District which authorizes any Bonds.

(f) "Bonds" means the Outstanding Bonds listed in the preamble to this Contract, and all bonds hereafter issued by the District, whether in one or more series or issues, and the interest thereon, to acquire, construct, complete, improve, and/or extend the System or any System facilities, including the Projects, and/or otherwise improve or extend the system and any bonds issued to refund any Bonds or to refund any such refunding Bonds.

(g) "City" means the "City" as defined in the preamble to this Contract.

(h) "Contract" means this "Contract" as defined in the preamble hereto and includes the provisions of the Initial Contract as applicable and as supplemented and necessarily changed hereby.

(i) "Contracting Parties" means the City and the "Initial Contracting Parties," as defined in the first paragraph of this Contract, together with any other party or parties which hereafter becomes one of the Contracting Parties by becoming an Additional Contracting party.

(j) "Contracting Party" means any one of the Contracting Parties.



(k) "District" means the "District" as defined in the preamble to this Contract.

(l) "Existing System" means the "Existing System" as defined in the preamble to this Contract.

(m) "Initial Contract" means the "Initial Contract" as defined in the preamble to this Contract.

(n) "MGD" is an abbreviation for "million gallons of water per day" and means a quantity of water during a period of time expressed for convenience in terms of an average annual daily quantity during an Annual Payment Period. The value of 2 MGD, for example, is calculated as follows: two million gallons multiplied by the number of days in an Annual Payment Period.

(o) "Operation and Maintenance Expenses" means all reasonable costs and expenses of operation and maintenance of the System, including (for greater certainty but without limiting the generality of the foregoing) repairs and replacements, operating personnel, the cost of utilities, the amounts required to pay the U.S. Army Corps of Engineers or any other federal, state, or local agency for water storage rights or other interests in water in any reservoir, or for the purchase of water, or for the use or operation of any property or facilities, the costs of supervision, engineering, accounting, auditing, legal services, insurance premiums, supplies, services, administration of the System, and equipment necessary for proper operation and maintenance of the System, and payments made by the District in satisfaction of judgments resulting from claims not covered by the District's insurance arising in connection with the acquisition, construction, operation, and maintenance of the System. The term also includes the charges of the bank or banks acting as paying agents and/or registrars for any Bonds. The term does not include depreciation.

(p) "Outstanding Bonds" means the Outstanding Bonds, as defined in the preamble to this Contract.

(q) "Projects" means the "Projects" as defined in the preamble to this Contract.

(r) "System" means collectively the Existing System and the Projects, and all of the District's existing water rights, and water storage, treatment, transportation, distribution, and supply facilities, including all dams, reservoirs, and other properties or interests therein wherever located, which heretofore have been acquired or constructed with the proceeds from the sale of the Outstanding Bonds, or the bonds refunded by same, or with any other bonds or other obligations of the District payable from and secured by a lien on and pledge of any part of the 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 and/or water rights, which are acquired or constructed with the proceeds from the sale of any Bonds or revenues from the System, and any water supply or treatment facilities which are deliberately and specifically, at the option of the District, made a part of the System by resolution of the Board of Directors of the District, and all repairs to or replacements of the system. Said terms do not include any District facilities which provide wastewater treatment or disposal services, or solid waste disposal services, of any kind. Said terms do 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 Bonds (as hereinbefore defined), and which are payable from any source, contract, or revenues whatsoever other than revenues from the System.

(s) "treated water" means potable water treated to the standards of quality specified in Section 5 of this Contract. Such term does not include non-potable water such as wastewater or other non-potable water derived, treated, or produced from any source by any Contracting Party.

(t) "Water year" means the period of August 1 of each calendar year through July 31, of the next following calendar year.

Section 2. CONSTRUCTION OF PROJECTS. The District agrees to use its best efforts to issue its Bonds, payable from Annual Payments under this Contract, to acquire and construct the Projects and other System facilities when and as needed, as determined by the District, to supply treated water to all Contracting Parties. It is anticipated that such acquisition and construction will be in phases and that each phase will be financed by the District through the issuance of one or more series or issues of its Bonds; and the District agrees to use its best efforts to issue its Bonds for such purpose. Bonds also may, at the discretion of the District, be issued to refund any Bonds, and be issued to improve and/or extend any System facilities. The proceeds from the sale and delivery of the Bonds may be used to fund debt service reserve funds or contingency funds and interest during construction to the extent deemed advisable by the District, and for the payment of all of the District's expenses and costs in connection with any Projects or other System facilities and the Bonds, including, without limitation, all financing, legal, printing, and other expenses and costs related to the Bonds and the Projects and other System facilities.

Section 3. QUANTITY. (a) The District agrees to sell and to deliver treated water under this Contract to the City at its Point or Points of Delivery as described in Section 6 hereof, and the City agrees to take at its Point or Points of Delivery all treated water required for use by the City during the term of this Contract, including all treated water for the City's own use and for distribution to all customers served by the City's treated water distribution system, whether inside or outside its boundaries. It is specifically provided, however, that after the Contract Date, the City shall not enter into, renew, or amend with regard to volume of water to be supplied, any agreement to supply any such treated water for use outside its boundaries or the area of its statutory extraterritorial jurisdiction unless such agreement is approved by the Board of Directors of the District (which approval shall not be unreasonably withheld) and made subject and subordinate in all respects to the water requirements

of all of the Contracting parties collectively. No Contracting Party shall become a party to any contract for the sale of treated water which would violate or be inconsistent with the provisions of this Contract, and all such contracts shall recognize the priority of treated water use as provided in this Contract. It is the intention of the parties hereto that the System shall be the sole and exclusive source of all treated water supply for each of the Contracting Parties. However, notwithstanding the foregoing provisions of this subsection (a), if, after the Contract Date, any Contracting Party should legally and finally annex or consolidate with any territory which has a source of treated water supply other than from such Contracting Party, then the District and such Contracting Party are authorized to, and may, negotiate and enter into agreements which would allow the continued use of such other source within such annexed territory upon such terms and conditions as are mutually agreeable to the District and such Contracting Party, and as an exception to the foregoing requirements with respect to exclusivity. The District will use its best efforts to furnish and remain in position to furnish treated water sufficient for all reasonable treated water requirements of each Contracting Party, but its obligation shall be limited to the amount of treated water available to it from the System; and provided that the maximum rate of delivery shall be consistent with the capacities and abilities of System facilities, and shall not exceed the amounts fixed on an equitable and uniform basis by the Board of Directors of the District. The District agrees to use its best efforts to issue its Bonds in amounts necessary to acquire, construct, maintain, improve, and extend the entire System, including the Projects and other System facilities, so as to enable the District to furnish such treated water. As between the Contracting Parties, if treated water from the System must be rationed 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 treated water from the entire System taken by each such Contracting Party,

respectively, during the last preceding Annual Payment Period in which rationing among said parties was not necessary.

(b) If the District is at any time during the term of this Contract unable to supply all the treated 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 water requirements, and any Contracting Party determines that it is necessary to procure treated water from sources other than the District, then such Contracting Party shall give written notice to the District of its intention and desire to procure treated water from sources other than the District, and its reasons therefor. Unless, within sixty (60) days from the receipt by the District of such written notice, the District shall object to such procurement (such objection to be evidenced by a resolution adopted by a vote of a majority of all members of the District's Board of Directors), then such Contracting Party may proceed to procure such treated 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. However, such Contracting Party shall nevertheless continue to be obligated to take from the District and pay for all treated water at any time available to such Contracting Party from the District's System up to the full treated water requirements of such Contracting Party. In no event shall the taking of treated water from a source other than the District relieve any Contracting Party from making all payments due the District under this Contract. Further, all Contracting Parties shall at all times have the right to secure treated water from any possible source (i) in any emergency when the District is unable to deliver treated water from the System because of any "Force Majeure" as defined in the Contract, or (ii) in any other emergency situation, as determined by a Contracting Party for a period not to exceed thirty days, or for any longer period approved in writing by the District. Notwithstanding the foregoing provisions of this Contract, any Contracting Party also may purchase treated water from a source

other than the System, if the District determines that such purchase is in the best interests of the District and the Contracting Parties and gives written approval to such purchase; and in such case, for the purposes of this Contract, the District shall be deemed to be the constructive purchaser of such water and such water shall be deemed to be System water, and the District shall either pay for said water on behalf of such Contracting Party or reimburse such Contracting Party for the cost of such water, and such Contracting Party shall pay the District for such water the same as if it were regular System water.

Section 4. OTHER CONTRACTS. (a) The District reserves the right to supply treated water from the System to Additional Contracting Parties under contracts similar to this Contract, subject to the requirements concerning "minimums" as provided in Section 9(c) hereof. Each contract with any Additional Contracting Party shall comply with the requirements of this Contract, shall substantially restate the essential provisions of this Contract, and shall be structured to be similar hereto to the fullest extent applicable and practicable, with such additions or changes as are necessary to meet the actual circumstances, with the effect that each Additional Contracting Party will in effect adopt the provisions of this Contract, as supplemented and necessarily changed by its contract.

(b) It is recognized and agreed that the District has System water supply contracts with entities other than the Contracting Parties, which contracts will remain in full force and effect, in accordance with their terms and provisions, after the Contract Date. The District shall enforce the aforesaid existing water supply contracts during the entire terms thereof, unless any such contract is replaced by a contract with an Additional Contracting party hereunder. Upon the expiration of each such contract with any party the District thereafter may sell water to such party only on the basis that it is a new customer with respect to System water.

(c) It is further recognized and agreed that in the future the District may sell any water from the System to parties which are not Additional Contracting Parties, provided that all such future sales of water from the System to parties which are not Additional Contracting Parties shall, within the limited permitted by law, in all respects be subordinate to the prior rights of the Contracting Parties to water from the System, and all such sales and contracts relating thereto shall recognize, and be made subordinate to, such prior rights.

Section 5. QUALITY. The water to be delivered by the District and received by each Contracting Party shall be treated water from the System. The City has satisfied itself that such water will be suitable for its needs, but the District is obligated to treat such water so as to meet the standards of all State and Federal agencies having jurisdiction over water quality. The District and the Contracting Parties shall cooperate, each within its legal powers, in preventing, to the extent practicable, the pollution and contamination of the reservoirs and watersheds from which System water is obtained.

Section 6. POINTS OF DELIVERY. The Point or Points of Delivery for the City shall be the Point or Points of Delivery applicable to it under its present treated water supply contract with the District, or at any other Point or Points of Delivery mutually agreed upon between the District and the City. Each Contracting Party shall construct, maintain, and operate, at its own cost and expenses, all facilities and equipment necessary to receive and take all treated water delivered to it under this Contract.

Section 7. MEASURING EQUIPMENT. (a) The District shall furnish, install, operate, and maintain at its own expense at each Point of Delivery of each Contracting Party the necessary equipment and devices of standard type for measuring properly the quantity of treated water delivered under this agreement. Such meter or meters and other equipment so installed shall remain the

property of the District. Each Contracting Party shall have access to such metering equipment at all reasonable times, but the reading, calibration, and adjustment thereof shall be done only by the employees or agents of the District. For the purpose of this agreement the original record or reading of the meter or meters shall be the journal or other record book of the District in its office in which the records of the employees or agents of the District who take the reading are or may be transcribed. Upon written request of any Contracting Party, the District will send it a copy of such journal or record book, or permit it to have access to the same in the office of the District during reasonable business hours.

Not more than once in each calendar month, on a date as near the end of such calendar month as practical, the District shall calibrate its meters if requested in writing by a Contracting Party to do so, in the presence of a representative of the Contracting Party, and the parties shall jointly observe any adjustments which are made to the meters in case any adjustments shall be necessary, and if the check meters hereinafter provided for have been installed, the same shall also be calibrated by Contracting Party in the presence of a representative of the District and the parties shall jointly observe any adjustment in case any adjustment is necessary. If any Contracting Party shall in writing request the District to calibrate its meters and the District shall give the Contracting Party notice of the time when any such calibration is to be made and a representative of the Contracting Party is not present at the time set, the District may proceed with calibration and adjustment in the absence of any representative of the Contracting Party.

If a Contracting Party or the District at any time observes a variation between the delivery meter or meters and the check meter or meters at that Contracting Party's Point or Points of Delivery, if any such check meter or meters shall be installed, such party will promptly notify the other party, and the District and such Contracting Party shall then cooperate to procure an immediate calibration



test and joint observation of any adjustment and the same meter or meters shall then be adjusted to accuracy. The party performing the test shall give the other party forty-eight (48) hours' notice of the time of all tests of meters so that the other party may conveniently have a representative present.

If upon any test, the percentage of inaccuracy of any metering equipment is found to be in excess of two percent (2%), registration thereof shall be corrected for a period extending back to the time when such inaccuracy began, if such time is ascertainable, and if such time is not ascertainable, then for a period extending back one-half ( $\frac{1}{2}$ ) of the time elapsed since the last date of calibration, but in no event further back than a period of six (6) months. If for any reason any meters are out of repair so that the amount of water delivered to a Contracting Party cannot be ascertained or computed from the reading thereof, the water delivered through the period such meters are out of service or out of repair shall be estimated and agreed upon by the District and such Contracting Party upon the basis of the best data available. For such purpose, the best data available shall be deemed to be the registration of any check meter or meters if the same have been installed and are accurately registering. Otherwise, the amount of water delivered during such period may be estimated (i) by correcting the error if the percentage of the error is ascertainable by calibration tests or mathematical calculation, or (ii) estimating the quantity of delivery by deliveries during the preceding periods under similar conditions when the meter or meters were registering accurately.

Any Contracting Party may, at its option and its own expense, install and operate a check meter to check each meter installed by the District, but the measurement of water for the purpose of this agreement shall be solely by the District's meters, except in the cases hereinabove specifically provided to the contrary. All such check meters shall be of standard make and shall be subject at all reasonable times to inspection and examination by any employee or agent of the District, but the

reading, calibration and adjustment thereof shall be made only by the Contracting Party, except during any period when a check meter may be used under the provisions hereof for measuring the amount of water delivered, in which case the reading, calibration, and adjustment thereof shall be made by the District with like effect as if such check meter or meters had been furnished or installed by the District.

Section 8. UNIT OF MEASUREMENT. The unit of measurement for treated water delivered under this Contract shall be 1,000 gallons of water, U.S. Standard Liquid Measure.

Section 9. PRICES AND TERMS; PAYMENTS BY CONTRACTING PARTIES. (a) Annual Requirement and Proportionate Payment. It is acknowledged and agreed that payments to be made under this Contract and any similar contracts with Additional Contracting Parties will be the primary source available to the District to provide the Annual Requirement, and that, in compliance with the District's duty to fix and from time to time revise the rates of compensation or charges for water sold and services rendered and made available by the District, the Annual Requirement will change from time to time, and that each such Annual Requirement shall be allocated among the Contracting Parties as hereinafter provided, and that the Annual Requirement for each Annual Payment Period 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:
  - (1) the principal of, redemption premium, if any, and interest on, its Bonds, as such principal, redemption premium, if any, and interest become due, less interest to be paid out of Bond proceeds 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; and

- (2) the proportionate amount of any special, reserve, or contingency funds required to be accumulated and maintained by the provisions of any Bond Resolution; and
- (3) 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.

It is agreed that for the treated water supply to be provided to Contracting Parties under this Contract and similar contracts, each of the Contracting Parties shall pay, at the time and in the manner hereinafter provided, its proportionate share of the Annual Requirement, which shall be determined as hereafter described and shall constitute a Contracting Party's Annual Payment. Each of the Contracting Parties shall pay its proportionate share of the Annual Requirement for each Annual Payment Period directly to the District, in approximately equal monthly installments, or before the 10th day of each month.

(b) Calculation of Proportionate Payments; Rates. For each Annual Payment Period each Contracting Party's proportionate share of the Annual Requirement shall be a percentage obtained by dividing the minimum amount specified and calculated for it for such period, in accordance with subsection (c) of this Section 9, by the aggregate minimum amounts specified and calculated for all Contracting Parties for such period in accordance with said subsection (c). Thus the base "rate" per 1,000 gallons of treated water which each Contracting Party must pay for treated water during any Annual Payment Period may be calculated and expressed by dividing the dollar amount of such Contracting Party's proportionate share of the Annual Requirement by the number of 1,000 gallons

contained within its specified minimum amount for such Annual Payment Period. All such payments for each Annual Payment Period shall be made in accordance with a schedule of payments for the appropriate Annual Payment Period which will be supplied to each of the Contracting Parties by the District.

(c) Minimums. For the purpose of calculating the minimum amount of each Annual Requirement for which each Contracting Party is unconditionally liable, without offset or deduction (also see Section 10(g)), each Contracting Party, during each Annual Payment Period, shall be deemed to have taken and used the minimum annual average daily amount of System treated water (regardless of whether or not such amount is or was actually taken or used) specified for such Contracting Party as follows:

for each of the Contracting Parties, respectively, a minimum amount, expressed in MGD, during each Annual Payment Period, equal to the greater of:

- (1) 6.720 MGD for the City of Allen
- .898 MGD for the City of Farmersville
- 1.159 MGD for the City of Forney
- 11.303 MGD for the City of Frisco
- 32.476 MGD for the City of Garland
- 4.433 MGD for the City of McKinney
- 15.806 MGD for the City of Mesquite
- 28.688 MGD for the City of Plano
- .634 MGD for the City of Princeton
- 19.760 MGD for the City of Richardson
- 2.633 MGD for the City of Rockwall

.523 MGD for the City of Royle City

1.186 MGD for the City of Wylie, or

- (2) the maximum number of MGD actually taken from the System by such Contracting Party during any previous Water Year (as hereinbefore defined) during the term of this Contract; it being agreed and understood that any use of System water in any Water Year by any Contracting Party in excess of (i) the minimum amount specified for it in clause (1) above, or (ii) as determined in accordance with this clause (2), will establish a new minimum amount to be effective for the next following Annual Payment Period and thereafter until any previously increased minimum amount is further exceeded in any subsequent Water Year, with each such increase in minimums to be effective for the next following Annual Payment Period and thereafter until further increased in accordance with this clause (2).

Notwithstanding the foregoing provisions of this subsection (c), if any portion of a Contracting Party's minimum amount is attributable to treated water sold or delivered to an entity outside of its boundaries, pursuant to a treated water supply contract, and (i) if such entity should become an Additional Contracting Party and such treated water supply contract be terminated, or (ii) if such treated water supply contract with such Contracting Party otherwise should be terminated and in lieu thereof such entity should enter into a treated water supply contract with the District as permitted in Section 4 hereof, then such Contracting Party's minimum amount for the next Annual Payment Period and thereafter shall be reduced by the maximum MGD previously taken by said entity from such Contracting

Party during any previous Water Year pursuant to such terminated treated water supply contract with such Contracting Party.

All contracts with Additional Contracting Parties shall provide for equitable minimums similar to those provided for above. Such minimums shall be fixed in amounts at least sufficient, as determined by the District, to assure an initial Annual Payment by each Additional Contracting Party for not less than the amount of its estimated use of treated water during the first year of service under such contract.

(d) Excess Water Charges. It is further agreed that, in addition to the amounts required to be paid by Contracting Parties pursuant to subsections (a), (b), (c), and (e) of this Section 9, if any Contracting Party during any Water Year uses System treated water in excess of the minimum amount applicable to it for the Annual Payment Period which commenced during such Water Year, then such Contracting Party shall pay an "Excess Water Charge" equal to that part of the Operation and Maintenance Expenses (electric power, chemicals, and other similar costs) directly attributable to supplying such excess treated water to such Contracting Party, all as determined by the District. Such Excess Water Charge shall be billed by the District to such Contracting Party as soon as practicable after the end of such Water Year and shall be paid to the District as soon as practicable thereafter, and in all events prior to the beginning of the next Annual Payment Period. Such Excess Water Charges shall be credited to and be used for paying part of the Operation and Maintenance Expenses for the then current Annual Payment Period and reduce the extent of such credits the amounts which otherwise would be payable by the Contracting Parties during such then current Annual Payment Period.

(e) Redetermination of Annual Requirement. Each Contracting Party's share of the Annual Requirement shall be redetermined, after consultation with each of the Contracting Parties,

at any time during any Annual Payment Period, to the extent deemed necessary or advisable by the District, if:

- (i) The District commences supplying System treated water to an Additional Contracting Party or Parties;
- (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.

(f) Other Revenues. During each Annual Payment Period the revenues derived from sales of System water, other than sales of treated water to Contracting Parties, shall be credited to and be used for paying part of the Annual Requirement in the manner determined by the District, with the result that such credits shall reduce, to the extent of such credits, the amounts which otherwise would be payable by the Contracting Parties pursuant to the methods prescribed in subsections (a), (b), (c), and (e), above. The District shall estimate all such credits which it expects to make during each Annual Payment Period in calculating each Annual Payment.

(g) Annual Budget. On or before the first day of the fourth calendar month prior to the beginning of each Annual Payment Period hereafter the District shall furnish each Contracting Party with a tentative or preliminary estimated schedule of the monthly payments to be made by such party

to the District for the ensuing Annual Payment Period. On or before the first day of the second calendar month prior to the beginning of each Annual Payment Period hereafter the District shall furnish each Contracting Party with an updated estimated schedule of the monthly payments to be made by such Party to the District for the next ensuing Annual Payment Period. Prior to the first day of each Annual Payment Period hereafter the District shall furnish each Contracting Party with a final estimated schedule of the monthly payments to be made by such Party to the District for the next ensuing Annual Payment Period, together with the supporting budgetary data showing the basis for arriving at such schedule. Any surplus budgeted funds remaining on hand at the end of any Annual Payment Period shall be used during the following Annual Payment Period and reduce in the manner determined by the District, to the extent of any such surplus funds, the amounts which otherwise would be payable by the Contracting Parties under subsections (a), (b), (c), and (e), above. Each Contracting Party hereby agrees that it will make such payments to the District on or before the 10th day of each month of such Annual Payment Period. If any Contracting Party at any time disputes the amount to be paid by it to the District, such complaining party shall nevertheless promptly make such payment or payments, but if it is subsequently determined by agreement or court decision that such disputed payments made by such complaining party should have been less, or more, the District shall promptly revise and reallocate the charges among all Contracting Parties in such manner that such complaining party will recover its overpayment or the District will recover the amount due it.

(h) Delinquencies. All amounts due and owing to the District by each Contracting Party or due and owing to any Contracting Party by the District shall, if not paid when due, bear interest at the rate of ten (10) percent per annum from the date when due until paid. The District shall, to the extent permitted by law, suspend delivery of water from the System to any Contracting Party which remains delinquent in any payments due hereunder for a period of sixty days, and shall not resume



delivery of water while such Contracting Party is so delinquent. It is further provided and agreed that if any Contracting Party should remain delinquent in any payments due hereunder for a period of one hundred twenty days, and if such delinquency continues during any period thereafter, such Contracting Party's minimum amount of MGD as described in subsection (c), above, shall be deemed to have been zero MGD during all periods of such delinquency, for the purpose of calculating and redetermining the percentage of each Annual Payment to be paid by the non-delinquent Contracting Parties. However, the District shall promptly pursue all legal remedies against any such delinquent Contracting Party to enforce and protect the rights of the District, the other Contracting Parties, and the owners of the Bonds, and such delinquent Contracting Party shall not be relieved of the liability to the District for the payment of all amounts which would have been due hereunder, in the absence of the next preceding sentence. It is understood that the foregoing provisions are for the benefit of the owners of the Bonds so as to insure that all of each Annual Requirement will be paid by the non-delinquent Contracting Parties during each Annual Payment Period regardless of the delinquency of a Contracting Party. If any amount due and owing by any Contracting Party to the District is placed with an attorney for collection, such Contracting Party shall pay to the District all attorneys fees, in addition to all other payments provided for herein, including interest.

(i) Updated Schedules of Payment. If, during any Annual Payment Period, any Contracting Party's Annual Payment is redetermined as provided in this Section, the District will promptly furnish such Contracting Party with an updated schedule of monthly payments reflecting such redetermination.

Section 10. SPECIAL CONDITIONS AND PROVISIONS. (a) Operation and Maintenance of System. The District will continuously operate and maintain the System in an efficient manner and

in accordance with good business and engineering practices, and at reasonable cost and expense. Each Contracting Party waives any and all claims, as against the other Contracting Parties, to any preferential right or entitlement to the capacity or use of specific water sources of the District. The District recognizes its right and duty to operate the various facilities of the System in the most prudent and economical manner for the benefit of all the Contracting Parties. The District shall exercise loyalty, good faith, and fair dealing relating to all System activities undertaken by the District as between the District and the Contracting Parties.

(b) Permits, Financing, and Applicable Laws. It is understood that any obligations on the part of the District to acquire, construct, and complete the Projects and other System facilities and to provide treated water from the Projects and other System facilities to the Contracting Parties shall be (i) conditioned upon the District's ability to obtain all necessary permits, material, labor, and equipment, and upon the ability of the District to finance the cost of the Projects and other System facilities through the actual sale of the District's Bonds and (ii) subject to all present and future valid laws, orders, rules, and regulations of the United States of America, the State of Texas, and any regulatory body having jurisdiction.

(c) Title to Water; Indemnification. Title to all treated water supplied to each Contracting Party shall be in the District up to each Point of Delivery, at which point title shall pass to the receiving Contracting Party. The District and each of the Contracting Parties shall save and hold each other party harmless from all claims, demands, and causes of action which may be asserted by anyone on account of the transportation and delivery of said water while title remains in such party. Notwithstanding any other provision of this Contract, it is specifically provided that water obtained or resulting from the wastewater treatment operations of any Contracting Party shall be under the sole

and exclusive dominion, control, and ownership of such Contracting Party and the District shall have no right, title, or interest in or claim against such water of any nature whatsoever.

(d) Payments Solely From Revenues. The District shall never have the right to demand payment by any Contracting Party of any obligations assumed by it or imposed on it under and by virtue of this Contract from funds raised or to be raised by taxes, and the obligations under this Contract shall never be construed to be a debt of such kind as to require any of the Contracting Parties to levy and collect a tax to discharge such obligation.

(e) Operating Expenses of Contracting Parties. Each of the Contracting Parties has represented and covenanted or hereby represents and covenants that all payments to be made by it under this Contract constitute reasonable and necessary "operating expenses" of its waterworks system, in accordance with Vernon's Ann. Tex. Civ. St. Article 1113 and The Interlocal Cooperation Act. It is further recognized that the waterworks system of the City is presently combined with its sewer system in accordance with law for operating and financing purposes. Each of the Contracting Parties, respectively, has represented and determined or hereby represents and determines that the treated water supply to be obtained from the System, including the Projects and other System facilities, is absolutely necessary and essential to the present and future operation of its waterworks system and is the only available and adequate source of supply of treated water therefor. Accordingly, the payments required by this Contract to be made by each Contracting Party shall constitute reasonable and necessary operating expenses of its waterworks system and shall be made as provided by law, including the aforesaid Article 1113 and the Interlocal Cooperation Act. In accordance with said Article 1113, such payments shall have priority over the payment of principal of and interest on all bonds and other similar obligations heretofore or hereafter issued by any Contracting Party.

(f) Contracting Parties' Rates For Water and Sewer System Services. Each of the Contracting Parties has agreed or hereby agrees throughout the term of this Contract to continuously operate and maintain its combined waterworks and sewer system, and to fix and collect such rates and charges for water and sewer services to be supplied by its combined waterworks and sewer system as aforesaid as will produce revenues in an amount equal to at least (i) all of its payments under this Contract and (ii) all other amounts required to be paid from said revenues by law and the provisions of the ordinances or resolutions authorizing its revenue bonds or other obligations now or hereafter outstanding.

(g) Contracting Parties' Unconditional Obligations. Recognizing the fact that the Contracting Parties urgently require the facilities and services of the System, and that such facilities and services are essential and necessary for actual use and for standby purposes, and recognizing the fact that the District will use payments received from the Contracting Parties to pay and secure the Bonds, it is hereby agreed that each of the Contracting Parties shall be unconditionally obligated to pay, without offset or deduction, its proportionate share of each Annual Requirement, as provided and determined by this Contract (including the obligations for paying for "minimums" as described in Section 9 (c) hereof), regardless of whether or not the District actually acquires, constructs, or completes the Projects or other System facilities or is actually delivering water from the System to any Contracting Party, or whether or not any Contracting Party actually receives or uses water from the System whether due to Force Majeure or otherwise, and regardless of any other provisions of this or any other contract or agreement between any of the parties hereto. This covenant by the Contracting Parties shall be for the benefit of, and enforceable by, the owners of the Bonds as well as the District.

Section 11. FORCE MAJEURE. If by reason of force majeure any party hereto shall be rendered unable wholly or in part to carry out its obligations under this Contract, other than the obligation of each Contracting Party to make the payments required under Section 9 of this Contract, then if such party shall give notice and full particulars of such force majeure in writing to the other parties within a reasonable time after occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas, or any Civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, or on account of any other causes not reasonably within the control of the party claiming such inability.

Section 12. INSURANCE. The District agrees to carry and arrange for fire, casualty, public liability, and/or other insurance, including self insurance, on the System for purposes and in amounts which, as determined by the District, ordinarily would be carried by a privately owned utility company owning and operating such facilities, except that the District shall not be required to provide liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of the District's legal counsel, be liable under the Texas Tort Claims Act or any similar law or judicial decision. Such insurance will provide, to the extent feasible and practicable, for the restoration of damaged or destroyed properties and equipment, to minimize the interruption of the services of such

facilities. All premiums for such insurance shall constitute an Operation and Maintenance Expense of the System.

Section 13. TERM AND EFFECT OF CONTRACT. (a) This Contract shall, upon execution by the District and the City, be effective as of the Contract Date, and this Contract shall continue in force and effect until all Bonds and all interest thereon shall have been paid or provided for, and thereafter shall continue in force and effect during the entire useful life of the System.

(b) It is specifically agreed and understood that this Contract, as of the Contract Date, will supersede all of the contracts, agreements, and arrangements between each of the parties hereto with respect to the System and treated water from the System and the Bonds, and that this Contract, as of the Contract Date, will completely amend and supersede all such contracts, agreements, and arrangements with respect to the System and treated water from the System and the Bonds, and will constitute the sole agreement between the parties hereto or any of them with respect to the System and treated water from the System and the Bonds; and all such previous contracts, agreements, and arrangements shall be void and shall be of no force or effect, except for payments due and liabilities accrued thereunder prior to the Contract Date.

Section 14. MODIFICATION. No change or modification of this Contract shall be made which will affect adversely the prompt payment when due of all moneys required to be paid by any Contracting Party under the terms of this Contract or any similar contract, and no such change shall be effective which would cause a violation of any provisions of any Bond Resolution. No change or modification of this Contract shall be made without the written consent of all parties hereto.

Section 15. REGULATORY BODIES AND LAWS. This Contract is subject to all applicable Federal and State laws and any applicable permits, ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having or asserting jurisdiction, but

nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule, or regulation in any forum having jurisdiction.

Section 16. NOTICES. Unless otherwise provided herein, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made, or accepted by any party to any other party must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties shall, until changed as hereinafter provided, be as follows:

If to the District, to:

North Texas Municipal Water District  
P. O. Box 2408  
Wylie, Texas 75098

If to the Contracting Parties, as follows:

City of Allen  
One Allen Civic Plaza  
Allen, Texas 75013

City of Frisco  
6891 Main Street  
Frisco, Texas 75034

City of Farmersville  
303 S. Main  
Farmersville, Texas 75031

City of Forney  
101 E. Main Street  
Forney, Texas 75126

City of Garland  
200 N. Fifth Street  
P. O. Box 469002  
Garland, Texas 75040

City of McKinney  
P. O. Box 517  
McKinney, Texas 75069

City of Mesquite  
711 N. Galloway  
Mesquite, Texas 75149

City of Plano  
P. O. Box 860358  
Plano, Texas 75086-0358

City of Princeton  
306 N. Front Street  
Princeton, Texas 75077

City of Richardson  
411 W. Arapaho Road  
Richardson, Texas 75080

City of Rockwall  
205 W. Rusk  
Rockwall, Texas 75087

City of Royse City  
P. O. Drawer A  
Royse City, Texas 75089

City of Wylie  
P. O. Box 428  
Wylie, Texas 75098

The parties hereto shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days' written notice to the other parties hereto.



Section 17. SEVERABILITY. The parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws or constitutions of the State of Texas or the United States of America, or in contravention of any such laws or constitutions, such invalidity, unconstitutionality, or contravention shall not affect any other sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any other situation or circumstance, and it is intended that this Contract shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause, or word had not been included herein, and the rights and obligations of the parties hereto shall be construed and remain in force accordingly.

Section 18. REMEDIES UPON DEFAULT. It is not intended hereby to specify (and this Contract shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any party hereto and shall be cumulative. Recognizing however, that the District's undertaking to provide and maintain a supply of water hereunder is an obligation, failure in the performance of which cannot be adequately compensated in money damages alone, the District agrees, in the event of any default on its part, that each Contracting Party shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available. Recognizing that failure in the performance of any Contracting Party's obligations hereunder could not be adequately compensated in money damages alone, each Contracting Party has agreed or hereby agrees in the event of any default on its part that the District shall have available to it the equitable remedy of mandamus and specific performance in addition to

any other legal or equitable remedies (other than termination) which may also be available to the District. No waiver or waivers of any breach or default (or any breaches or defaults) by any party hereto or of performance by any other party of any duty or obligation hereunder shall be deemed a waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be waiver of subsequent breaches or defaults of any kind, character, or description, under any circumstances.

Section 19. VENUE. All amounts due under this Contract, including, but not limited to, payments due under this Contract or damages for the breach of this Contract, shall be paid and be due in Collin County, Texas, which is the County in which the principal administrative offices of the District are located. It is specifically agreed among the parties to this Contract that Collin County, Texas, is a principal place of performance of this Contract; and in the event that any legal proceeding is brought to enforce this Contract or any provision hereof, the same shall be brought in Collin County, Texas.

IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Contract to be duly executed in several counterparts, each of which all constitute an original, all as of the day and year first above written, which is the date of this Contract.

EXECUTED THIS October 25, 2001 but effective as of the Contract Date.

NORTH TEXAS MUNICIPAL WATER DISTRICT

BY Larry Parker  
President, Board of Directors

ATTEST:

Marian Fuller, Sec  
Secretary, Board of Directors

APPROVED AS TO FORM AND LEGALITY:

McCall, Parkhurst + Norton L.L.P.  
Attorney for the District

(DISTRICT SEAL)

EXECUTED THIS 17<sup>th</sup> of October, but effective as of the Contract Date.  
2001

CITY OF FRISCO, TEXAS

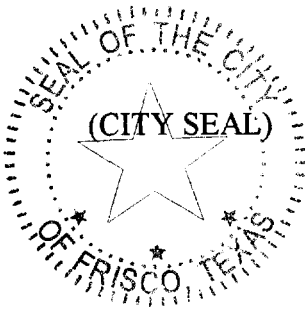
BY George Purdy  
City Manager

ATTEST:

Kantaker  
City Secretary

APPROVED AS TO FORM AND LEGALITY:

Richard A  
City Attorney



STATE OF TEXAS       §  
                                  §  
COUNTY OF COLLIN   §


**BUSINESS RECORDS AFFIDAVIT OF RODNEY D. RHOADES**

BEFORE ME, the undersigned authority, came Rodney D. Rhoades who, being personally known to me was sworn under oath and testified as follows:

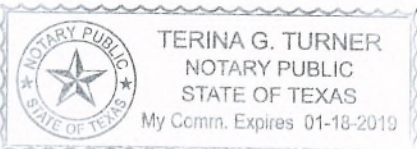
1. “My name is Rodney D. Rhoades. I am employed by the North Texas Municipal Water District (the “District”) and am familiar with this petition and lawsuit. I am over the age of eighteen years, am of sound mind, am competent in all respects to make this affidavit, and the following facts are true and correct and within my personal knowledge as the District’s Records Management Official.


2. I am the custodian of records for the District. Attached to this affidavit is a copy of the October 1, 2001 Regional Water Supply Facilities Contract between the District and the City of Frisco, which has been designated by the District as Exhibit K to the North Texas Municipal Water District’s Original Petition for Expedited Declaratory Judgment. The record reflected in Exhibit K is kept in the regular course of business of the District, and it is the District’s regular course of business for an employee or representative of the District with knowledge of the act, event, condition, opinion, or diagnosis recorded to make the record or to transmit information thereof to be included in such a record; and the record was made at or near the time or reasonably soon thereafter.

3. The record attached hereto is an original or exact duplicate of the original.”

  
\_\_\_\_\_  
Rodney D. Rhoades

SWORN AND SUBSCRIBED TO before me on March 27, 2018.



  
\_\_\_\_\_  
Notary Public in and for the State of Texas

**COLLIN COUNTY, TEXAS****Table 2.1 - Estimated Market Value and Assessed Taxable Value of Property  
Last Ten Fiscal Years**

(Amounts expressed in thousands)

<b>Fiscal Year</b>	<b>Estimated Market Value</b>				<b>Total Estimated Market Value</b>	<b>Total Direct Tax Rate</b>	<b>Total Taxable Assessed Value</b>	<b>Ratio of Assessed to Estimated Actual Value</b>
	<b>Land</b>	<b>City Property</b>	<b>Personal Property</b>	<b>Telegraph, Telephone, Pipe Lines, Railroads</b>				
2008	\$ 9,695,904	\$ 66,354,782	\$ 6,651,770	\$ 1,147,176	\$ 83,849,632	\$ 0.2450	\$ 71,722,229	85.54%
2009	8,825,306	66,273,585	5,983,838	1,057,334	82,140,063	0.2425	70,717,823	86.09%
2010	8,248,766	66,968,360	5,679,387	1,134,592	82,031,105	0.2400	70,754,686	86.25%
2011	7,983,632	68,281,616	6,375,337	1,128,258	83,768,843	0.2400	72,462,519	86.50%
2012	7,944,762	69,805,761	6,688,508	1,163,062	85,602,092	0.2400	76,803,859	89.72%
2013	7,191,586	74,789,159	7,168,208	1,182,787	90,331,741	0.2375	79,238,767	87.72%
2014	7,777,835	82,546,359	7,435,466	1,338,257	99,097,917	0.2350	86,871,451	87.66%
2015	8,216,239	92,922,808	7,873,733	1,387,774	110,400,555	0.2250	96,807,570	87.69%
2016	8,640,176	105,893,191	8,802,125	1,328,248	124,663,742	0.2084	109,041,422	87.47%
2017	9,260,742	120,494,028	9,538,926	1,346,861	140,640,557	0.1922	124,035,907	88.19%

Source: County Report of Property Value filed by the Collin County Central Appraisal District.

Note: Property in the county is reassessed annually. The county assesses all property, real and personal, at 100%. The difference between estimated market value and assessed value is due to tax-exemptions and exclusions.

## COLLIN COUNTY, TEXAS

### Table 2.2 - Property Tax Rates – All Direct and Overlapping Governments

(Per \$100 of Assessed Value)

Last Ten Fiscal Years

Governmental Subdivision	Percent Applicable to Collin County	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Collin County	100.00%	\$ 0.24250	\$ 0.24250	\$ 0.24000	\$ 0.24000	\$ 0.24000	\$ 0.23750	\$ 0.23500	\$ 0.22500	\$ 0.20840	\$ 0.19225
Cities:											
Allen	100.00%	0.55700	0.55500	0.55400	0.55300	0.55200	0.55000	0.54000	0.53000	0.52000	0.51000
Anna	100.00%	0.57500	0.62273	0.65033	0.65033	0.65033	0.65033	0.64900	0.63900	0.62900	0.60129
Blue Ridge	100.00%	0.55598	0.58087	0.60591	0.61004	0.61463	0.59337	0.58952	0.56176	0.53865	0.50808
Carrollton	0.45%	0.61788	0.61788	0.61788	0.61788	0.61788	0.61788	0.61538	0.61288	0.60370	0.59970
Celina	89.00%	0.65500	0.64500	0.64500	0.64500	0.64500	0.64500	0.64500	0.64500	0.64500	0.64500
Dallas	3.04%	0.74790	0.74790	0.79700	0.79700	0.79700	0.79700	0.79700	0.79700	0.78250	0.78040
Fairview	100.00%	0.36500	0.36500	0.36500	0.36500	0.36000	0.36000	0.35999	0.35999	0.36000	0.36000
Farmersville	99.98%	0.60517	0.58611	0.61007	0.64290	0.69750	0.69750	0.78574	0.85900	0.78756	0.78000
Frisco	62.00%	0.45000	0.46500	0.46500	0.46191	0.46191	0.46191	0.46000	0.46000	0.45000	0.44660
Garland	0.86%							0.70460	0.70460	0.70460	0.70460
Josephine	93.00%	0.37284	0.48583	0.55268	0.55268	0.57000	0.59000	0.61500	0.60000	0.58000	0.54000
Lavon	100.00%	0.41450	0.41450	0.41450	0.45570	0.45570	0.45570	0.45570	0.45570	0.45570	0.45570
Lowry Crossing	100.00%	0.22978	0.22978	0.22978	0.22978	0.22978	0.22978	0.22978	0.22977	0.22954	0.22899
Lucas	100.00%	0.37500	0.37418	0.37418	0.37418	0.37418	0.35562	0.32066	0.32066	0.31795	0.31795
McKinney	100.00%	0.58550	0.58550	0.58550	0.58550	0.58550	0.58550	0.58300	0.58300	0.57300	0.54020
Melissa	100.00%	0.52000	0.61001	0.61000	0.61000	0.61000	0.61000	0.61000	0.61000	0.61000	0.61000
Murphy	100.00%	0.46830	0.53841	0.56500	0.56500	0.57000	0.57000	0.55000	0.53000	0.51000	0.50000
Nevada	100.00%	0.15499	0.16101	0.16101	0.17698	0.19288	0.19288	0.19125	0.20163	0.19115	0.18500
New Hope	100.00%	0.21000	0.21000	0.21000	0.21000	0.21000	0.21000	0.21000	0.20600	0.19600	0.19600
Parker	100.00%	0.37708	0.37708	0.37708	0.37708	0.37708	0.35708	0.35098	0.35098	0.36598	0.36598
Plano	96.00%	0.47350	0.48860	0.48860	0.48860	0.48860	0.48860	0.48860	0.48860	0.47860	0.46860
Princeton	100.00%	0.64960	0.72839	0.72839	0.72839	0.75693	0.73900	0.72180	0.69189	0.68989	0.68989
Prosper	72.00%	0.52000	0.52000	0.52000	0.52000	0.52000	0.52000	0.52000	0.52000	0.52000	0.52000
Richardson	35.00%	0.57516	0.57516	0.63516	0.63516	0.63516	0.63516	0.63516	0.63516	0.62516	0.62516
Royse City	33.00%	0.49450	0.65760	0.65760	0.67290	0.68530	0.69800	0.67710	0.67710	0.67710	0.62150
Sachse	24.00%	0.55341	0.70582	0.70582	0.77082	0.77082	0.77082	0.77082	0.75728	0.75728	0.74728
St. Paul	100.00%	0.42437	0.42128	0.42128	0.41178	0.41178	0.40491	0.39228	0.37500	0.36900	0.33289
Westminster	100.00%										
Weston	100.00%	0.25000	0.25000	0.30000	0.30000	0.30000	0.36000	0.36000	0.36000	0.36000	0.36000
Wylie	97.00%	0.73325	0.89890	0.89890	0.89890	0.88890	0.88390	0.87890	0.86890	0.84890	0.78100

(continued)



## COLLIN COUNTY, TEXAS

**Table 2.2 - Property Tax Rates – All Direct and Overlapping Governments  
(Per \$100 of Assessed Value)  
Last Ten Fiscal Years**

Governmental Subdivision	Percent Applicable to Collin County	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
School Districts:											
Allen I.S.D.	100.00%	\$ 1.47030	\$ 1.54000	\$ 1.54000	\$ 1.67000	\$ 1.67000	\$ 1.67000	\$ 1.64000	\$ 1.61000	\$ 1.59000	\$ 1.57000
Anna I.S.D.	100.00%	1.48148	1.54005	1.54000	1.54000	1.54000	1.54000	1.54000	1.67000	1.67000	1.67000
Bland I.S.D.	11.45%							1.51630	1.53400	1.48800	1.42710
Blue Ridge I.S.D.	100.00%	1.55600	1.47650	1.67000	1.67000	1.61667	1.61660	1.59750	1.57149	1.57149	1.57149
Celina I.S.D.	100.00%	1.51900	1.54000	1.64000	1.64000	1.64000	1.64000	1.64000	1.64000	1.64000	1.64000
Community I.S.D.	94.45%	1.49500	1.49500	1.49500	1.49500	1.62500	1.62500	1.61500	1.62500	1.62500	1.62500
Farmersville I.S.D.	99.98%	1.31000	1.31000	1.31000	1.34000	1.37000	1.40000	1.43090	1.42950	1.39000	1.32000
Frisco I.S.D.	67.00%	1.35000	1.39000	1.39000	1.42000	1.46000	1.46000	1.46000	1.46000	1.46000	1.46000
Gunter I.S.D.	0.52%							1.62000	1.62000	1.62000	1.62000
Leonard I.S.D.	10.98%							1.27096	1.27310	1.26620	1.25906
Lovejoy I.S.D.	100.00%	1.47630	1.53500	1.53500	1.53500	1.53500	1.53500	1.56000	1.56000	1.67000	1.67000
McKinney I.S.D.	100.00%	1.51700	1.54000	1.52800	1.54000	1.54000	1.67000	1.67000	1.67000	1.62000	1.62000
Melissa I.S.D.	100.00%	1.53500	1.54000	1.54000	1.54000	1.54000	1.54000	1.54000	1.67000	1.67000	1.67000
Plano I.S.D.	100.00%	1.26840	1.32840	1.35340	1.37340	1.37340	1.45300	1.44800	1.43900	1.43900	1.43900
Princeton I.S.D.	100.00%	1.36870	1.49000	1.49000	1.47360	1.48000	1.51000	1.62000	1.62000	1.62000	1.62000
Prosper I.S.D.	78.98%	1.67000	1.64000	1.63000	1.67000	1.67000	1.67000	1.67000	1.67000	1.67000	1.67000
Rockwall I.S.D.	0.02%							1.44000	1.44000	1.46500	1.44000
Royse City I.S.D.	100.00%							1.67000	1.67000	1.67000	1.67000
Trenton I.S.D.	3.29%							1.45140	1.46000	1.46000	1.46000
Van Alstyne I.S.D.	13.60%							1.52000	1.52000	1.52000	1.62000
Whitewright I.S.D.	1.93%							1.37000	1.37000	1.35000	1.35000
Wylie I.S.D.	100.00%	1.39000	1.59000	1.64000	1.64000	1.64000	1.64000	1.64000	1.64000	1.64000	1.64000
Special Districts:											
Seis Lagos											
Utility Dist	100.00%	0.42892	0.44918	0.44826	0.46037	0.46245	0.46929	0.43564	0.26489	0.26573	0.26924
Collin College	100.00%	0.08698	0.08630	0.08630	0.08630	0.08630	0.08364	0.08196	0.08196	0.08122	0.07981
Collin County											
M.U.D. #1	100.00%					1.05000	1.05000	1.05000	1.05000	1.05000	1.05000
Frisco											
M.U.D. #1	100.00%										
McKinney											
M.U.D. #1	100.00%							1.05000	1.05000	1.05000	1.05000
Direct Rate Applied by											
Collin County		0.24250	0.24250	0.24000	0.24000	0.24000	0.23750	0.23500	0.22500	0.20840	0.19225
Weighted Average All											
Entities		0.68610	0.71331	0.72624	0.73383	0.74609	0.75180	0.65919	0.67727	0.67296	0.66591

Source: Central Appraisal District



**COLLIN COUNTY, TEXAS****Table 2.3 - Principal Taxpayers  
Current Year and Nine Years Ago**  
(amounts expressed in thousands)

<u>Name of Taxpayer</u>	<u>Nature of Property</u>	<u>Fiscal Year 2017</u>		<u>Fiscal Year 2008</u>	
		<u>Taxable Assessed Value</u>	<u>Percent of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Percent of Total Taxable Assessed Value</u>
Corporate Properties Trust	Investment	\$ 685,493	0.55%	-	-
Oncor Electric	Utility	511,950	0.41%	465,331	0.65%
Toyota	Manufacturer	358,743	0.29%	-	-
Stonebriar Mall	Commercial	294,908	0.24%	221,340	0.31%
Silos Harvesting	Investment	245,000	0.20%	-	-
Legacy West	Investment	221,703	0.18%	-	-
Bank of America (corporate)	Commercial	198,250	0.16%	-	-
Texas Instruments	Technology	195,581	0.16%	142,583	0.20%
HP Enterprise Services LLC	Commercial	178,541	0.14%	140,997	0.20%
Capital One	Commercial	169,223	0.14%	-	-
No longer eligible for listing		<u>1,214,076</u>	<u>0.98%</u>	<u>888,156</u>	<u>1.24%</u>
Total		<u>\$ 4,273,468</u>	<u>3.45%</u>	<u>\$ 1,858,407</u>	<u>2.59%</u>
Total Assessed Value and Percentage of Total		<u>\$ 124,035,906</u>	<u>100.00%</u>	<u>\$ 71,722,229</u>	<u>100.00%</u>

Source: Tax Rolls

\* Note: Oncor Electric Utilities was formerly known as Texas Utilities Electric Co.

North Texas Municipal Water District  
 2018 SWIFT Application  
 Response - Question 45-A

Part C. 45.a

	Projected	Projected	Net Available	Existing	\$800,000,000	\$632,330,000	BAB Subsidy	Total Debt	Projected
FYE	Gross Revenues	Expenses <sup>(1)</sup>	for Debt Service	Debt Paid by	2018 SWIFT	2018A SWIFT	&	Paid by	Coverage
				Sys Revs	@ 3.00%	@ 3.50%	Other Bonds	Utility Sys Revs	
2018	331,725,840	198,096,860	133,628,980	113,276,745	13,258,210		(4,212,900)	122,322,054	1.09x
2019	364,118,000	180,407,000	183,711,000	114,624,547	41,342,068	26,442,958	(3,427,973)	178,981,600	1.03x
2020	399,084,000	207,374,000	191,710,000	114,518,588	41,343,928	34,616,550	(3,376,237)	187,102,828	1.02x
2021	432,645,000	235,928,000	196,717,000	113,439,923	41,344,131	34,614,775	(3,320,665)	186,078,163	1.06x
2022	463,568,000	263,509,000	200,059,000	110,203,771	41,344,859	34,617,425	(3,202,748)	182,963,306	1.09x
2023	484,559,000	277,783,000	206,776,000	110,948,794	41,341,939	34,613,800	(2,139,342)	184,765,190	1.12x
2024	502,477,000	285,551,000	216,926,000	110,775,634	41,340,139	34,618,550	6,845,983	193,580,306	1.12x
2025	518,104,000	295,395,000	222,709,000	105,875,298	41,344,443	34,615,800	16,134,891	197,970,432	1.12x
2026	532,701,000	308,539,000	224,162,000	105,740,340	41,341,489	34,615,200	17,517,435	199,214,464	1.13x
2027	546,137,000	319,748,000	226,389,000	105,660,705	41,342,316	34,616,050	20,073,144	201,692,215	1.12x
2028	559,869,000	323,824,000	236,045,000	103,188,812	41,340,071	34,617,650	31,498,130	210,644,663	1.12x
2029	572,314,000	321,090,000	251,224,000	101,995,828	41,344,596	34,614,300	47,046,160	225,000,884	1.12x
2030	585,024,000	320,000,000	265,024,000	100,918,671	41,342,590	34,615,475	61,899,945	238,776,681	1.11x
2031	597,724,000	315,616,000	282,108,000	102,346,636	41,343,318	34,615,300	76,384,084	254,689,337	1.11x
2032	610,134,000	311,832,000	298,302,000	102,460,572	41,343,770	34,618,075	92,021,483	270,443,900	1.10x
2033	622,808,000	340,088,000	282,720,000	76,569,555	41,341,264	34,617,925	101,551,978	254,080,722	1.11x
2034	634,060,000	350,882,000	283,178,000	76,333,634	41,343,522	34,614,150	101,784,265	254,075,571	1.11x
2035	645,544,000	364,916,000	280,628,000	70,829,181	41,343,444	34,616,050	104,270,281	251,058,956	1.12x
2036	656,977,000	390,446,000	266,531,000	53,556,572	41,341,344	34,617,575	106,767,841	236,283,332	1.13x
2037	670,116,540	406,063,840	264,052,700	46,451,146	41,343,399	34,617,850	108,030,806	230,443,201	1.15x
2038	683,518,871	422,306,394	261,212,477	46,245,299	41,340,644	34,616,000	109,304,066	231,506,009	1.13x
2039	697,189,248	439,198,649	257,990,599	39,518,465	41,341,636	34,616,150	109,852,333	225,328,583	1.14x
2040	711,133,033	456,766,595	254,366,438	32,358,530	41,340,497	34,617,250	111,147,562	219,463,839	1.16x
2041	725,355,694	475,037,259	250,318,435	24,423,495	41,342,059	34,618,250	112,306,166	212,689,969	1.18x
2042	739,862,808	494,038,749	245,824,058	24,480,158	41,340,190	34,618,100	113,306,166	213,744,614	1.15x
2043	754,660,064	513,800,299	240,859,764	24,549,166	41,343,921	34,615,750	114,306,166	214,815,003	1.12x
2044	769,753,265	534,352,311	235,400,954	24,612,184	41,341,961	34,615,150	115,306,166	215,875,461	1.09x
2045	785,148,330	555,726,404	229,421,927	17,274,548	41,343,807	34,615,075	116,306,166	209,539,596	1.09x
2046	800,851,297	577,955,460	222,895,837	17,265,858	41,342,987	34,614,300	117,306,166	210,529,311	1.06x
2047	816,868,323	601,073,678	215,794,645	2,293,530	41,341,823	34,616,600	118,306,166	196,558,119	1.10x
2048	833,205,689	625,116,626	208,089,064			34,615,575	119,306,166	153,921,741	1.35x
<b>Totals</b>				<b>\$ 2,192,736,180</b>	<b>\$ 1,212,190,360</b>	<b>\$ 1,030,313,658</b>	<b>\$ 2,128,899,851</b>	<b>\$ 6,564,140,050</b>	

(1) Does not include depreciation or any other 'noncash' items.

**NORTH TEXAS MUNICIPAL WATER DISTRICT  
WATER SYSTEM  
COMPARATIVE STATEMENT OF NET POSITION  
FEBRUARY 28, 2018**

	February 28 2018	September 30 2017	Increase (Decrease)
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Unrestricted Assets:			
Cash and cash equivalents	\$ 61,374,858	\$ 78,913,780	\$ (17,538,922)
Investments	102,467,640	68,937,490	33,530,150
Interest receivable	-	-	-
Accounts receivable	24,978,180	23,300,807	1,677,373
Due from other funds	218,493	210,344	8,149
Prepaid expenses	2,333,708	2,493,343	(159,635)
Unbilled receivables	207,019	207,019	-
Total unrestricted assets	<u>191,579,898</u>	<u>174,062,783</u>	<u>17,517,115</u>
Restricted Assets:			
Cash and cash equivalents	208,515,754	144,927,151	63,588,603
Investments	233,431,021	272,830,418	(39,399,397)
Contracts receivable	26,400	26,400	-
Interest receivable	905,642	778,382	127,260
Accounts receivable	-	-	-
Due from other funds	214,810	125,890	88,920
Total restricted assets	<u>443,093,627</u>	<u>418,688,241</u>	<u>24,405,386</u>
<b>LONG-TERM ASSETS:</b>			
Net capital assets	<u>2,016,218,794</u>	<u>1,956,271,968</u>	<u>59,946,826</u>
<b>TOTAL ASSETS</b>	<u>2,650,892,319</u>	<u>2,549,022,992</u>	<u>101,869,327</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension outflow	7,778,993	7,778,993	-
Deferred loss on refunding	20,952,167	21,576,312	(624,145)
Deferred OPEB outflow	58,865	58,865	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>28,790,025</u>	<u>29,414,170</u>	<u>(624,145)</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>2,679,682,344</u>	<u>2,578,437,162</u>	<u>101,245,182</u>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Payable from Unrestricted Assets:			
Accounts payable and other liabilities	8,412,256	19,783,380	(11,371,124)
Due to other funds	4,988	58,232	(53,244)
Customer advance payments	-	61,768	(61,768)
Accrued interest - notes	298,338	779,984	(481,646)
Accrued interest capital lease	-	-	-
Current portion of notes	1,545,994	1,499,187	46,807
Current portion of capital lease obligation	-	-	-
Total payable from unrestricted assets	<u>10,261,576</u>	<u>22,182,551</u>	<u>(11,920,975)</u>
Payable from Restricted Assets:			
Accounts payable	10,732,287	20,705,685	(9,973,398)
Due to other funds	-	75,818	(75,818)
Accrued interest - revenue bonds	32,190,883	5,311,408	26,879,475
Current portion of revenue bonds	48,675,000	48,025,000	650,000
Total payable from restricted assets	<u>91,598,170</u>	<u>74,117,911</u>	<u>17,480,259</u>
<b>LONG-TERM LIABILITIES</b>			
Accrued vacation and sick - less current portion	2,170,459	2,170,459	-
Net pension liability	14,169,581	14,169,581	-
Net OPEB liability	2,413,854	2,413,854	-
Deferred compensation	305,000	317,500	(12,500)
Capital lease obligation - less current portion	-	-	-
Long-term debt - less current portion	<u>1,493,537,405</u>	<u>1,456,009,857</u>	<u>37,527,548</u>
Total long-term liabilities	<u>1,512,596,299</u>	<u>1,475,081,251</u>	<u>37,515,048</u>
<b>TOTAL LIABILITIES</b>	<u>1,614,456,045</u>	<u>1,571,381,713</u>	<u>43,074,332</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension inflow	6,105,500	6,105,500	-
Deferred OPEB inflow	786,362	786,362	-
Deferred insurance proceeds	-	1,012,296	(1,012,296)
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>6,891,862</u>	<u>7,904,158</u>	<u>(1,012,296)</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>1,621,347,907</u>	<u>1,579,285,871</u>	<u>42,062,036</u>
<b>NET POSITION:</b>			
Net investment in capital assets	775,912,206	779,684,378	(3,772,172)
Restricted for debt service	117,683,833	87,555,916	30,127,917
Unrestricted	164,738,398	131,910,997	32,827,401
<b>TOTAL NET POSITION</b>	<u>\$ 1,058,334,437</u>	<u>\$ 999,151,291</u>	<u>\$ 59,183,146</u>

**NORTH TEXAS MUNICIPAL WATER DISTRICT  
WATER SYSTEM  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE FIVE MONTHS ENDED FEBRUARY 28, 2018**

	Current Month	Year to Date
	<u>                    </u>	<u>                    </u>
OPERATING REVENUES:		
Water sales	\$ 26,617,547	\$ 133,089,796
Deferred charges for services	-	-
Other operating revenues	(45,575)	142,429
Total operating revenues	<u>26,571,972</u>	<u>133,232,225</u>
OPERATING EXPENSES:		
Personnel	3,365,554	19,257,226
Electric power	1,294,043	5,380,231
Chemicals	1,008,257	6,645,265
Other operating supplies and services	733,542	4,582,977
Total operating expenses excluding depreciation	<u>6,401,396</u>	<u>35,865,699</u>
EXCESS OF REVENUES OVER EXPENSES BEFORE DEPRECIATION	20,170,576	97,366,526
Depreciation expense	3,627,775	18,141,241
Total depreciation	<u>3,627,775</u>	<u>18,141,241</u>
OPERATING INCOME (LOSS)	<u>16,542,801</u>	<u>79,225,285</u>
NONOPERATING REVENUES (EXPENSES):		
Investment income	427,425	1,824,931
Miscellaneous revenue/expense	(68,948)	(707,587)
Federal programs revenues	1,967,424	1,967,424
Gain (loss) on sale of capital assets	42,314	42,314
Interest expenses - long term debt	(4,648,277)	(23,169,221)
Total nonoperating revenues (expenses)	<u>(2,280,062)</u>	<u>(20,042,139)</u>
CHANGE IN NET POSITION	14,262,739	59,183,146
NET POSITION, BEGINNING BALANCE	<u>1,044,071,698</u>	<u>999,151,291</u>
NET POSITION, ENDING BALANCE	<u>\$ 1,058,334,437</u>	<u>\$ 1,058,334,437</u>

**NORTH TEXAS MUNICIPAL WATER DISTRICT  
WATER SYSTEM  
STATEMENT OF CASH FLOWS  
FOR THE FIVE MONTHS ENDED FEBRUARY 28, 2018**

	Current Month	Year to Date
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 26,489,727	\$ 131,837,503
Cash received from other funds	801,620	4,026,159
Cash received from (paid to) others	162,579	1,037,918
Cash paid to suppliers for goods and services	(5,234,841)	(35,698,472)
Cash paid for employees for services	(2,539,569)	(14,090,156)
Cash paid to other funds	(2,997)	(14,835)
Net cash provided by operating activities	<u>19,676,519</u>	<u>87,098,117</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from (for) the issuance of bonds	-	44,898,000
Cash paid for capital assets	(19,812,705)	(93,041,636)
Interest paid on long-term debt	-	-
Interest paid on U.S. government contracts	-	(870,336)
Principal payments on long-term debt	-	-
Payments on U.S. government contracts	-	(1,449,294)
Payments from (for) bond issue costs	-	(248,000)
Federal program revenues	1,967,424	1,967,424
Net cash used for capital and related financing activities	<u>(17,845,281)</u>	<u>(48,743,842)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sale and maturity of investments	36,897,580	214,570,537
Purchase of investments	-	(209,972,157)
Interest received	729,900	3,097,026
Net cash provided by (used for) investing activities	<u>37,627,480</u>	<u>7,695,406</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>39,458,718</b>	<b>46,049,681</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>230,431,894</b>	<b>223,840,931</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b><u>\$ 269,890,612</u></b>	<b><u>\$ 269,890,612</u></b>
<b>RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET POSITION</b>		
Unrestricted cash and cash equivalents	61,374,858	61,374,858
Restricted cash and cash equivalents	208,515,754	208,515,754
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	16,542,801	79,225,285
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,627,775	18,141,241
Change in current assets and liabilities:		
Accounts receivable and deferred billings	(18,409)	(1,676,325)
Prepaid expenses	-	159,635
Net pension liability	-	-
Due to/from other funds	(180,962)	(150,316)
Accounts payable, accrued liabilities and developers' deposit	(294,686)	(8,539,635)
Accrued vacation and Accrued sick	-	-
Accrued OPEB	-	-
Customer advance payments	-	(61,768)
Total adjustments	<u>3,133,718</u>	<u>7,872,832</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 19,676,519</u></b>	<b><u>\$ 87,098,117</u></b>
<b>NONCASH TRANSACTION DISCLOSURES</b>		
Gain on disposal of capital assets	-	-
Interest capitalized on construction	-	-
Amortization of bond-related items	(870,441)	(4,352,205)
Change in fair value of investments	296,305	1,409,686
Change in actuarial value of net pension assets	-	-
Refunding bonds issued	-	-
Refunding proceeds deposited in escrow	-	-

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

<b>ASSETS</b>	<b>Water System</b>	<b>Regional Wastewater System</b>
<b>CURRENT ASSETS:</b>		
Unrestricted assets:		
Cash and cash equivalents	\$ 78,913,780	\$ 4,215,513
Investments	68,937,490	-
Accounts receivable	23,300,807	991,971
Due from other funds	210,344	39,162
Prepaid expenses	2,493,343	372,090
Unbilled receivable	207,019	120,620
<b>Total unrestricted assets</b>	<b>174,062,783</b>	<b>5,739,356</b>
Restricted assets:		
Cash and cash equivalents	144,927,151	77,883,571
Investments	272,830,418	114,695,429
Contracts receivable	26,400	-
Interest receivable	778,382	310,449
Due from other funds	125,890	-
Unbilled receivables	-	-
<b>Total restricted assets</b>	<b>418,688,241</b>	<b>192,889,449</b>
<b>TOTAL CURRENT ASSETS</b>	<b>592,751,024</b>	<b>198,628,805</b>
<b>LONG-TERM ASSETS:</b>		
Nondepreciable:		
Land	58,855,325	1,739,328
Easements	46,929,618	-
Construction-in-progress	369,797,234	38,653,962
<b>Total nondepreciable assets</b>	<b>475,582,177</b>	<b>40,393,290</b>
Depreciable:		
Land improvements	3,712,838	1,321,303
Water treatment, storage, and transmission facilities	1,480,580,805	-
Wastewater treatment and disposal facilities	-	294,790,161
Solid waste transfer and disposal facilities	-	-
Reservoir facilities and water rights	376,541,066	-
Buildings	26,373,213	2,211,696
Automobiles and trucks	7,039,583	1,910,882
Office furniture and fixtures	961,571	101,610
Other equipment	18,140,456	10,250,394
<b>Total depreciable assets</b>	<b>1,913,349,532</b>	<b>310,586,046</b>
Less accumulated depreciation	(432,659,741)	(107,188,269)
<b>Net capital assets</b>	<b>1,956,271,968</b>	<b>243,791,067</b>
<b>TOTAL LONG-TERM ASSETS</b>	<b>1,956,271,968</b>	<b>243,791,067</b>
<b>TOTAL ASSETS</b>	<b>2,549,022,992</b>	<b>442,419,872</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred loss on refunding	21,576,312	2,714,746
Deferred pension outflow	7,778,993	2,174,859
Deferred OPEB outflow	58,865	13,950
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>29,414,170</b>	<b>4,903,555</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 2,578,437,162</b>	<b>\$ 447,323,427</b>

The notes to the basic financial statements are an integral part of this statement.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

<b>LIABILITIES</b>	<b>Water System</b>	<b>Regional Wastewater System</b>
<b>CURRENT LIABILITIES:</b>		
Payable from unrestricted assets:		
Accounts payable and accrued liabilities	\$ 19,783,380	\$ 3,573,569
Due to other funds	58,232	314,811
Customers' advance payments	61,768	1,359,483
Accrued interest payable on U.S. government contracts	779,984	-
Current portion of U.S. government contracts	1,499,187	-
<b>Total payable from unrestricted assets</b>	<b>22,182,551</b>	<b>5,247,863</b>
Payable from restricted assets:		
Accounts payable and accrued liabilities	20,705,685	7,921,559
Due to other funds	75,818	11,952
Accrued landfill closure and post-closure care cost	-	-
Accrued interest payable on revenue bonds	5,311,408	4,057,428
Current portion of revenue bonds	48,025,000	13,410,000
<b>Total payable from restricted assets</b>	<b>74,117,911</b>	<b>25,400,939</b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>96,300,462</b>	<b>30,648,802</b>
<b>LONG-TERM LIABILITIES:</b>		
Accrued landfill closure costs	-	-
Accrued vacation—less current portion	927,365	238,442
Accrued sick—less current portion	1,243,094	350,982
Net pension liability	14,169,581	4,141,068
Net OPEB liability	2,413,854	572,001
Deferred compensation	317,500	-
Long-term debt—less current portion	1,456,009,857	295,772,564
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>1,475,081,251</b>	<b>301,075,057</b>
<b>TOTAL LIABILITIES</b>	<b>1,571,381,713</b>	<b>331,723,859</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred pension inflow	6,105,500	1,631,466
Deferred OPEB inflow	786,362	186,341
Deferred insurance proceeds	1,012,296	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>7,904,158</b>	<b>1,817,807</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>1,579,285,871</b>	<b>333,541,666</b>
<b>NET POSITION:</b>		
Net investment in capital assets	779,684,378	97,438,547
Restricted for debt service	87,555,916	20,934,974
Unrestricted	131,910,997	(4,591,760)
<b>TOTAL NET POSITION</b>	<b>\$ 999,151,291</b>	<b>\$ 113,781,761</b>

The notes to the basic financial statements are an integral part of this statement.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEAR ENDED SEPTEMBER 30, 2017**

	<u>Water System</u>	<u>Regional Wastewater System</u>
<b>OPERATING REVENUES:</b>		
Water sales	\$ 282,595,391	\$ -
Wastewater service fees	-	57,446,981
Solid waste service fees	-	-
Other operating revenues	806,446	193,816
<b>Total operating revenues</b>	<u>283,401,837</u>	<u>57,640,797</u>
<b>OPERATING EXPENSES:</b>		
Personnel	42,300,952	10,698,567
Operating Supplies:		
Chemicals	19,387,860	4,402,646
Other supplies	6,669,595	3,532,189
Operating Services:		
Electric power	14,462,476	2,485,553
Wholesale water purchases	3,195,449	-
Other services	18,334,107	14,600,385
Depreciation	40,899,181	8,016,148
<b>Total operating expenses</b>	<u>145,249,620</u>	<u>43,735,488</u>
<b>OPERATING INCOME</b>	<u>138,152,217</u>	<u>13,905,309</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment income	5,067,871	1,464,205
Miscellaneous revenue (expense)	(1,072,982)	-
Federal program revenues	3,983,278	-
Gain (loss) on sale of capital assets	148,356	18,073
Interest expense	(47,704,686)	(8,566,819)
<b>Total nonoperating revenues (expenses)</b>	<u>(39,578,163)</u>	<u>(7,084,541)</u>
<b>CHANGE IN NET POSITION</b>	<u>98,574,054</u>	<u>6,820,768</u>
<b>NET POSITION AT OCTOBER 1, 2016 (As Previously Stated)</b>	<u>904,043,074</u>	<u>107,625,135</u>
<b>CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE</b>	<u>(3,465,837)</u>	<u>(664,142)</u>
<b>NET POSITION AT OCTOBER 1, 2016 (As Restated)</b>	<u>900,577,237</u>	<u>106,960,993</u>
<b>NET POSITION AT SEPTEMBER 30, 2017</b>	<u>\$ 999,151,291</u>	<u>\$ 113,781,761</u>

The notes to the basic financial statements are an integral part of this statement.



**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED SEPTEMBER 30, 2017**

	<u>Water System</u>	<u>Regional Wastewater System</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 286,365,031	\$ 56,322,449
Cash received from other funds	11,035,676	446,779
Cash received from (paid to) others	2,701,593	81,399
Cash paid to suppliers for goods and services	(95,702,485)	(21,056,631)
Cash paid for employee services	(30,079,591)	(7,350,192)
Cash paid to other funds	(39,089)	(8,492,343)
Net cash provided by operating activities	<u>174,281,135</u>	<u>19,951,461</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from the issuance of bonds	283,746,910	83,218,262
Cash paid for capital assets	(166,724,928)	(29,220,702)
Interest paid on long-term debt	(62,253,366)	(8,348,950)
Interest paid on U.S. government contracts	(1,006,330)	-
Principal payments on long-term debt	(49,410,000)	(14,165,000)
Payments on U.S. government contracts	(1,452,271)	-
Payments for bond issue costs	(1,541,181)	(564,609)
Grant income	18,560	-
Federal Program Revenues	3,964,718	-
Interfund advance	-	-
Net cash provided by (used for) capital and related financing activities	<u>5,342,112</u>	<u>30,919,001</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sale and maturity of investments	208,690,383	56,944,284
Purchases of investments	(337,003,141)	(101,419,468)
Interest received	5,017,019	1,503,662
Net cash provided by (used for) investing activities	<u>(123,295,739)</u>	<u>(42,971,522)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>56,327,508</b>	<b>7,898,940</b>
<b>CASH AND CASH EQUIVALENTS—Beginning of year</b>	<b>167,513,423</b>	<b>74,200,144</b>
<b>CASH AND CASH EQUIVALENTS—End of year</b>	<b><u>\$ 223,840,931</u></b>	<b><u>\$ 82,099,084</u></b>
<b>RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET POSITION</b>		
Unrestricted cash and cash equivalents	\$ 78,913,780	\$ 4,215,513
Restricted cash and cash equivalents	144,927,151	77,883,571
	<u>\$ 223,840,931</u>	<u>\$ 82,099,084</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 138,152,217	\$ 13,905,309
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	40,899,181	8,016,148
Change in current assets and liabilities:		
Accounts receivable and unbilled receivable	(3,737,272)	(204,748)
Prepaid expenses	1,271,883	(27,624)
Net pension liability	(766,316)	(168,010)
Net OPEB liability	338,654	80,250
Due to/from other funds	1,019,343	12,452
Accounts payable, accrued liabilities, and developers' deposits	(2,382,033)	(500,707)
Accrued vacation and accrued sick	(400,879)	(57,899)
Landfill liability	-	-
Customers' advance payments	(113,643)	(1,103,710)
Total adjustments	<u>36,128,918</u>	<u>6,046,152</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 174,281,135</u></b>	<b><u>\$ 19,951,461</u></b>
<b>NONCASH TRANSACTION DISCLOSURES</b>		
Change in landfill liability	\$ -	\$ -
Gain (loss) on disposal of capital assets	12,368	-
Interest capitalized on construction	6,790,389	532,597
Amortization of bond-related items	(10,458,472)	(1,600,778)
Change in fair value of investments	515,599	102,441
Change in actuarial value of net pension liability	766,316	168,010
Refunding bonds issued	83,115,000	-
Refunding proceeds deposited in escrow	98,818,916	-

The notes to the basic financial statements are an integral part of this statement.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

<b>ASSETS</b>	<b>Water System</b>	<b>Regional Wastewater System</b>
<b>CURRENT ASSETS:</b>		
Unrestricted assets:		
Cash and cash equivalents	\$ 77,727,425	\$ 5,893,462
Investments	66,075,060	-
Accounts receivable	20,391,106	654,690
Due from other funds	1,198,537	34,929
Prepaid expenses	2,752,930	344,466
Unbilled receivable	254,252	269,853
<b>Total unrestricted assets</b>	<b>168,399,310</b>	<b>7,197,400</b>
Restricted assets:		
Cash and cash equivalents	89,785,998	68,306,682
Investments	147,327,878	70,246,452
Contracts receivable	26,400	-
Note receivable	367,715	-
Interest receivable	304,986	128,568
Due from other funds	118,339	-
Unbilled receivables	-	-
<b>Total restricted assets</b>	<b>237,931,316</b>	<b>138,681,702</b>
<b>TOTAL CURRENT ASSETS</b>	<b>406,330,626</b>	<b>145,879,102</b>
<b>LONG-TERM ASSETS:</b>		
Nondepreciable:		
Land	58,934,292	1,739,328
Easements	42,741,627	-
Construction-in-progress	407,202,758	17,629,407
<b>Total nondepreciable assets</b>	<b>508,878,677</b>	<b>19,368,735</b>
Depreciable:		
Land improvements	3,712,838	1,321,303
Water treatment, storage, and transmission facilities	1,272,448,065	-
Wastewater treatment and disposal facilities	-	283,067,665
Solid waste transfer and disposal facilities	-	-
Reservoir facilities and water rights	376,541,066	-
Buildings	24,372,470	2,047,667
Automobiles and trucks	6,621,988	1,892,614
Office furniture and fixtures	934,659	101,610
Other equipment	16,822,407	9,608,947
<b>Total depreciable assets</b>	<b>1,701,453,493</b>	<b>298,039,806</b>
Less accumulated depreciation	(392,694,399)	(99,347,816)
<b>Net capital assets</b>	<b>1,817,637,771</b>	<b>218,060,725</b>
Accrued OPEB asset	663,140	165,181
<b>TOTAL LONG-TERM ASSETS</b>	<b>1,818,300,911</b>	<b>218,225,906</b>
<b>TOTAL ASSETS</b>	<b>2,224,631,537</b>	<b>364,105,008</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred loss on refunding	17,420,595	3,057,759
Deferred pension outflow	9,304,772	2,509,378
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>26,725,367</b>	<b>5,567,137</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 2,251,356,904</b>	<b>\$ 369,672,145</b>

The notes to the basic financial statements are an integral part of this statement.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

<b>LIABILITIES</b>	<b>Water System</b>	<b>Regional Wastewater System</b>
<b>CURRENT LIABILITIES:</b>		
Payable from unrestricted assets:		
Accounts payable and accrued liabilities	\$ 17,578,180	\$ 4,074,271
Due to other funds	48,603	295,028
Customers' advance payments	175,411	2,463,193
Accrued interest payable on U.S. government contracts	820,215	-
Current portion of U.S. government contracts	1,452,272	-
<b>Total payable from unrestricted assets</b>	<b>20,074,681</b>	<b>6,832,492</b>
Payable from restricted assets:		
Accounts payable and accrued liabilities	16,839,419	3,943,773
Due to other funds	61,216	4,472
Accrued landfill closure and post-closure care cost	-	-
Accrued interest payable on revenue bonds	4,616,774	1,706,185
Current portion of note payable	-	-
Current portion of revenue bonds	42,225,000	12,370,000
<b>Total payable from restricted assets</b>	<b>63,742,409</b>	<b>18,024,430</b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>83,817,090</b>	<b>24,856,922</b>
<b>LONG-TERM LIABILITIES:</b>		
Accrued landfill closure costs	-	-
Accrued vacation—less current portion	973,044	260,675
Accrued sick—less current portion	1,598,294	386,648
Net pension liability	17,233,385	4,812,791
Deferred compensation	347,500	-
Long-term debt—less current portion	1,236,720,811	230,267,702
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>1,256,873,034</b>	<b>235,727,816</b>
<b>TOTAL LIABILITIES</b>	<b>1,340,690,124</b>	<b>260,584,738</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred pension inflow	5,333,791	1,462,272
Deferred insurance proceeds	1,289,915	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>6,623,706</b>	<b>1,462,272</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>1,347,313,830</b>	<b>262,047,010</b>
<b>NET POSITION:</b>		
Net investment in capital assets	688,869,056	93,371,653
Restricted for debt service	83,827,441	18,172,746
Unrestricted	131,346,577	(3,919,264)
<b>TOTAL NET POSITION</b>	<b>\$ 904,043,074</b>	<b>\$ 107,625,135</b>

The notes to the basic financial statements are an integral part of this statement.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEAR ENDED SEPTEMBER 30, 2016**

	<u>Water System</u>	<u>Regional Wastewater System</u>
<b>OPERATING REVENUES:</b>		
Water sales	\$ 252,591,522	\$ -
Wastewater service fees	-	54,467,985
Solid waste service fees	-	-
Other operating revenues	398,998	161,189
<b>Total operating revenues</b>	<u>252,990,520</u>	<u>54,629,174</u>
<b>OPERATING EXPENSES:</b>		
Personnel	39,180,330	10,369,874
Operating Supplies:		
Chemicals	19,864,912	4,849,607
Other supplies	5,404,587	3,386,731
Operating Services:		
Electric power	13,116,951	2,788,573
Wholesale water purchases	2,662,651	-
Other services	9,181,436	13,695,309
Depreciation	32,964,843	7,638,327
<b>Total operating expenses</b>	<u>122,375,710</u>	<u>42,728,421</u>
<b>OPERATING INCOME</b>	<u>130,614,810</u>	<u>11,900,753</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment income	1,927,950	382,606
Miscellaneous revenue (expense)	(432,253)	-
Federal program revenues	4,005,982	-
Gain on sale of capital assets	42,617	42,490
Interest expense	(37,163,917)	(6,044,530)
<b>Total nonoperating revenues (expenses)</b>	<u>(31,619,621)</u>	<u>(5,619,434)</u>
<b>CHANGE IN NET POSITION</b>	<u>98,995,189</u>	<u>6,281,319</u>
<b>NET POSITION AT OCTOBER 1, 2015</b>	<u>805,047,885</u>	<u>101,343,816</u>
<b>NET POSITION AT SEPTEMBER 30, 2016</b>	<u>\$ 904,043,074</u>	<u>\$ 107,625,135</u>

The notes to the basic financial statements are an integral part of this statement.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED SEPTEMBER 30, 2016**

	<u>Water System</u>	<u>Regional Wastewater System</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 258,221,100	\$ 53,756,437
Cash received from other funds	9,790,187	411,816
Cash received from (paid to) others	2,305,758	33,249
Cash paid to suppliers for goods and services	(77,508,689)	(19,279,869)
Cash paid for employee services	(27,176,986)	(7,156,183)
Cash paid to other funds	(28,881)	(7,567,107)
Net cash provided by operating activities	<u>165,602,489</u>	<u>20,198,343</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from the issuance of bonds	-	60,962,368
Cash paid for capital assets	(109,578,332)	(12,366,444)
Interest paid on long-term debt	(57,204,448)	(6,911,960)
Interest paid on U.S. government contracts	(1,051,777)	-
Principal payments on long-term debt	(41,205,000)	(11,665,000)
Payments on U.S. government contracts	(1,406,824)	-
Payments for bond issue costs	-	(988,225)
Grant income	43,839	-
Federal Program Revenues	4,005,982	-
Interfund advance	(367,715)	-
Net cash provided by (used for) capital and related financing activities	<u>(206,764,275)</u>	<u>29,030,739</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sale and maturity of investments	187,018,896	36,946,121
Purchases of investments	(122,084,790)	(60,044,259)
Interest received	2,377,266	462,212
Net cash provided by (used for) investing activities	<u>67,311,372</u>	<u>(22,635,926)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>26,149,586</b>	<b>26,593,156</b>
<b>CASH AND CASH EQUIVALENTS—Beginning of year</b>	<b>141,363,837</b>	<b>47,606,988</b>
<b>CASH AND CASH EQUIVALENTS—End of year</b>	<b><u>\$ 167,513,423</u></b>	<b><u>\$ 74,200,144</u></b>
<b>RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET POSITION</b>		
Unrestricted cash and cash equivalents	\$ 77,727,425	\$ 5,893,462
Restricted cash and cash equivalents	89,785,998	68,306,682
	<u>\$ 167,513,423</u>	<u>\$ 74,200,144</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 130,614,810	\$ 11,900,753
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	32,964,843	7,638,327
Change in current assets and liabilities:		
Accounts receivable and unbilled receivable	(475,087)	(151,488)
Prepaid expenses	(14,755)	(7,019)
Net pension liability	123,492	32,908
Due to/from other funds	(1,062,612)	74,984
Accounts payable, accrued liabilities, and developers' deposits	3,283,402	1,211,022
Accrued vacation and accrued sick	384,530	131,629
Accrued OPEB	(381,714)	(92,037)
Landfill liability	-	-
Customers' advance payments	165,580	(540,736)
Total adjustments	<u>34,987,679</u>	<u>8,297,590</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 165,602,489</u></b>	<b><u>\$ 20,198,343</u></b>
<b>NONCASH TRANSACTION DISCLOSURES</b>		
Change in landfill liability	\$ -	\$ -
Gain (loss) on disposal of capital assets	2,600	-
Interest capitalized on construction	12,907,512	275,869
Amortization of bond-related items	(8,998,143)	(309,614)
Change in fair value of investments	204,817	61,752
Change in actuarial value of net pension liability	(123,492)	(32,908)
Refunding bonds issued	-	42,225,000
Refunding proceeds deposited in escrow	-	49,989,498

The notes to the basic financial statements are an integral part of this statement.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015**

ASSETS	Water System	Regional Wastewater System
<b>CURRENT ASSETS:</b>		
Unrestricted assets:		
Cash and cash equivalents	\$ 43,382,041	\$ 4,514,553
Investments	54,082,991	-
Accounts receivable	19,121,480	891,499
Due from other funds	170,442	74,982
Prepaid expenses	2,738,175	337,447
Unbilled receivables	247,209	-
<b>Total unrestricted assets</b>	<b>119,742,338</b>	<b>5,818,481</b>
Restricted assets:		
Cash and cash equivalents	97,981,796	43,092,435
Investments	224,702,719	47,223,413
Contracts receivable	26,400	-
Interest receivable	200,984	10,125
Due from other funds	105,015	-
Unbilled receivables	-	-
<b>Total restricted assets</b>	<b>323,016,914</b>	<b>90,325,973</b>
<b>TOTAL CURRENT ASSETS</b>	<b>442,759,252</b>	<b>96,144,454</b>
<b>LONG-TERM ASSETS:</b>		
Nondepreciable:		
Land	56,208,646	1,739,328
Easements	32,853,007	-
Construction-in-progress	683,625,679	15,248,036
<b>Total nondepreciable assets</b>	<b>772,687,332</b>	<b>16,987,364</b>
Depreciable:		
Land improvements	3,712,838	1,321,303
Water treatment, storage, and transmission facilities	910,311,729	-
Wastewater treatment and disposal facilities	-	273,678,409
Solid waste transfer and disposal facilities	-	-
Reservoir facilities and water rights	368,260,136	-
Buildings	12,898,435	2,047,667
Automobiles and trucks	4,427,370	1,708,385
Office furniture and fixtures	421,772	101,610
Other equipment	15,721,778	8,099,702
<b>Total depreciable assets</b>	<b>1,315,754,058</b>	<b>286,957,076</b>
Less accumulated depreciation	(359,976,956)	(92,002,048)
<b>Net capital assets</b>	<b>1,728,464,434</b>	<b>211,942,392</b>
Accrued OPEB asset	281,426	73,144
<b>TOTAL LONG-TERM ASSETS</b>	<b>1,728,745,860</b>	<b>212,015,536</b>
<b>TOTAL ASSETS</b>	<b>2,171,505,112</b>	<b>308,159,990</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred loss on refunding	18,427,869	1,500,210
Deferred pension outflow	1,691,734	480,626
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>20,119,603</b>	<b>1,980,836</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 2,191,624,715</b>	<b>\$ 310,140,826</b>

The notes to the basic financial statements are an integral part of this statement.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015**

LIABILITIES	<u>Water System</u>	<u>Regional Wastewater System</u>
<b>CURRENT LIABILITIES:</b>		
Payable from unrestricted assets:		
Accounts payable and accrued liabilities	\$ 16,990,972	\$ 2,863,249
Due to other funds	85,295	263,198
Customers' advance payments	9,831	3,003,929
Accrued interest payable on U.S. government contracts	856,063	-
Current portion of U.S. government contracts	1,406,824	-
<b>Total payable from unrestricted assets</b>	<u>19,348,985</u>	<u>6,130,376</u>
Payable from restricted assets:		
Accounts payable and accrued liabilities	13,403,408	2,854,257
Due to other funds	53,947	14,525
Accrued landfill closure and post-closure care cost	-	-
Accrued interest payable on revenue bonds	4,767,037	1,988,131
Current portion of revenue bonds	41,205,000	11,665,000
<b>Total payable from restricted assets</b>	<u>59,429,392</u>	<u>16,521,913</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>78,778,377</u>	<u>22,652,289</u>
<b>LONG-TERM LIABILITIES:</b>		
Accrued landfill closure costs	-	-
Accrued vacation—less current portion	903,711	226,622
Accrued sick—less current portion	1,283,097	289,072
Net pension liability	12,508,883	3,553,788
Deferred compensation	377,500	-
Long-term debt—less current portion	1,290,403,499	181,415,624
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>1,305,476,690</u>	<u>185,485,106</u>
<b>TOTAL LIABILITIES</b>	<u>1,384,255,067</u>	<u>208,137,395</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred pension inflow	2,321,763	659,615
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>2,321,763</u>	<u>659,615</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>1,386,576,830</u>	<u>208,797,010</u>
<b>NET POSITION:</b>		
Net investment in capital assets	632,201,993	88,254,194
Restricted for debt service	88,333,822	17,491,516
Unrestricted	84,512,070	(4,401,894)
<b>TOTAL NET POSITION</b>	<u>\$ 805,047,885</u>	<u>\$ 101,343,816</u>

The notes to the basic financial statements are an integral part of this statement.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEAR ENDED SEPTEMBER 30, 2015**

	<u>Water System</u>	<u>Regional Wastewater System</u>
<b>OPERATING REVENUES:</b>		
Water sales	\$ 215,871,181	\$ -
Wastewater service fees	-	45,161,269
Solid waste service fees	-	-
Other operating revenues	275,049	49,829
<b>Total operating revenues</b>	<u>216,146,230</u>	<u>45,211,098</u>
<b>OPERATING EXPENSES:</b>		
Personnel	31,606,156	8,818,219
Operating Supplies:		
Chemicals	17,725,803	4,642,731
Other supplies	3,872,644	2,272,635
Operating Services:		
Electric power	17,280,685	3,254,943
Wholesale water purchases	6,909,337	-
Other services	12,712,999	9,629,951
Depreciation	30,442,841	7,394,744
<b>Total operating expenses</b>	<u>120,550,465</u>	<u>36,013,223</u>
<b>OPERATING INCOME</b>	<u>95,595,765</u>	<u>9,197,875</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment income	1,396,948	195,295
Miscellaneous revenue (expense)	325,064	-
Grant income	62,233	-
Federal program revenues	4,013,998	-
Interest expense	(33,365,638)	(5,665,182)
<b>Total nonoperating revenues (expenses)</b>	<u>(27,567,395)</u>	<u>(5,469,887)</u>
<b>CHANGE IN NET POSITION</b>	<u>68,028,370</u>	<u>3,727,988</u>
<b>NET POSITION AT OCTOBER 1, 2014 (As Previously Stated)</b>	752,557,960	101,752,306
<b>CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE</b>	<u>(15,538,445)</u>	<u>(4,136,478)</u>
<b>NET POSITION AT OCTOBER 1, 2014</b>	<u>737,019,515</u>	<u>97,615,828</u>
<b>NET POSITION AT SEPTEMBER 30, 2015</b>	<u>\$ 805,047,885</u>	<u>\$ 101,343,816</u>

The notes to the basic financial statements are an integral part of this statement.



**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2015**

	<u>Water System</u>	<u>Regional Wastewater System</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 230,079,045	\$ 47,025,242
Cash received from other funds	7,079,178	371,896
Cash received from others	2,044,721	36,195
Cash paid to suppliers for goods and services	(92,365,934)	(17,244,950)
Cash paid for employee services	(23,215,676)	(6,180,713)
Cash paid to other funds	(33,549)	(6,021,340)
Net cash provided by operating activities	<u>123,587,785</u>	<u>17,986,330</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from the issuance of bonds	140,148,334	54,928,480
Cash paid for capital assets	(85,801,557)	(11,597,144)
Interest paid on long-term debt	(55,392,673)	(6,030,444)
Interest paid on U.S. government contracts	(1,095,802)	-
Principal payments on long-term debt	(41,740,000)	(9,420,000)
Payments on U.S. government contracts	(1,362,798)	-
Payments for bond issue costs	(2,397,294)	(560,617)
Grant income	62,233	-
Federal Program Revenues	4,013,998	-
Net cash provided by (used for) capital and related financing activities	<u>(43,565,559)</u>	<u>27,320,275</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sale and maturity of investments	118,996,109	17,204,726
Purchases of investments	(206,578,810)	(34,947,604)
Interest received	585,206	(45,506)
Net cash provided by (used for) investing activities	<u>(86,997,495)</u>	<u>(17,788,384)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(6,975,269)</b>	<b>27,518,221</b>
<b>CASH AND CASH EQUIVALENTS—Beginning of year</b>	<b>148,339,106</b>	<b>20,088,767</b>
<b>CASH AND CASH EQUIVALENTS—End of year</b>	<b>\$ 141,363,837</b>	<b>\$ 47,606,988</b>
<b>RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET POSITION</b>		
Unrestricted cash and cash equivalents	\$ 43,382,041	\$ 4,514,553
Restricted cash and cash equivalents	97,981,796	43,092,435
	<u>\$ 141,363,837</u>	<u>\$ 47,606,988</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 95,595,765	\$ 9,197,875
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	30,442,841	7,394,744
Change in current assets and liabilities:		
Accounts receivable and unbilled receivable	(1,469,757)	491,011
Prepaid expenses	183,504	64,377
Net pension liability	(1,420,976)	(403,701)
Due to/from other funds	(12,506)	81,823
Accounts payable, accrued liabilities, and developers' deposits	580,912	(128,289)
Accrued vacation and accrued sick	79,149	3,283
Accrued OPEB	(400,978)	(106,112)
Landfill liability	-	-
Customers' advance payments	9,831	1,391,319
Total adjustments	<u>27,992,020</u>	<u>8,788,455</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 123,587,785</b>	<b>\$ 17,986,330</b>
<b>NONCASH TRANSACTION DISCLOSURES</b>		
Change in landfill liability	\$ -	\$ -
Interest capitalized on construction	12,807,125	217,600
Amortization of bond-related items	(9,754,980)	(125,645)
Change in fair value of investments	(341,056)	(47,895)
Change in actuarial value of net pension liability	1,420,976	403,701
Refunding bonds issued	181,285,000	13,945,000
Refunding proceeds deposited in escrow	212,191,922	16,028,752

The notes to the basic financial statements are an integral part of this statement.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014**

<b>ASSETS</b>	<b>Water System</b>	<b>Regional Wastewater System</b>
<b>CURRENT ASSETS:</b>		
Unrestricted Assets:		
Cash and cash equivalents	\$ 32,717,170	\$ 4,071,276
Investments	51,023,480	-
Accounts receivable	20,892,759	279,871
Due from other funds	126,999	89,399
Prepaid expenses	2,921,679	401,824
<b>Total unrestricted assets</b>	<b>107,682,087</b>	<b>4,842,370</b>
Restricted Assets:		
Cash and cash equivalents	115,621,936	16,017,491
Investments	139,367,281	29,239,037
Interest and accounts receivable	211,291	95,323
Due from other funds	78,086	-
<b>Total restricted assets</b>	<b>255,278,594</b>	<b>45,351,851</b>
<b>TOTAL CURRENT ASSETS</b>	<b>362,960,681</b>	<b>50,194,221</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred customer billings (unrestricted assets)	-	46,059
Deferred customer billings (restricted assets)	-	-
<b>Total deferred outflows of resources from current assets</b>	<b>-</b>	<b>46,059</b>
<b>LONG-TERM ASSETS:</b>		
Nondepreciable:		
Land	53,508,729	1,739,328
Easements	32,853,007	-
Construction-in-progress	618,830,219	13,360,709
<b>Total nondepreciable assets</b>	<b>705,191,955</b>	<b>15,100,037</b>
Depreciable:		
Land improvements	3,712,838	1,321,303
Water treatment, storage, and transmission facilities	888,732,531	-
Wastewater treatment and disposal facilities	-	266,215,741
Solid waste transfer and disposal facilities	-	-
Reservoir facilities and water rights	366,121,044	-
Buildings	12,878,435	75,911
Automobiles and trucks	10,167,249	1,677,050
Office furniture and fixtures	407,014	101,610
Other equipment	4,496,970	7,161,930
<b>Total depreciable assets</b>	<b>1,286,516,081</b>	<b>276,553,545</b>
Less accumulated depreciation	(329,548,236)	(84,552,169)
<b>Net capital assets</b>	<b>1,662,159,800</b>	<b>207,101,413</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Long term deferred customer billings, less current portion	240,240	545,379
Deferred loss on refunding	13,718,420	1,001,149
<b>Total deferred outflows of resources from long-term assets</b>	<b>13,958,660</b>	<b>1,546,528</b>
Net pension assets	978,557	269,854
<b>TOTAL LONG-TERM ASSETS</b>	<b>1,677,097,017</b>	<b>208,917,795</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,040,057,698</b>	<b>\$ 259,158,075</b>

The notes to the basic financial statements are an integral part of this statement.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014**

LIABILITIES	<u>Water System</u>	<u>Regional Wastewater System</u>
<b>CURRENT LIABILITIES:</b>		
Payable from unrestricted assets:		
Accounts payable and accrued liabilities	\$ 14,976,742	\$ 2,835,397
Due to other funds	50,297	210,314
Customers' advance payments	-	1,612,610
Accrued interest payable on U.S. government contracts	890,790	-
Current portion of U.S. government contracts	<u>1,362,798</u>	<u>-</u>
<b>Total payable from unrestricted assets</b>	<u>17,280,627</u>	<u>4,658,321</u>
Payable from restricted assets:		
Accounts payable and accrued liabilities	19,152,937	2,424,000
Due to other funds	47,071	8,577
Accrued landfill closure and post-closure care cost	-	-
Accrued interest payable on revenue bonds	4,621,543	2,010,147
Current portion of revenue bonds	<u>37,535,000</u>	<u>9,420,000</u>
<b>Total payable from restricted assets</b>	<u>61,356,551</u>	<u>13,862,724</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>78,637,178</u>	<u>18,521,045</u>
<b>LONG-TERM LIABILITIES:</b>		
Accrued landfill closure costs	-	-
Accrued vacation—less current portion	821,910	216,072
Accrued sick—less current portion	1,285,749	296,339
Accrued OPEB liability	119,552	32,968
Deferred compensation	407,500	-
Long-term debt—less current portion	<u>1,206,227,849</u>	<u>138,339,345</u>
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>1,208,862,560</u>	<u>138,884,724</u>
<b>TOTAL LIABILITIES</b>	<u>1,287,499,738</u>	<u>157,405,769</u>
<b>NET POSITION:</b>		
Net investment in capital assets	577,425,883	85,529,233
Restricted for debt service	86,763,823	16,223,111
Unrestricted	<u>88,368,254</u>	<u>(38)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 752,557,960</u>	<u>\$ 101,752,306</u>

The notes to the basic financial statements are an integral part of this statement.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEAR ENDED SEPTEMBER 30, 2014**

	<u>Water System</u>	<u>Regional Wastewater System</u>
<b>OPERATING REVENUES:</b>		
Water sales	\$ 197,954,585	\$ -
Wastewater service fees	-	43,668,905
Solid waste service fees	-	-
Other operating revenues	730,721	150,364
<b>Total operating revenues</b>	<u>198,685,306</u>	<u>43,819,269</u>
<b>OPERATING EXPENSES:</b>		
Personnel	31,210,628	9,008,763
Operating Supplies:		
Chemicals	16,224,958	5,060,096
Other supplies	3,461,717	2,458,544
Operating Services:		
Electric power	19,856,736	3,478,249
Wholesale water purchases	11,249,696	
Other services	14,083,933	7,736,061
Depreciation and amortization	29,484,255	7,177,384
<b>Total operating expenses</b>	<u>125,571,923</u>	<u>34,919,097</u>
<b>OPERATING INCOME</b>	<u>73,113,383</u>	<u>8,900,172</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment income	513,007	142,365
Miscellaneous revenue (expense)	2,351,148	-
Federal program revenues	4,018,329	-
Gain (loss) on sale of capital assets	(35,798)	23,865
Interest expense	(35,396,947)	(5,800,146)
<b>Total nonoperating revenues (expenses)</b>	<u>(28,550,261)</u>	<u>(5,633,916)</u>
<b>CHANGE IN NET POSITION</b>	44,563,122	3,266,256
<b>NET POSITION AT OCTOBER 1, 2013</b>	<u>707,994,838</u>	<u>98,486,050</u>
<b>NET POSITION AT SEPTEMBER 30, 2014</b>	<u>\$ 752,557,960</u>	<u>\$ 101,752,306</u>

The notes to the basic financial statements are an integral part of this statement.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2014**

	<u>Water System</u>	<u>Regional Wastewater System</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 208,878,217	\$ 42,709,614
Cash received from other funds	6,391,243	319,600
Cash received from (paid to) others	2,273,964	37,032
Cash paid to suppliers for goods and services	(98,949,736)	(15,682,513)
Cash paid for employee services	(21,594,761)	(5,773,468)
Cash paid to other funds	(30,012)	(5,270,703)
Net cash provided by operating activities	<u>96,968,915</u>	<u>16,339,562</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from the issuance of bonds	77,455,962	-
Cash paid for capital assets	(124,698,997)	(11,888,774)
Interest paid on long-term debt	(50,320,760)	(6,344,744)
Interest paid on U.S. government contracts	(1,138,450)	-
Principal payments on long-term debt	(34,185,000)	(9,045,000)
Payments on U.S. government contracts	(1,320,151)	-
Payments for bond issue costs	(1,408,489)	29
Federal Program Revenues	4,018,329	-
Net cash used for capital and related financing activities	<u>(131,597,556)</u>	<u>(27,278,489)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sale and maturity of investments	186,152,155	13,990,922
Purchases of investments	(140,233,324)	(15,002,276)
Interest received	942,616	326,957
Net cash provided by (used for) investing activities	<u>46,861,447</u>	<u>(684,397)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>12,232,806</b>	<b>(11,623,324)</b>
<b>CASH AND CASH EQUIVALENTS—Beginning of year</b>	<b>136,106,300</b>	<b>31,712,091</b>
<b>CASH AND CASH EQUIVALENTS—End of year</b>	<b>\$ 148,339,106</b>	<b>\$ 20,088,767</b>
<b>RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET POSITION</b>		
Unrestricted cash and cash equivalents	\$ 32,717,170	\$ 4,071,276
Restricted cash and cash equivalents	115,621,936	16,017,491
	<u>\$ 148,339,106</u>	<u>\$ 20,088,767</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 73,113,383	\$ 8,900,172
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	29,484,255	7,177,384
Change in current assets and liabilities:		
Accounts receivable and deferred billings	(1,833,391)	462,692
Prepaid expenses	122,524	(159,593)
Net pension assets	(289,462)	(69,281)
Due to/from other funds	(3,675,160)	133,855
Accounts payable, accrued liabilities, and developers' deposits	289,436	982,813
Accrued vacation and accrued sick	91,205	92,924
Accrued OPEB	(308,713)	(91,684)
Landfill liability	-	-
Customers' advance payments	(25,162)	(1,089,720)
Total adjustments	<u>23,855,532</u>	<u>7,439,390</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 96,968,915</b>	<b>\$ 16,339,562</b>
<b>NONCASH TRANSACTION DISCLOSURES</b>		
Change in landfill liability	\$ -	\$ -
Gain (loss) on disposal of capital assets	(48,840)	-
Interest capitalized on construction	11,432,850	265,218
Amortization of bond-related items	(5,884,185)	(174,613)
Change in fair value of investments	133,205	7,452
Change in actuarial value of net pension assets	289,462	69,281
Refunding bonds issued	102,055,000	-
Refunding proceeds deposited in escrow	121,218,261	-

The notes to the basic financial statements are an integral part of this statement.

**NORTH TEXAS MUNICIPAL WATER DISTRICT  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013**

ASSETS	<u>Water System</u>	<u>Regional Wastewater System</u>
<b>CURRENT ASSETS:</b>		
Unrestricted Assets:		
Cash and cash equivalents	\$ 45,334,774	\$ 3,808,444
Investments	45,374,680	-
Accounts receivable	15,963,523	588,098
Due from other funds	142,076	176,315
Prepaid expenses	3,044,203	242,231
<b>Total unrestricted assets</b>	<u>109,859,256</u>	<u>4,815,088</u>
Restricted Assets:		
Cash and cash equivalents	90,771,526	27,903,647
Investments	191,364,232	28,412,021
Interest and accounts receivable	262,682	94,494
Due from other funds	3,536,603	-
<b>Total restricted assets</b>	<u>285,935,043</u>	<u>56,410,162</u>
<b>TOTAL CURRENT ASSETS</b>	<u>395,794,299</u>	<u>61,225,250</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred customer billings (unrestricted assets)	-	202,593
Deferred customer billings (restricted assets)	-	-
<b>Total deferred outflows of resources from current assets</b>	<u>-</u>	<u>202,593</u>
<b>LONG-TERM ASSETS:</b>		
Nondepreciable:		
Land	53,118,136	1,739,328
Easements	32,758,486	-
Construction-in-progress	519,455,101	8,564,494
<b>Total nondepreciable assets</b>	<u>605,331,723</u>	<u>10,303,822</u>
Depreciable:		
Land improvements	3,712,838	1,321,303
Water treatment, storage, and transmission facilities	865,207,070	-
Wastewater treatment and disposal facilities	-	258,936,446
Solid waste transfer and disposal facilities	-	-
Reservoir facilities and water rights	366,121,044	-
Buildings	12,875,435	75,911
Automobiles and trucks	9,000,794	1,644,141
Office furniture and fixtures	407,014	61,847
Other equipment	4,407,255	6,656,827
<b>Total depreciable assets</b>	<u>1,261,731,450</u>	<u>268,696,475</u>
Less accumulated depreciation	<u>(300,171,884)</u>	<u>(77,511,534)</u>
<b>Net capital assets</b>	<u>1,566,891,289</u>	<u>201,488,763</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Long term deferred customer billings, less current portion	-	544,139
Deferred loss on refunding	4,577,975	1,259,400
<b>Total deferred outflows of resources from long-term assets</b>	<u>4,577,975</u>	<u>1,803,539</u>
Net pension assets	689,095	200,573
<b>TOTAL LONG-TERM ASSETS</b>	<u>1,572,158,359</u>	<u>203,492,875</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,967,952,658</u>	<u>\$ 264,920,718</u>

The notes to the basic financial statements are an integral part of this statement.

**NORTH TEXAS MUNICIPAL WATER DISTRICT  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013**

<b>LIABILITIES</b>	<b>Water System</b>	<b>Regional Wastewater System</b>
<b>CURRENT LIABILITIES:</b>		
Payable from unrestricted assets:		
Accounts payable and accrued liabilities	\$ 17,734,397	\$ 2,352,588
Due to other funds	3,731,959	163,375
Customers' advance payments	25,162	2,702,330
Accrued interest payable on U.S. government contracts	924,429	-
Current portion of U.S. government contracts	1,320,151	-
<b>Total payable from unrestricted assets</b>	<b>23,736,098</b>	<b>5,218,293</b>
Payable from restricted assets:		
Accounts payable and accrued liabilities	30,747,903	1,309,175
Due to other funds	10,174	10,938
Accrued landfill closure and post-closure care cost	-	-
Accrued interest payable on revenue bonds	4,420,501	2,114,914
Current portion of revenue bonds	34,185,000	9,045,000
<b>Total payable from restricted assets</b>	<b>69,363,578</b>	<b>12,480,027</b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>93,099,676</b>	<b>17,698,320</b>
<b>LONG-TERM LIABILITIES:</b>		
Accrued landfill closure costs	-	-
Accrued vacation—less current portion	777,914	186,071
Accrued sick—less current portion	1,238,540	233,416
Accrued OPEB liability	428,265	124,652
Long-term debt—less current portion	1,164,413,425	148,192,209
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>1,166,858,144</b>	<b>148,736,348</b>
<b>TOTAL LIABILITIES</b>	<b>1,259,957,820</b>	<b>166,434,668</b>
<b>NET POSITION:</b>		
Net investment in capital assets	543,085,734	82,469,291
Restricted for debt service	81,413,161	16,104,777
Unrestricted	83,495,943	(88,018)
<b>TOTAL NET POSITION</b>	<b>\$ 707,994,838</b>	<b>\$ 98,486,050</b>

The notes to the basic financial statements are an integral part of this statement.

**NORTH TEXAS MUNICIPAL WATER DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEAR ENDED SEPTEMBER 30, 2013**

	<u>Water System</u>	<u>Regional Wastewater System</u>
<b>OPERATING REVENUES:</b>		
Water sales	\$ 184,641,152	\$ -
Wastewater service fees	-	40,635,007
Solid waste service fees	-	-
Other operating revenues	232,969	125,907
<b>Total operating revenues</b>	<u>184,874,121</u>	<u>40,760,914</u>
<b>OPERATING EXPENSES:</b>		
Personnel	26,125,386	8,846,037
Operating Supplies:		
Chemicals	16,396,401	4,143,535
Other supplies	3,295,466	1,960,891
Operating Services:		
Electric power	20,698,672	4,388,815
Wholesale water purchases	6,180,945	-
Other services	5,231,011	7,394,108
Depreciation and amortization	28,446,785	5,032,114
<b>Total operating expenses</b>	<u>106,374,666</u>	<u>31,765,500</u>
<b>OPERATING INCOME</b>	<u>78,499,455</u>	<u>8,995,414</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment income	894,079	117,292
Miscellaneous revenue (expense)	18,233	-
Federal program revenues	4,141,736	186,430
Gain on sale of capital assets	24,098	27,943
Interest expense	(39,401,412)	(4,321,604)
<b>Total nonoperating revenues (expenses)</b>	<u>(34,323,266)</u>	<u>(3,989,939)</u>
<b>CHANGE IN NET POSITION</b>	<u>44,176,189</u>	<u>5,005,475</u>
<b>NET POSITION AT OCTOBER 1, 2012 (As Previously Stated)</b>	670,997,970	94,778,265
<b>CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE</b>	(7,179,321)	(1,297,690)
<b>NET POSITION AT OCTOBER 1, 2012 (As Restated)</b>	<u>663,818,649</u>	<u>93,480,575</u>
<b>NET POSITION AT SEPTEMBER 30, 2013</b>	<u>\$ 707,994,838</u>	<u>\$ 98,486,050</u>

The notes to the basic financial statements are an integral part of this statement.

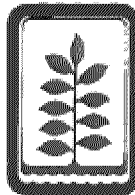


**NORTH TEXAS MUNICIPAL WATER DISTRICT  
STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2013**

	Water System	Regional Wastewater System
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 188,374,577	\$ 40,404,730
Cash received from other funds	6,509,782	343,388
Cash received from (paid to) others	1,460,006	24,382
Cash paid to suppliers for goods and services	(69,349,093)	(16,425,739)
Cash paid for employee services	(19,654,301)	(5,448,298)
Cash paid to other funds	-	(4,658,958)
Net cash provided by operating activities	<u>107,340,971</u>	<u>14,239,505</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from the issuance of bonds	-	24,655,267
Cash paid for capital assets	(261,229,847)	(11,184,404)
Interest paid on long-term debt	(57,874,923)	(6,112,890)
Interest paid on U.S. government contracts	(1,179,762)	-
Principal payments on long-term debt	(34,965,000)	(7,895,000)
Payments on U.S. government contracts	(1,278,838)	-
Payments for bond issue costs	(3,500)	(217,894)
Federal Program Revenues	4,141,736	186,430
Net cash used for capital and related financing activities	<u>(352,390,134)</u>	<u>(568,491)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sale and maturity of investments	295,684,030	15,538,098
Purchases of investments	(217,902,330)	(28,385,424)
Interest received	1,129,523	81,049
Net cash provided by (used for) investing activities	<u>78,911,223</u>	<u>(12,766,277)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(166,137,940)</b>	<b>904,737</b>
<b>CASH AND CASH EQUIVALENTS—Beginning of year</b>	<b>302,244,240</b>	<b>30,807,354</b>
<b>CASH AND CASH EQUIVALENTS—End of year</b>	<b><u>\$ 136,106,300</u></b>	<b><u>\$ 31,712,091</u></b>
<b>RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET POSITION</b>		
Unrestricted cash and cash equivalents	\$ 45,334,774	\$ 3,808,444
Restricted cash and cash equivalents	90,771,526	27,903,647
	<u>\$ 136,106,300</u>	<u>\$ 31,712,091</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 78,499,455	\$ 8,995,414
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>		
Depreciation	28,446,785	5,032,114
<b>Change in current assets and liabilities:</b>		
Accounts receivable and deferred billings	(2,207,974)	53,647
Prepaid expenses	591,117	75,088
Net pension assets	(282,886)	(82,228)
Due to/from other funds	123,600	(105,774)
Accounts payable, accrued liabilities, and developers' deposits	5,040,893	616,858
Accrued vacation and Accrued sick	(292,000)	(57,843)
Accrued OPEB	(2,507,763)	131,570
Landfill liability	-	-
Customers' advance payments	(70,256)	(419,341)
Total adjustments	<u>28,841,516</u>	<u>5,244,091</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 107,340,971</u></b>	<b><u>\$ 14,239,505</u></b>
<b>NONCASH TRANSACTION DISCLOSURES</b>		
Change in landfill liability	\$ -	\$ -
Gain on sale of capital assets	24,098	27,943
Interest capitalized on construction	10,987,899	1,612,002
Amortization of bond-related items	(6,108,076)	(220,746)
Change in fair value of investments	(67,640)	(28,930)
Change in actuarial value of net pension assets	282,886	82,228
Refunding bonds issued	-	-
Refunding proceeds deposited in escrow	-	-

The notes to the basic financial statements are an integral part of this statement.

# **North Texas Municipal Water District**



## **2016-2017 Comprehensive Annual Financial Report**

**For Fiscal Year Ended:  
September 30, 2017**

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**NORTH TEXAS MUNICIPAL WATER DISTRICT  
WYLIE, TEXAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED  
SEPTEMBER 30, 2017**

**AS PREPARED BY THE  
NTMWD ACCOUNTING DEPARTMENT**

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**NORTH TEXAS MUNICIPAL WATER DISTRICT  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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**INTRODUCTORY SECTION**  
**(Unaudited)**



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# NORTH TEXAS MUNICIPAL WATER DISTRICT

## BOARD OF DIRECTORS

---

Robert Thurmond, Jr.	President	Wylie
John Sweeden	Vice President	Richardson
Don Gordon	Secretary	Garland
Terry Sam Anderson		Mesquite
Phil Dyer		Plano
Joe Farmer		Allen
Marvin Fuller		Wylie
Bill Glass		Princeton
Darrell Grooms		Forney
James Hogan		Plano
David Hollifield		Royse City
David Island		Princeton
Joe Joplin		McKinney
James Kerr		Allen
Bill Lofland		Rockwall
Jack May		Garland
Wayne May		Farmersville
Charles McKissick		McKinney
John Murphy		Richardson
Larry Parks		Rockwall
David Paschall		Mesquite
Richard Peasley		Frisco
Lynn Shuyler		Frisco
VACANT		Royse City
VACANT		Forney

\* \* \* \* \*

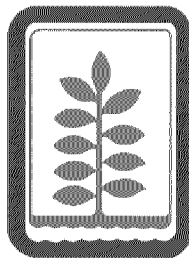
Thomas W. Kula  
Executive Director/General Manager

# NORTH TEXAS MUNICIPAL WATER DISTRICT

## ORGANIZATIONAL STRUCTURE

---

Executive Director/General Manager	Thomas W. Kula
Deputy Director (Engineering & CIP)	Joe Stankiewicz
Assistant Deputy Director – CIP	R. J. Muraski
Assistant Deputy Director – Engineering	Cesar Baptista
Deputy Director (Operations & Maintenance)	Mike Rickman
Assistant Deputy Director – Solid Waste	Jeff Mayfield
Assistant Deputy Director – Wastewater	Jenna Covington
Assistant Deputy Director – Water	Billy George
Chief Information Officer	Jim Shirley
Maintenance Officer	Dave Patton
Deputy Director (Finance & Personnel)	Judd Sanderson
Assistant Deputy Director – Finance & Personnel	Rodney Rhoades
Accounting Manager	Teresa Wigington
Finance Manager	Erik Felthous
Human Resources Manager	John Montgomery
Records Manager	Kelly O'Brian



## NORTH TEXAS MUNICIPAL WATER DISTRICT

*Regional Service Through Unity*

January 19, 2018

TO THE BOARD OF DIRECTORS OF THE NORTH TEXAS MUNICIPAL WATER DISTRICT

State law requires that the North Texas Municipal Water District (the "District") publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America ("GAAP") and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the North Texas Municipal Water District for the fiscal year ended September 30, 2017.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Weaver & Tidwell LLP, independent auditors. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District as of and for the fiscal year ended September 30, 2017 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded that the financial statements present fairly, in all material respects, the respective financial position of each major fund as of September 30, 2017, and the respective changes in financial position and respective cash flows, thereof for the year then ended in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

## Profile of the District

The District, a conservation and reclamation district and political subdivision of the state of Texas created in 1951, provides treated water, wastewater, and solid waste service to over 1.7 million citizens living in north Texas. The District currently serves a 2,200 square-mile service area located in ten counties adjacent to the north and east boundaries of Dallas, Texas, and comprises all of the territory of its 13 member cities (Allen, Farmersville, Forney, Frisco, Garland, McKinney, Mesquite, Plano, Princeton, Richardson, Rockwall, Royse City and Wylie).

The District is governed by a 25-member Board of Directors. Each member city having a population of 5,000 or more is represented by two Directors and each member city having a population of less than 5,000 (Farmersville) is represented by one Director. Directors are appointed by the governing bodies of the respective member cities for two-year terms.

The annual budget serves as the basis for the District's financial planning and control. Budgetary controls are maintained to ensure the proper management of resources and are required pursuant to contracts for service. Although there are no legal requirements to include comparative budget-to-actual expense statements in this report, such information is provided to the Board of Directors on a monthly basis throughout the year.

Charges for services are based on budgeted operating expenses, including debt service requirements and capital expenditures but excluding depreciation and amortization. In the Wastewater, Sewer, Solid Waste and Interceptor Systems, charges for services are adjusted accordingly at the end of each year to a break-even basis. These year-end adjustments are recorded as amounts due to or due from the cities.

## Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates.

**Local Economy.** The District's cities continue to experience economic activity and residential growth. In the absence of outward migration of population and/or industry, the demands for basic services of water, wastewater and solid waste are not significantly affected by changes in the economy. The diversity and size of the District's service area tends to moderate changes in any particular area and future growth is anticipated that will require the development of additional raw water supplies and capital expenditures for system improvements in all areas of service.

**Long-term financial planning.** The District maintains 20-Year Water Rate Projections for the Water System, 10-Year Cost Projections for the Solid Waste System, and 5-Year Cost Projections for the Wastewater and Interceptor Systems that are updated annually. The objective of these projections is to provide sufficient resources to fund needed capital projects, cover operations and maintenance expenses, manage debt incurred from bond sales, and to notify the member cities of projected future cost changes.

The April 2017 Water System rate projection includes funding for \$3.3 billion of capital projects to be developed over the next twenty year period. To fund these projects the projection assumes that the District will issue \$1.5 billion of revenue bonds between 2018 and 2022 for several projects including the Lower Bois D'Arc Creek Reservoir Project. Also, between 2027 and 2032, it is assumed that the District will issue \$1.2 billion of bonds for additional system improvements including funds for the development of a Sulphur River Basin Water Supply Project.

The April 2017 water rate projections indicate that at least a \$1.50 per 1,000 gallons rate adjustment may be required to fund future expenditures over the next ten year period. Should projected expenditures increase or decrease significantly or should the development of expected projects be accelerated or rescheduled, the water rate will be adjusted accordingly.

The February 2017 Wastewater System cost projection reflects several major improvement projects including the Rowlett Creek Wastewater Treatment Plant Peak Flow Management Project for 2017, 2019 and 2021, the expansion of the Wilson Creek Wastewater Treatment Plant from 56 mgd to 64 mgd by 2019, and a new wastewater treatment plant by 2023. These projects will require the issuance of \$280 million of revenue bonds over the next three years.

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the North Texas Municipal Water District for its Consolidated Annual Financial Report (CAFR) for the fiscal year ended September 30, 2016. This was the twenty seventh consecutive year that the District has received this prestigious award. In order to be awarded a Certificate of Achievement, the District published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that the current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

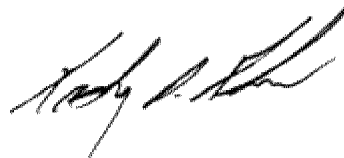
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the accounting and finance departments. We would like to express our appreciation to all members of the organization who assisted and contributed to the preparation of this report. In particular, our appreciation is extended to Teresa Wigington, Accounting Manager, Holly Matthews, Assistant Accounting Manager, and Tammy Turner, Financial Reporting Accountant, who worked many extra hours and exhibited extraordinary effort in ensuring the accuracy and timeliness of this report.

Our appreciation is also extended to the President and members of the Board of Directors for providing their continued support to maintain the highest standards of professionalism in the management of the District's finances.

Respectfully Submitted,



Thomas W. Kula  
Executive Director/General Manager



Rodney D. Rhoades  
Assistant Deputy Director – Finance & Personnel

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Government Finance Officers Association

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

Presented to

**North Texas Municipal  
Water District**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2016**

*Christopher P. Morrill*

Executive Director/CEO





# WATER SERVICES

**CLEAN WATER IS CRITICAL FOR THE QUALITY OF LIFE WE ENJOY IN NORTH TEXAS, FOR OUR BUSINESSES TO OPERATE, AND FOR PUBLIC HEALTH AND SAFETY.**



Wylie Water Treatment Plant

Getting clean, safe water to 1.7 million people is no easy task, but it's one that NTMWD takes very seriously.

In addition to a multi-step, water treatment process, our team must transport water through hundreds of miles of pipeline both to our treatment plants and then on to distribution systems within the communities we serve. This work requires an extensive network of pumps, pipes, storage tanks, technology and staff that must all be factored into the cost of our service.

To keep all these components running smoothly and to ensure the best water quality possible, our team operates, monitors and repairs various components of the water system. Not only do they run our systems, but they also direct treated water to the members and customers we serve and make sure their tanks have the water needed 24/7.

In addition to these operations tasks, our laboratory staff collects over 250,000 water samples each year to test for bacteria, viruses, suspended solids, pollutants and metals to verify that our water continues to meet health and safety requirements.

Our pipes and plants, some of which are over six decades old, require regular upgrades and repairs due to natural deterioration. New infrastructure projects such as additional pipelines, plants and reservoirs are essential for us to continue supplying clean water to a region whose population is projected to double over the next 50 years.

Together, these many pieces create the complete picture of our water delivery service. It is only with every one of these components that we are able to continue providing wholesale water to one of the nation's fastest-growing areas for only about one-quarter penny per gallon.

#### QUICK FACTS:

- Water Sources: **Lavon Lake, Chapman Lake, Lake Texoma, Lake Fork, Lake Tawakoni, Lake Bonham, Wetland**
- Member Cities, Customer Cities and Communities Served: **about 80 on a daily basis**

**FAST FACTS**

WATER SERVICES

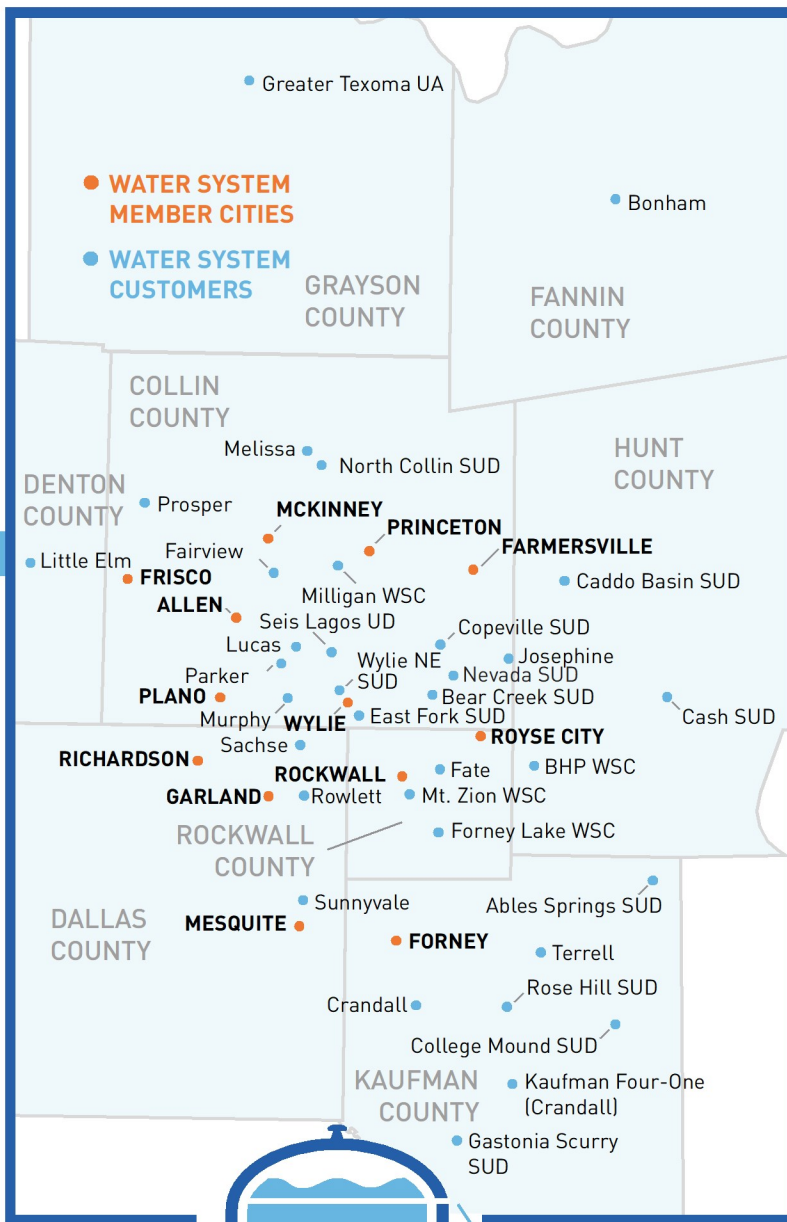
**COMMUNITIES SERVED**

**461**  
WATER STAFF

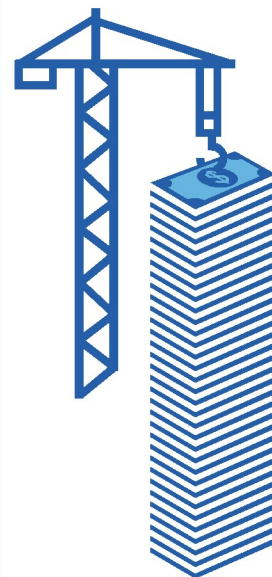
**576**  
Miles of water  
transmission lines

**6** |   
Water treatment  
**PLANTS**

Up to  
**32 BILLION**  
Gallons of water  
re-used  
annually

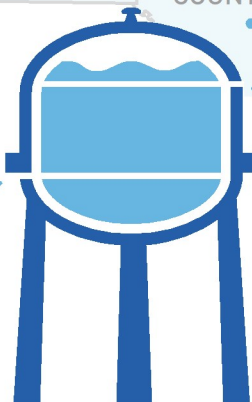


**\$346**  
MILLION  
In water system  
construction  
contracts



Annual Water Use  
**85%** Member  
Cities  
**15%** Customers

**95.1 BILLION**  
Gallons of treated water  
delivered this year





# MAJOR WATER PROJECTS

The customers we serve today benefit from water projects previous generations planned, built and financed. Future generations depend on us to continue planning wisely to ensure an adequate water supply for their economy and livelihood. While water conservation is important to meeting future needs by stretching existing supplies, NTMWD cannot meet the demand without new water supplies and projects.

## LOWER BOIS D'ARC CREEK RESERVOIR

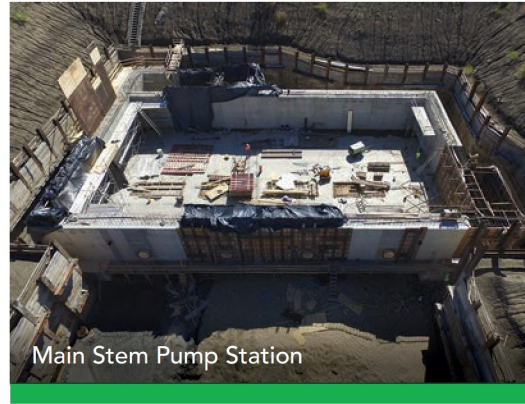
NTMWD is developing several raw water supplies to meet water demands for the next 50 years. We are nearing the approval and the start of construction of the Lower Bois d'Arc Reservoir, the first reservoir to be built in Texas for nearly three decades. Water delivery should begin in 2022. The project encompasses five major components including 60 miles of pipeline and an additional water treatment plant.

### QUICK FACTS:

- **Lake surface area: 16,641 acres** (slightly smaller than Cooper Lake)
- **Storage capacity: 367,609 acre-feet**
- **Yield: Up to 108 million gallons per day** (about same as Lavon Lake)
- **Environmental mitigation: Improvements on nearly 17,000 acres**
- **Estimated cost: Over \$1.2 billion** (2016 dollars)

## TRINITY RIVER MAIN STEM PROJECT

NTMWD is a state leader in water reuse, and the Trinity River Main Stem Pump Station and Pipeline project will allow us to expand our water reuse supplies. Key project components include an up to 100 million gallons per day (MGD) pump station and 17 miles of 72-inch-diameter pipeline.



Main Stem Pump Station

Once completed in 2019, the Main Stem Pump Station and Pipeline will divert water from the Trinity River to the East Fork Water Reuse Project, commonly known as the "wetland." As the water passes through 1,840 acres of wetland, aquatic plants and sunlight naturally filter the water through a process that removes about 95 percent of the sediment, 80 percent of the nitrogen and 65 percent of the phosphorus. The cleansed water will then be piped over 40 miles through an existing pipeline to the north end of Lavon Lake and blended with our other raw water sources.

# CONSERVATION: A KEY SOURCE OF SUPPLY



Launched in 2004, the NTWMD-supported WaterIQ campaign was the first public awareness program in Texas to educate residents about their local water resources and provide easy tips on how they can help conserve. #KnowBetterWaterBetter



WATER4OTTER.ORG

As part of the Water4Otter youth education program, Otis the Otter and his friends Farrah and Bob encourage students to stop wasteful water use habits and protect the wildlife sharing Lavon Lake. The program launched in 2014 and received the 2017 Blue Legacy Award for responsible water resource management.

## WaterMyYard.org

About 50 percent of landscape water is wasted due in large part to overwatering. To reduce waste, NTMWD sponsors WaterMyYard.org, a weather-based irrigation tool that guides the public on when and how much to water.

## #PledgeToPlantSmart

This public services campaign features prominent Texas leaders who educate residents on the importance of selecting plants native and adapted to the state or well suited for our North Texas climate.

**\$17 MILLION+**  
in conservation  
education since 2006

WaterIQ  
celebrates  
**13 YEARS**

Water4Otter  
reached more than  
**22,000 STUDENTS**

**2017**  
Blue Legacy  
**AWARD**

Weekly watering  
recommendations to  
**7,000+**  
SUBSCRIBERS





# WASTEWATER SERVICES

**OUR WATER FLOWS THROUGH ONE LARGE SYSTEM THAT INCLUDES MORE THAN TREATMENT FOR DRINKING. WATER USED IN HOMES AND BUSINESSES MUST BE COLLECTED, TREATED AND RETURNED TO OUR WATERWAYS.**

Wastewater treatment is often overlooked because it is primarily accomplished behind the scenes. This service, however, provides the equally important other half of our region's water equation. Since treated wastewater eventually cycles back to our streams and lakes and becomes part of our future water supply, proper management after using water is essential to protecting our public health and environment.

NTMWD staff test about 750 wastewater laboratory samples for 97 individual compounds each week to make sure the water we put back into the environment is as clean or cleaner than the stream water it will be blended with.

NTMWD's wastewater system serves 24 communities and about one million residents through another extensive treatment process and system carefully run by our team of wastewater employees.

As with the regional water system, our wastewater system requires continual maintenance, upgrades and expansion.

Our operators daily battle clogs of wipes, twigs and grease to keep pipes clear and make sure that the systems we currently have continue to function properly.

Our engineers are constantly planning and managing the construction of new infrastructure for the growing communities we serve. The regional wastewater conveyance system and 14 treatment plants operated by NTMWD are in the process of over \$215 million in upgrades and expansions, including at the Rowlett Creek treatment plant in Plano, the Stewart Creek West plant in Frisco and the Wilson Creek plant in Lucas.



Wilson Creek Plant Improvements

Through the integration and harmony of these many aspects, we are able to responsibly contribute to both halves of our region's water cycle and preserve clean water for decades to come.

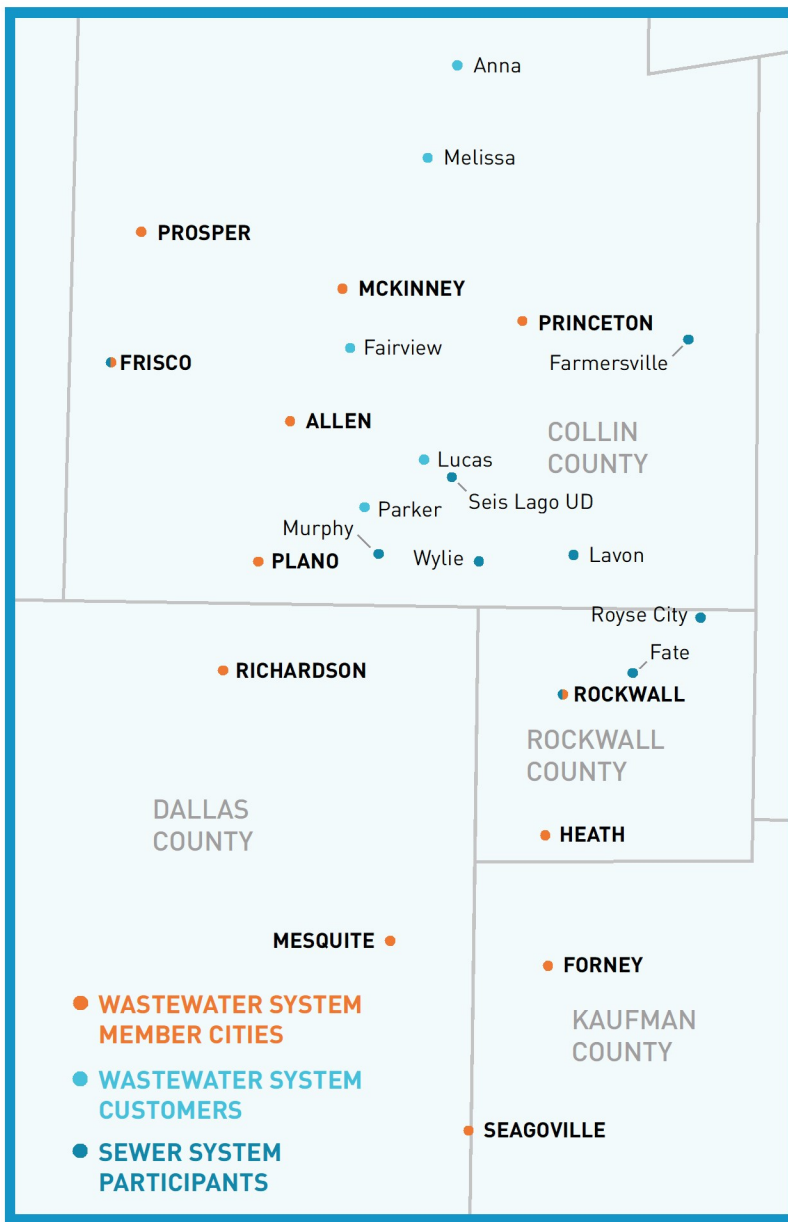
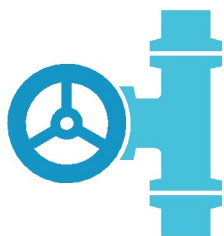
**FAST FACTS**

WASTEWATER SERVICES

**COMMUNITIES SERVED**

**211**  
WASTEWATER  
STAFF

**\$215+**  
MILLION  
In regional  
wastewater  
conveyance system  
construction  
contracts



**252**  
MILES

large-diameter  
wastewater  
pipelines

Up to  
**152 MGD**  
(MILLION GALLONS/DAY)  
Total wastewater  
treatment capacity

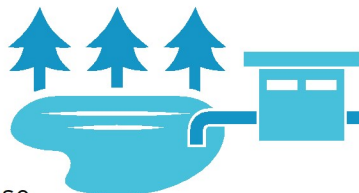


**14**  
WASTEWATER  
treatment plants

**37.5**  
BILLION  
Gallons of wastewater  
treated this year



**13.9**  
BILLION  
Gallons treated  
in wetland for reuse



**18 BILLION**  
Gallons treated  
wastewater  
returned to Lavon  
Lake for reuse



# NTMWD MEMBER CITIES

OUR MEMBER CITIES ARE FREQUENTLY RECOGNIZED NATIONALLY AS DESIRABLE PLACES TO RAISE FAMILIES, DO BUSINESS AND ENJOY A HIGH QUALITY OF LIFE. NTMWD IS PROUD TO PROVIDE VITAL SERVICES THAT SUPPORT THESE THRIVING COMMUNITIES AND THE PEOPLE WHO CALL THEM HOME.

Best Texas  
Cities for  
Young  
Families  
2017



ALLEN

FORNEY

FRISCO

ROYSE CITY

WYLIE





**FARMERSVILLE**



Main Street City (2017)

**PLANO**



Safest Cities in America (2017)

**GARLAND**



City for Living the American Dream (2017)

**PRINCETON**



Top Place for First Time Homebuyers in DFW (2015)

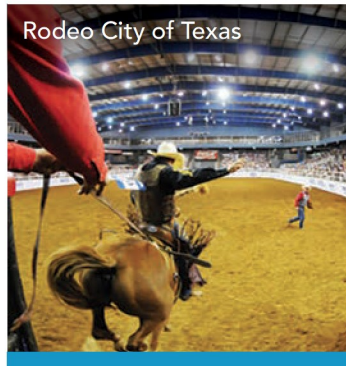


Best Place to Live in America (2017)



International Business Capital of North Texas (2011)

**MCKINNEY**



Rodeo City of Texas

**RICHARDSON**



Second in the Nation for Job Growth (2013)

**MESQUITE**

**ROCKWALL**





# SOLID WASTE SERVICES

## WASTE REMOVAL AND PROCESSING SERVICES ALSO PLAY A KEY ROLE IN MEETING THE DEMANDS OF NORTH TEXAS' GROWING POPULATION.

This past year alone, we processed 1,009,236 tons of solid waste for Allen, Frisco, McKinney, Plano and Richardson, as well as Collin County and surrounding areas.

Solid waste is picked up from residents and businesses and delivered to one of our three transfer stations (two in Plano and one in Richardson), where it is loaded onto larger NTMWD trucks for cost efficiency and emission reduction, then transported to the 121 Regional Disposal Facility (landfill) in Melissa. Residents and contractors may also drop off waste directly at the landfill facility.

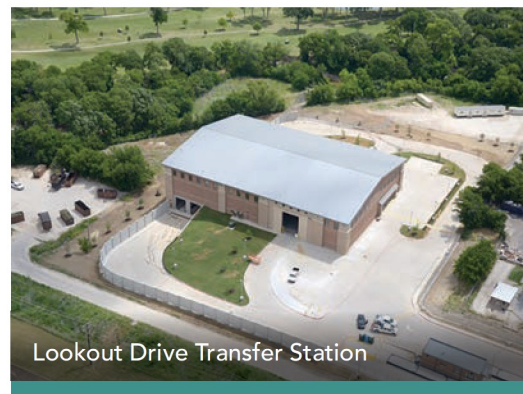
### MAJOR PROJECTS COMPLETED

To help control odor at the landfill, NTMWD installed 89 gas collection wells to capture landfill gas before it leaves the facility. Additionally, we partnered with Morrow Renewables on construction of a gas-to-energy plant that was completed in late 2017. The plant will harvest methane produced by the landfill and convert it to clean-burning renewable natural gas that will be sold commercially to offset the landfill's operating costs.

In January 2016, construction also began on the new Lookout Drive Transfer Station adjacent to the existing, outdated facility in Richardson. Construction is now complete and crews accepted the first load from the City of Richardson on August 14, 2017. We are already seeing significant operational benefits from the new facility's top-load, state-of-the-art design, including reduced trips to the landfill, fuel costs, emissions and vehicle wear.



Gas-to-Energy Plant



Lookout Drive Transfer Station

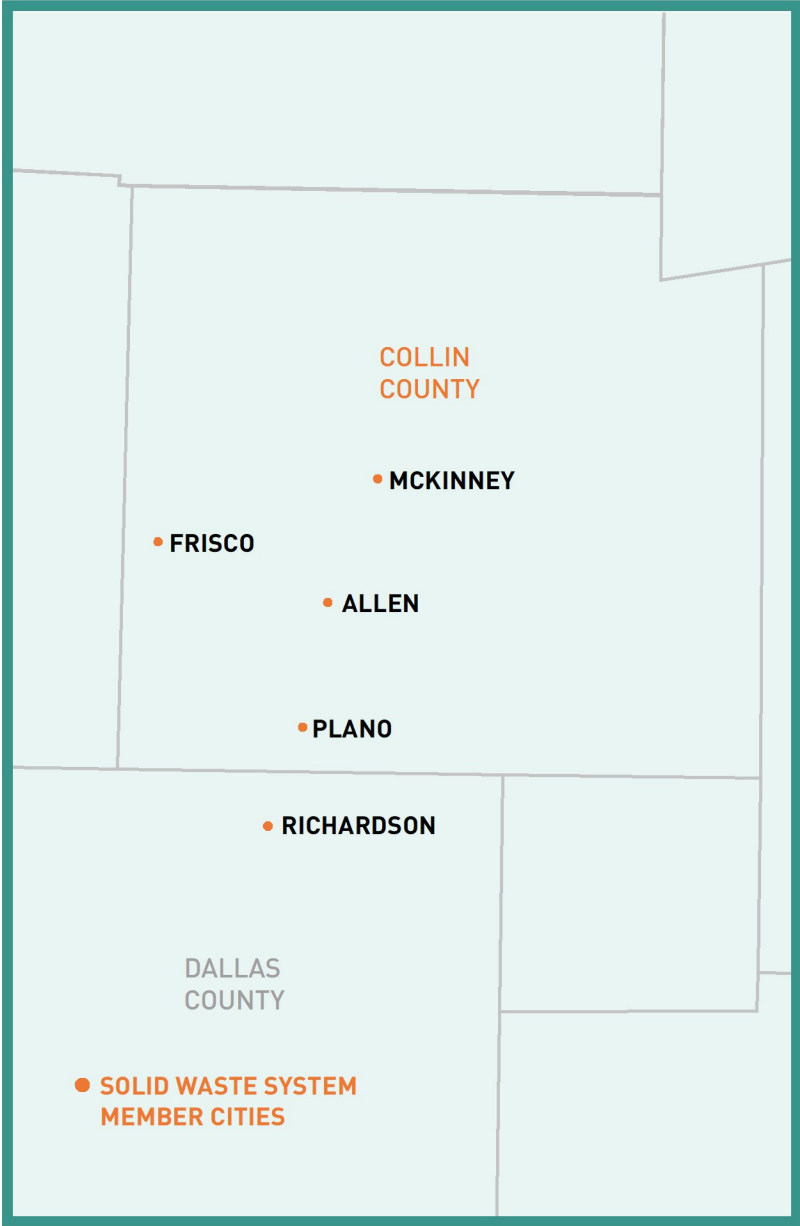
FAST FACTS

SOLID WASTE SERVICES

COMMUNITIES SERVED

101  
SOLID WASTE  
STAFF

4 Regional  
Citizen  
CONVENIENCE  
CENTERS



48,547

tons of yard waste  
composted  
annually



3,900

tons of solid waste  
disposed per day  
at 121 Regional  
Disposal Facility

1,009,236

TONS  
of solid waste  
accepted yearly



3 Transfer stations  
process up to

3,295 TONS  
of solid waste per day



# COMMUNITY OUTREACH

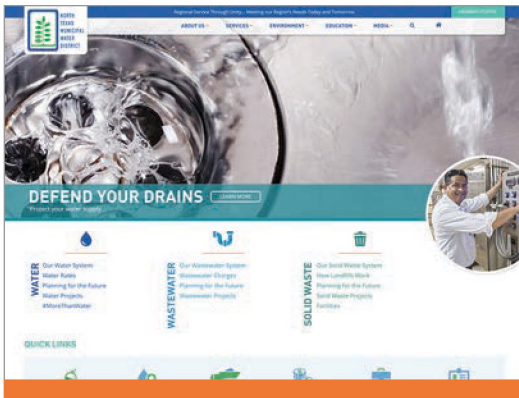
NTMWD has been working to enhance its communications program. Our community outreach not only looks new with updated e-newsletters and website, but we have also increased the avenues of engagement with member and customer cities through regular facility tours, new videos and several new social media campaigns.

This past year, we began the distribution of two regular newsletters: a quarterly Project Pipeline that provides a snapshot of projects in progress or recently completed, and a monthly News Stream that highlights key NTMWD happenings and information relevant to our cities.

Our website has also been completely re-organized and re-designed to improve ease of use and overall appearance. In

addition, several new sections were created to fill informational gaps and provide website users with charts, infographics and information on hot topics.

We have also recently expanded our methods of outreach. To further highlight the services that NTMWD is delivering in a memorable way, our facilities began offering an increased number of facility tours, with over 200 participants in the past year alone. These opportunities enabled city staff, administrators and elected officials to explore our Wylie Water Treatment Plant, Laboratory and our East Fork Water Reuse Project to learn more about what it takes to deliver water to our customers.





To share our role and work behind the scenes with the general public, we also created three new videos and several social media campaigns. Our videos Who We Are, Journey of Water and #MoreThanWater explain our history and services, the water treatment process and the significant value our services provide to support the economic growth and daily lives of North Texans. These can all be found on our YouTube channel and website. The #MoreThanWater video aired on American Airlines flights in June.

Similarly, our social media campaigns emphasized all the #MoreThanWater that goes into providing our services while also playing on iconic Texan “BiggerInTexas” terminology and highlighting how our services support North Texans where they live, work and play—whether that be on our lakes or under the Friday Night Lights. These campaigns increased overall traffic to and engagement on our social media channels, which remain key places where our communities’ residents seek information.



### LAVON LAKE WATERSHED PROTECTION

Throughout 2017, we partnered with other agencies and the cities within the Lavon Lake watershed to develop a plan for protecting the quality of our water supplies. The initiative had valuable stakeholder input and resulted in the Lavon Lake Watershed Protection Plan. The plan encourages best practices in areas like stormwater management and green infrastructure, and has been accepted by the Environmental Protection Agency (EPA) as meeting all requirements of EPA’s nine element guidance for watershed-based plans.

# KEEPING OUR INFRASTRUCTURE RELIABLE

## 3 Key Drivers of Infrastructure Needs

Increasing regulatory requirements



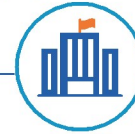
6%

Aging pipes and systems



22%

Building new supply sources & delivery systems for growth



72%

\* stats based on FY2017 budget

#MoreThanWater means maintaining the shared regional systems for water, wastewater and solid waste. To do this, our capital improvements budget supports work in three crucial areas: meeting regulatory standards, repairing aging infrastructure and investing in new projects and improvements.

All these critical efforts are necessary to ensure uninterrupted services both today and tomorrow.

### COMPLYING

While it occurs behind the scenes, work to meet increasing regulatory requirements is essential to our services. NTMWD's laboratory conducts more than one-quarter million tests annually on 97 compounds to ensure that our water complies with state and federal laws.

### UPDATING AND MAINTAINING

Critical updates and repairs are also central to our operations. In 2017, we made electrical improvements to the Wilson Creek Regional Wastewater Treatment Plant and extensive renovations to our 60-year-old original Wylie Water

Treatment Plant. This work included improving underground storage tanks, sedimentation basins and filters. On top of these major projects, our team also repaired 35 pipelines to stop or prevent both raw and treated water leaks, including a major emergency repair on the Chapman pipeline which included replacement of 700 linear feet of pipe.

### BUILDING AND IMPROVING

Building new supply sources, treatment facilities and delivery systems is the final piece absolutely essential to the future of the growing communities we serve. The Lower Bois d'Arc Reservoir and Trinity Main Stem Pump Station and Pipeline projects will add more than 200 million gallons of water each day to our system once complete.

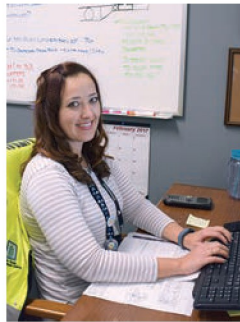




# VISION:



REGIONAL SERVICE THROUGH UNITY:  
MEETING OUR REGION'S NEEDS TODAY AND TOMORROW



# MISSION:



TO PROVIDE HIGH-QUALITY AND DEPENDABLE WATER, WASTEWATER  
AND SOLID WASTE SERVICES IN A COST-EFFICIENT MANNER



# GOALS:

- PROVIDE SUPERIOR SERVICES TODAY
- SECURE FUTURE SUPPLIES AND SERVICES
- MAINTAIN STRONG RELATIONSHIPS
- MAINTAIN OUR INFRASTRUCTURE
- TAKE CARE OF OUR PEOPLE

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## **FINANCIAL SECTION**



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## Independent Auditor's Report

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

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

We have audited the accompanying financial statements of each major fund of the North Texas Municipal Water District (the District), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the North Texas Municipal Water District as of September 30, 2017, and the respective changes in financial position, and cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Notes 14 and 15 to the financial statements, the District adopted the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, as of September 30, 2016, for the period ending September 30, 2017 which resulted in a restatement of beginning net position. Our opinion is not modified with respect to this matter.

**Other Matter**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress for the District's Retirement Plan and Other Postemployment Benefits Plan on pages 4-9 and 53-56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Texas Municipal Water District's basic financial statements. The Introductory Section and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

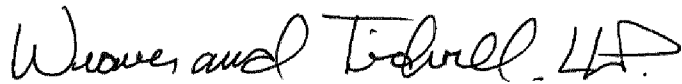
The Sewer System Supplemental Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Sewer System Supplemental Schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Members of the Board of Directors  
North Texas Municipal Water District

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2018, on our consideration of the North Texas Municipal Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Texas Municipal Water District's internal control over financial reporting and compliance.



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
January 19, 2018

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis (Unaudited)

As management of the North Texas Municipal Water District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District as of and for the fiscal year ended September 30, 2017.

### **Financial Highlights**

- Total assets at the end of the year were approximately \$3.7 billion and exceeded liabilities by approximately \$1.33 billion.
- The District's total net position increased by approximately \$124 million, or 10 percent.
- During the year, the District's operating revenues increased by approximately \$42 million, or 10 percent, and operating expenses increased by approximately \$29 million, or 13 percent.
- Construction of the Trinity River Main Stem Raw Water Pipeline & Pump Station, Wilson Creek, Sabine Creek and Stewart Creek WWTP expansions, and the Rowlett & Cottonwood Creek Lift Stations led the way in capital expenditures totaling \$174 million.
- The District issued \$473 million in revenue bonds for various projects and to refinance outstanding debt to take advantage of favorable interest rates.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements which are comprised of fund financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Financial Statements.** The financial statements are designed to provide readers with an overview of the District's finances, in a manner similar to private-sector business.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The *Statement of Cash Flows* presents cash receipts, cash payments, and net changes in cash resulting from operating activities, capital and related financing activities, and investing activities for the year presented.

**Enterprise Funds.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are categorized as enterprise funds. The District reports five major enterprise funds: Water, Regional Wastewater, Sewer, Solid Waste and Interceptor.

The basic enterprise fund financial statements can be found on pages 10 through 17 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found starting on page 18 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplemental information can be found beginning on page 53 of this report.

### **Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,334,208,144 at the close of the most recent fiscal year.

### **North Texas Municipal Water District's Net Position**

	<u>As of September 30</u>		<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
	<u>2017</u>	<u>2016</u>		
<b>ASSETS:</b>				
Current and other assets	\$ 968,530,427	\$ 733,122,854	\$ 235,407,573	32.1 %
Capital assets—net	2,732,146,098	2,510,962,344	221,183,754	8.8
Total assets	3,700,676,525	3,244,085,198	456,591,327	14.1
Total deferred outflows of resources	43,468,351	41,081,323	2,387,028	5.8
Total assets and deferred outflows of resources	3,744,144,876	3,285,166,521	458,978,355	14.0
<b>LIABILITIES:</b>				
Current and other liabilities	193,702,977	173,894,028	19,808,949	11.4
Long-term liabilities outstanding	2,204,019,767	1,891,046,277	312,973,490	16.6
Total liabilities	2,397,722,744	2,064,940,305	332,782,439	16.1
Total deferred inflows of resources	12,213,988	10,064,556	2,149,432	100.0
Total liabilities and deferred inflows of resources	2,409,936,732	2,075,004,861	334,931,871	16.1
<b>NET POSITION:</b>				
Net investment in capital assets	1,055,668,099	942,119,408	113,548,691	12.1
Restricted	147,826,838	141,312,557	6,514,281	4.6
Unrestricted	130,713,207	126,729,695	3,983,512	3.1
Total net position	<u>\$ 1,334,208,144</u>	<u>\$ 1,210,161,660</u>	<u>\$ 124,046,484</u>	<u>10.3 %</u>

The largest portion of the District's net position (79 percent) reflects its investment in capital assets (e.g., land, reservoir facilities, water treatment facilities and wastewater disposal facilities) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its member and customer cities; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves are not intended to be used to liquidate these liabilities.

An additional portion of the District's net position (11 percent) represents resources that are subject to external restrictions on how they may be used. The District's restricted net position consist primarily of the reserve funds required by bond resolutions.



The remaining balance of the District's net position represents unrestricted net position (10 percent) and may be used to meet the District's ongoing obligations. The overall increase in net position of \$124,046,484, or 10.3%, during the current fiscal year indicates an improved financial position.

While the Statement of Net Position provides the components of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at year-end, the Statement of Revenues, Expenses and Changes in Net Position provides information on the source of the change during the year. The primary sources of the increase in net position of \$124,046,484 were operating income of \$186,232,357 offset by interest expense of \$68,257,962.

### North Texas Municipal Water District's Changes in Net Position

	Year Ended September 30		Increase (Decrease)	Percent Change
	2017	2016		
Operating Revenues:				
Water sales	\$ 282,595,391	\$ 252,591,522	\$ 30,003,869	11.9 %
Wastewater service fees	120,803,096	113,132,055	7,671,041	6.8
Solid waste service fees	34,206,532	30,760,383	3,446,149	11.2
Other operating revenues	2,318,426	1,584,262	734,164	46.3
Total Operating Revenues	<u>439,923,445</u>	<u>398,068,222</u>	<u>41,855,223</u>	<u>10.5</u>
Operating Expenses:				
Personnel	70,226,647	65,389,176	4,837,471	7.4
Operating Supplies:				
Chemicals	27,629,538	28,283,012	(653,474)	(2.3)
Other supplies	15,493,153	14,560,209	932,944	6.4
Operating Services:				
Electric power	19,894,130	19,187,942	706,188	3.7
Wholesale water purchases	3,195,449	2,662,651	532,798	20.0
Other services	53,665,478	40,506,216	13,159,262	32.5
Depreciation and amortization	63,586,693	54,099,332	9,487,361	17.5
Total Operating Expenses	<u>253,691,088</u>	<u>224,688,538</u>	<u>29,002,550</u>	<u>12.9</u>
Operating Income	<u>186,232,357</u>	<u>173,379,684</u>	<u>12,852,673</u>	<u>7.4</u>
Investment Income	7,981,554	3,059,347	4,922,207	160.9
Miscellaneous Revenue (Expense)	(1,072,982)	(432,253)	(640,729)	148.2
Federal Program Revenues	3,983,278	4,005,982	(22,704)	(0.6)
Gain on Sale of Capital Assets	274,474	875,624	(601,150)	100.0
Interest Expense	(68,257,962)	(54,997,252)	(13,260,710)	24.1
Net Nonoperating Expense	<u>(57,091,638)</u>	<u>(47,488,552)</u>	<u>(9,603,086)</u>	<u>20.2</u>
Change in Net Position	<u>129,140,719</u>	<u>125,891,132</u>	<u>3,249,587</u>	<u>2.6</u>
Net Position, Beginning of Year (As Previously Stated)	<u>1,210,161,660</u>	<u>1,084,270,528</u>	<u>125,891,132</u>	<u>11.6</u>
Change in Reporting	<u>(5,094,235)</u>	<u>-</u>	<u>(5,094,235)</u>	
Net Position, Beginning of Year (As Restated)	<u>1,205,067,425</u>	<u>1,084,270,528</u>	<u>120,796,897</u>	<u>11.1</u>
Net Position, End of Year	<u>\$ 1,334,208,144</u>	<u>\$ 1,210,161,660</u>	<u>\$ 124,046,484</u>	<u>10.3 %</u>

Total operating revenues for the District for the years ended September 30, 2017 and 2016 were \$439,923,445 and \$398,068,222, respectively. The \$41,855,223 increase in total operating revenues was primarily due to a 10% increase in the member cities water rate, an 8% increase in wastewater member city revenues, a 19.8% increase in the interceptor system member city revenues and a 5.8% increase in solid waste system member city service fees to fund capital projects and operating costs. Other operating revenues increased 46.3% due to additional miscellaneous operating revenues, including miscellaneous rebates such as Master Card rebates.

Total operating expenses for the District for the years ended September 30, 2017 and 2016 were \$253,691,088 and \$224,688,538, respectively. Several key factors account for the \$29,002,550 increase in total operating expenses including increased staffing levels (a total increase of 22 employees across all funds) and salary adjustments resulting in increased personnel expenses of \$4.8 million, increased operating supplies and services expenses of \$15 million primarily as a result of increased maintenance expenses, vehicle supplies and equipment and legal expenses, and an increase in depreciation of \$9.5 million. These increases were offset by a decrease in chemical expenses of \$653 thousand.

Net non-operating expense increased by \$9,603,086 primarily due to an approximate \$13.3 million increase in interest expense offset by an increase in investment income of \$4.9 million.

As a result of the implementation of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", a change in accounting principle adjustment of \$5,094,235 has been made to record the District's net OPEB liability as of October 1, 2016.

### ***Capital Asset and Debt Administration***

#### **Capital Assets**

The District's capital assets as of September 30, 2017, amounted to \$2,732,146,098 (net of accumulated depreciation). These capital assets include land and land improvements, reservoir facilities, water treatment and transmission facilities, wastewater treatment and disposal facilities, buildings and other equipment and water rights. The total increase in the District's investment in capital assets for the current year was 8.8%.

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

- Development of the Lower Bois D'Arc Creek Reservoir Project continued; land acquisitions totaled \$54,547,503.
- Construction of the Wylie Water Treatment Plant Ozonation Project continued. Phases of this project were capitalized during the fiscal year for a total of \$143,004,696.
- Lake Texoma to Wylie Water Treatment Plant Raw Water Pipeline continued. Phases of this project were capitalized during the fiscal year for a total of \$6,256,161.
- North McKinney Pipeline phases 1 and 2 completed for a total of \$17,042,570.
- Capitalized improvements at the Solid Waste facilities including the expansion of the buildings at Lookout Transfer Station, Custer Transfer Station and 121 Compost Facility totaled \$18,502,870.
- Wilson Creek Interceptor improvements totaled \$5,501,414.

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

	<u>As of September 30</u>		<u>Increase (Decrease)</u>	<u>Percent Change</u>
	<u>2017</u>	<u>2016</u>		
Land	\$ 71,692,412	\$ 71,771,379	\$ (78,967)	(0.1)%
Easements	62,394,914	58,131,259	4,263,655	7.3 %
Land improvements	3,113,113	3,257,883	(144,770)	(4.4)%
Water treatment, storage and transmission facilities	1,187,166,255	1,009,252,966	177,913,289	17.6 %
Wastewater treatment and disposal facilities	497,682,652	487,099,005	10,583,647	2.2 %
Solid waste transfer and disposal facilities	33,989,781	34,282,199	(292,418)	(0.9)%
Reservoir facilities and water rights	280,845,659	288,385,014	(7,539,355)	(2.6)%
Buildings	56,477,942	36,927,728	19,550,214	52.9 %
Automobiles and trucks	4,508,107	4,531,603	(23,496)	(0.5)%
Office furniture and fixtures	603,991	679,314	(75,323)	(11.1)%
Other equipment	23,437,641	22,027,970	1,409,671	6.4 %
Construction in progress	510,233,631	494,616,024	15,617,607	3.2 %
<b>Total</b>	<u>\$ 2,732,146,098</u>	<u>\$ 2,510,962,344</u>	<u>\$ 221,183,754</u>	<u>8.8 %</u>

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

**Debt Administration**

At the end of the current fiscal year, the District had total outstanding debt of \$2,065,757,110. Of this amount 66% is reflected in the Water System and 14% is reflected in the Regional Wastewater System.

**North Texas Municipal Water District's Outstanding Debt**

	<u>As of September 30</u>		<u>Increase (Decrease)</u>	<u>Percent Change</u>
	<u>2017</u>	<u>2016</u>		
U.S. government contracts payable	\$ 29,597,110	\$ 31,049,381	\$ (1,452,271)	(4.7)%
Revenue bonds	<u>2,036,160,000</u>	<u>1,756,760,000</u>	<u>279,400,000</u>	<u>15.9</u>
<b>Total</b>	<u>\$ 2,065,757,110</u>	<u>\$ 1,787,809,381</u>	<u>\$ 277,947,729</u>	<u>15.5 %</u>

During the current fiscal year, the District refinanced a portion of the existing debt in order to take advantage of favorable interest rates. The result is expected to decrease future debt service payments by \$17,670,502 in the Water System and \$959,017 in the Solid Waste System.

The District's revenue bonds have been rated as follows:

	<u>Moody's</u>	<u>S&amp;P</u>
Water System	Aa2	AAA
Wastewater System	Aa2	AAA
Solid Waste System	Aa2	AA
Interceptor System	Aa1	AAA

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

## **Economic Factors and Next Year's Budgets and Rates**

The Annual Budget outlines the District's plans to continue to provide high quality, cost-effective service to its member and customer cities. As a result of the continued growth in the District's service area, the need for the development of raw water resources and capital expenditures to fund system expansions and improvements continues to increase. Such growth has been considered in developing the District's budget for the 2018 fiscal year.

The 2018 Water System budget provides funding for debt service for \$45 million of SWIFT funds and \$787 million of bonds to be issued for the development of the Lower Bois d'Ark Creek Reservoir, construction of the Leonard Water Treatment Plant 70 MGD site, Wylie WTP IV repair and other system improvements. In order to fund these debt service requirements and the additional operations and maintenance costs, the budget requires a \$.25 per 1,000 gallons rate adjustment. Additional rate adjustments can be expected in the future as the District continues to develop raw water supplies and operational costs continue to increase.

## **Requests for Information**

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

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## **BASIC FINANCIAL STATEMENTS**

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

<b>ASSETS</b>	<b>Water System</b>	<b>Regional Wastewater System</b>
<b>CURRENT ASSETS:</b>		
Unrestricted assets:		
Cash and cash equivalents	\$ 78,913,780	\$ 4,215,513
Investments	68,937,490	-
Accounts receivable	23,300,807	991,971
Due from other funds	210,344	39,162
Prepaid expenses	2,493,343	372,090
Unbilled receivable	207,019	120,620
<b>Total unrestricted assets</b>	<b>174,062,783</b>	<b>5,739,356</b>
Restricted assets:		
Cash and cash equivalents	144,927,151	77,883,571
Investments	272,830,418	114,695,429
Contracts receivable	26,400	-
Interest receivable	778,382	310,449
Due from other funds	125,890	-
Unbilled receivables	-	-
<b>Total restricted assets</b>	<b>418,688,241</b>	<b>192,889,449</b>
<b>TOTAL CURRENT ASSETS</b>	<b>592,751,024</b>	<b>198,628,805</b>
<b>LONG-TERM ASSETS:</b>		
Nondepreciable:		
Land	58,855,325	1,739,328
Easements	46,929,618	-
Construction-in-progress	369,797,234	38,653,962
<b>Total nondepreciable assets</b>	<b>475,582,177</b>	<b>40,393,290</b>
Depreciable:		
Land improvements	3,712,838	1,321,303
Water treatment, storage, and transmission facilities	1,480,580,805	-
Wastewater treatment and disposal facilities	-	294,790,161
Solid waste transfer and disposal facilities	-	-
Reservoir facilities and water rights	376,541,066	-
Buildings	26,373,213	2,211,696
Automobiles and trucks	7,039,583	1,910,882
Office furniture and fixtures	961,571	101,610
Other equipment	18,140,456	10,250,394
<b>Total depreciable assets</b>	<b>1,913,349,532</b>	<b>310,586,046</b>
Less accumulated depreciation	(432,659,741)	(107,188,269)
<b>Net capital assets</b>	<b>1,956,271,968</b>	<b>243,791,067</b>
<b>TOTAL LONG-TERM ASSETS</b>	<b>1,956,271,968</b>	<b>243,791,067</b>
<b>TOTAL ASSETS</b>	<b>2,549,022,992</b>	<b>442,419,872</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred loss on refunding	21,576,312	2,714,746
Deferred pension outflow	7,778,993	2,174,859
Deferred OPEB outflow	58,865	13,950
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>29,414,170</b>	<b>4,903,555</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 2,578,437,162</b>	<b>\$ 447,323,427</b>

The notes to the basic financial statements are an integral part of this statement.

<u>Sewer System</u>	<u>Solid Waste System</u>	<u>Interceptor System</u>	<u>Total Enterprise Funds</u>
\$ 3,482,192	\$ 8,971,172	\$ 4,448,518	\$ 100,031,175
-	-	-	68,937,490
1,397,730	618,991	513,536	26,823,035
30,707	321,945	12,934	615,092
291,259	222,370	119,531	3,498,593
288,101	513,232	88,913	1,217,885
<u>5,489,989</u>	<u>10,647,710</u>	<u>5,183,432</u>	<u>201,123,270</u>
27,097,107	12,545,939	38,645,933	301,099,701
17,649,559	3,291,133	50,836,471	459,303,010
-	-	-	26,400
80,578	17,351	142,965	1,329,725
-	-	-	125,890
-	5,522,431	-	5,522,431
<u>44,827,244</u>	<u>21,376,854</u>	<u>89,625,369</u>	<u>767,407,157</u>
<u>50,317,233</u>	<u>32,024,564</u>	<u>94,808,801</u>	<u>968,530,427</u>
469,516	10,628,243	-	71,692,412
4,105,802	-	11,359,494	62,394,914
64,669,761	6,772,003	30,340,671	510,233,631
<u>69,245,079</u>	<u>17,400,246</u>	<u>41,700,165</u>	<u>644,320,957</u>
417,138	2,651,202	-	8,102,481
29,946,174	-	-	1,510,526,979
161,784,476	-	245,093,502	701,668,139
-	68,962,349	-	68,962,349
-	-	-	376,541,066
187,506	40,150,692	-	68,923,107
564,440	4,972,525	431,761	14,919,191
-	-	-	1,063,181
2,676,075	23,436,499	2,752,792	57,256,216
<u>195,575,809</u>	<u>140,173,267</u>	<u>248,278,055</u>	<u>2,807,962,709</u>
<u>(59,796,734)</u>	<u>(62,088,309)</u>	<u>(58,404,515)</u>	<u>(720,137,568)</u>
<u>205,024,154</u>	<u>95,485,204</u>	<u>231,573,705</u>	<u>2,732,146,098</u>
<u>205,024,154</u>	<u>95,485,204</u>	<u>231,573,705</u>	<u>2,732,146,098</u>
<u>255,341,387</u>	<u>127,509,768</u>	<u>326,382,506</u>	<u>3,700,676,525</u>
1,867,026	2,325,370	1,951,754	30,435,208
779,650	2,022,519	184,056	12,940,077
6,721	11,308	2,222	93,066
<u>2,653,397</u>	<u>4,359,197</u>	<u>2,138,032</u>	<u>43,468,351</u>
<u>\$ 257,994,784</u>	<u>\$ 131,868,965</u>	<u>\$ 328,520,538</u>	<u>\$ 3,744,144,876</u>

(Continued)



**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

LIABILITIES	<u>Water System</u>	<u>Regional Wastewater System</u>
<b>CURRENT LIABILITIES:</b>		
Payable from unrestricted assets:		
Accounts payable and accrued liabilities	\$ 19,783,380	\$ 3,573,569
Due to other funds	58,232	314,811
Customers' advance payments	61,768	1,359,483
Accrued interest payable on U.S. government contracts	779,984	-
Current portion of U.S. government contracts	1,499,187	-
<b>Total payable from unrestricted assets</b>	<u>22,182,551</u>	<u>5,247,863</u>
Payable from restricted assets:		
Accounts payable and accrued liabilities	20,705,685	7,921,559
Due to other funds	75,818	11,952
Accrued landfill closure and post-closure care cost	-	-
Accrued interest payable on revenue bonds	5,311,408	4,057,428
Current portion of revenue bonds	48,025,000	13,410,000
<b>Total payable from restricted assets</b>	<u>74,117,911</u>	<u>25,400,939</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>96,300,462</u>	<u>30,648,802</u>
<b>LONG-TERM LIABILITIES:</b>		
Accrued landfill closure costs	-	-
Accrued vacation—less current portion	927,365	238,442
Accrued sick—less current portion	1,243,094	350,982
Net pension liability	14,169,581	4,141,068
Net OPEB liability	2,413,854	572,001
Deferred compensation	317,500	-
Long-term debt—less current portion	1,456,009,857	295,772,564
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>1,475,081,251</u>	<u>301,075,057</u>
<b>TOTAL LIABILITIES</b>	<u>1,571,381,713</u>	<u>331,723,859</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred pension inflow	6,105,500	1,631,466
Deferred OPEB inflow	786,362	186,341
Deferred insurance proceeds	1,012,296	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>7,904,158</u>	<u>1,817,807</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>1,579,285,871</u>	<u>333,541,666</u>
<b>NET POSITION:</b>		
Net investment in capital assets	779,684,378	97,438,547
Restricted for debt service	87,555,916	20,934,974
Unrestricted	131,910,997	(4,591,760)
<b>TOTAL NET POSITION</b>	<u>\$ 999,151,291</u>	<u>\$ 113,781,761</u>

The notes to the basic financial statements are an integral part of this statement.

<b>Sewer System</b>	<b>Solid Waste System</b>	<b>Interceptor System</b>	<b>Total Enterprise Funds</b>
\$ 2,348,284	\$ 2,632,054	\$ 2,729,131	\$ 31,066,418
175,992	11,619	54,438	615,092
1,334,452	1,318,436	537,923	4,612,062
-	-	-	779,984
-	-	-	1,499,187
<u>3,858,728</u>	<u>3,962,109</u>	<u>3,321,492</u>	<u>38,572,743</u>
7,076,569	7,226,436	4,087,635	47,017,884
20,921	2,080	15,119	125,890
-	4,757,415	-	4,757,415
2,309,887	170,614	2,869,708	14,719,045
11,980,000	3,730,000	11,365,000	88,510,000
<u>21,387,377</u>	<u>15,886,545</u>	<u>18,337,462</u>	<u>155,130,234</u>
<u>25,246,105</u>	<u>19,848,654</u>	<u>21,658,954</u>	<u>193,702,977</u>
-	765,016	-	765,016
141,864	274,064	29,244	1,610,979
123,253	524,826	96,609	2,338,764
1,544,657	3,411,057	441,174	23,707,537
275,659	463,718	91,096	3,816,328
-	-	-	317,500
<u>169,078,981</u>	<u>48,486,905</u>	<u>202,115,336</u>	<u>2,171,463,643</u>
<u>171,164,414</u>	<u>53,925,586</u>	<u>202,773,459</u>	<u>2,204,019,767</u>
<u>196,410,519</u>	<u>73,774,240</u>	<u>224,432,413</u>	<u>2,397,722,744</u>
593,155	1,478,206	150,119	9,958,446
89,800	151,066	29,677	1,243,246
-	-	-	1,012,296
<u>682,955</u>	<u>1,629,272</u>	<u>179,796</u>	<u>12,213,988</u>
<u>197,093,474</u>	<u>75,403,512</u>	<u>224,612,209</u>	<u>2,409,936,732</u>
39,391,769	50,280,167	88,873,238	1,055,668,099
21,866,562	3,768,257	13,701,129	147,826,838
(357,021)	2,417,029	1,333,962	130,713,207
<u>\$ 60,901,310</u>	<u>\$ 56,465,453</u>	<u>\$ 103,908,329</u>	<u>\$ 1,334,208,144</u>

(Concluded)

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEAR ENDED SEPTEMBER 30, 2017**

	<u>Water System</u>	<u>Regional Wastewater System</u>
<b>OPERATING REVENUES:</b>		
Water sales	\$ 282,595,391	\$ -
Wastewater service fees	-	57,446,981
Solid waste service fees	-	-
Other operating revenues	806,446	193,816
<b>Total operating revenues</b>	<u>283,401,837</u>	<u>57,640,797</u>
<b>OPERATING EXPENSES:</b>		
Personnel	42,300,952	10,698,567
Operating Supplies:		
Chemicals	19,387,860	4,402,646
Other supplies	6,669,595	3,532,189
Operating Services:		
Electric power	14,462,476	2,485,553
Wholesale water purchases	3,195,449	-
Other services	18,334,107	14,600,385
Depreciation	40,899,181	8,016,148
<b>Total operating expenses</b>	<u>145,249,620</u>	<u>43,735,488</u>
<b>OPERATING INCOME</b>	<u>138,152,217</u>	<u>13,905,309</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment income	5,067,871	1,464,205
Miscellaneous revenue (expense)	(1,072,982)	-
Federal program revenues	3,983,278	-
Gain (loss) on sale of capital assets	148,356	18,073
Interest expense	(47,704,686)	(8,566,819)
<b>Total nonoperating revenues (expenses)</b>	<u>(39,578,163)</u>	<u>(7,084,541)</u>
<b>CHANGE IN NET POSITION</b>	<u>98,574,054</u>	<u>6,820,768</u>
<b>NET POSITION AT OCTOBER 1, 2016 (As Previously Stated)</b>	<u>904,043,074</u>	<u>107,625,135</u>
<b>CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE</b>	<u>(3,465,837)</u>	<u>(664,142)</u>
<b>NET POSITION AT OCTOBER 1, 2016 (As Restated)</b>	<u>900,577,237</u>	<u>106,960,993</u>
<b>NET POSITION AT SEPTEMBER 30, 2017</b>	<u>\$ 999,151,291</u>	<u>\$ 113,781,761</u>

The notes to the basic financial statements are an integral part of this statement.

<u>Sewer System</u>	<u>Solid Waste System</u>	<u>Interceptor System</u>	<u>Total Enterprise Funds</u>
\$ -	\$ -	\$ -	\$ 282,595,391
34,883,080	-	28,473,035	120,803,096
-	34,206,532	-	34,206,532
466,105	832,973	19,086	2,318,426
<u>35,349,185</u>	<u>35,039,505</u>	<u>28,492,121</u>	<u>439,923,445</u>
4,852,795	10,656,106	1,718,227	70,226,647
1,812,938	53,168	1,972,926	27,629,538
1,468,028	3,262,176	561,165	15,493,153
1,509,638	183,885	1,252,578	19,894,130
-	-	-	3,195,449
7,216,502	7,469,719	6,044,765	53,665,478
5,395,174	3,643,583	5,632,607	63,586,693
<u>22,255,075</u>	<u>25,268,637</u>	<u>17,182,268</u>	<u>253,691,088</u>
<u>13,094,110</u>	<u>9,770,868</u>	<u>11,309,853</u>	<u>186,232,357</u>
545,245	221,273	682,960	7,981,554
-	-	-	(1,072,982)
-	-	-	3,983,278
12,917	79,558	15,570	274,474
(4,912,152)	(1,210,604)	(5,863,701)	(68,257,962)
<u>(4,353,990)</u>	<u>(909,773)</u>	<u>(5,165,171)</u>	<u>(57,091,638)</u>
<u>8,740,120</u>	<u>8,861,095</u>	<u>6,144,682</u>	<u>129,140,719</u>
<u>52,481,254</u>	<u>48,142,777</u>	<u>97,869,420</u>	<u>1,210,161,660</u>
<u>(320,064)</u>	<u>(538,419)</u>	<u>(105,773)</u>	<u>(5,094,235)</u>
<u>52,161,190</u>	<u>47,604,358</u>	<u>97,763,647</u>	<u>1,205,067,425</u>
<u>\$ 60,901,310</u>	<u>\$ 56,465,453</u>	<u>\$ 103,908,329</u>	<u>\$ 1,334,208,144</u>

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED SEPTEMBER 30, 2017**

	<u>Water System</u>	<u>Regional Wastewater System</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 286,365,031	\$ 56,322,449
Cash received from other funds	11,035,676	446,779
Cash received from (paid to) others	2,701,593	81,399
Cash paid to suppliers for goods and services	(95,702,485)	(21,056,631)
Cash paid for employee services	(30,079,591)	(7,350,192)
Cash paid to other funds	(39,089)	(8,492,343)
Net cash provided by operating activities	<u>174,281,135</u>	<u>19,951,461</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from the issuance of bonds	283,746,910	83,218,262
Cash paid for capital assets	(166,724,928)	(29,220,702)
Interest paid on long-term debt	(62,253,366)	(8,348,950)
Interest paid on U.S. government contracts	(1,006,330)	-
Principal payments on long-term debt	(49,410,000)	(14,165,000)
Payments on U.S. government contracts	(1,452,271)	-
Payments for bond issue costs	(1,541,181)	(564,609)
Grant income	18,560	-
Federal Program Revenues	3,964,718	-
Interfund advance	-	-
Net cash provided by (used for) capital and related financing activities	<u>5,342,112</u>	<u>30,919,001</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sale and maturity of investments	208,690,383	56,944,284
Purchases of investments	(337,003,141)	(101,419,468)
Interest received	5,017,019	1,503,662
Net cash provided by (used for) investing activities	<u>(123,295,739)</u>	<u>(42,971,522)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>56,327,508</b>	<b>7,898,940</b>
<b>CASH AND CASH EQUIVALENTS—Beginning of year</b>	<b>167,513,423</b>	<b>74,200,144</b>
<b>CASH AND CASH EQUIVALENTS—End of year</b>	<b>\$ 223,840,931</b>	<b>\$ 82,099,084</b>
<b>RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET POSITION</b>		
Unrestricted cash and cash equivalents	\$ 78,913,780	\$ 4,215,513
Restricted cash and cash equivalents	144,927,151	77,883,571
	<u>\$ 223,840,931</u>	<u>\$ 82,099,084</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 138,152,217	\$ 13,905,309
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	40,899,181	8,016,148
Change in current assets and liabilities:		
Accounts receivable and unbilled receivable	(3,737,272)	(204,748)
Prepaid expenses	1,271,883	(27,624)
Net pension liability	(766,316)	(168,010)
Net OPEB liability	338,654	80,250
Due to/from other funds	1,019,343	12,452
Accounts payable, accrued liabilities, and developers' deposits	(2,382,033)	(500,707)
Accrued vacation and accrued sick	(400,879)	(57,899)
Landfill liability	-	-
Customers' advance payments	(113,643)	(1,103,710)
Total adjustments	<u>36,128,918</u>	<u>6,046,152</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 174,281,135</b>	<b>\$ 19,951,461</b>
<b>NONCASH TRANSACTION DISCLOSURES</b>		
Change in landfill liability	\$ -	\$ -
Gain (loss) on disposal of capital assets	12,368	-
Interest capitalized on construction	6,790,389	532,597
Amortization of bond-related items	(10,458,472)	(1,600,778)
Change in fair value of investments	515,599	102,441
Change in actuarial value of net pension liability	766,316	168,010
Refunding bonds issued	83,115,000	-
Refunding proceeds deposited in escrow	98,818,916	-

The notes to the basic financial statements are an integral part of this statement.

<b>Sewer System</b>	<b>Solid Waste System</b>	<b>Interceptor System</b>	<b>Total Enterprise Funds</b>
\$ 35,012,734	\$ 31,132,179	\$ 27,822,026	\$ 436,654,419
17,222	3,257,875	134,154	14,891,706
83,491	39,901	5,048	2,911,432
(11,006,253)	(12,720,043)	(8,955,478)	(149,440,890)
(3,427,621)	(7,438,795)	(1,192,966)	(49,489,165)
(3,722,218)	(1,555,877)	(1,082,173)	(14,891,700)
<u>16,957,355</u>	<u>12,715,240</u>	<u>16,730,611</u>	<u>240,635,802</u>
11,847,549	8,132,611	41,686,205	428,631,537
(35,923,768)	(18,880,006)	(15,467,517)	(266,216,921)
(7,169,061)	(1,927,115)	(7,049,978)	(86,748,470)
-	-	-	(1,006,330)
(12,070,000)	(3,830,000)	(10,645,000)	(90,120,000)
-	-	-	(1,452,271)
(276,020)	(352,041)	(473,232)	(3,207,083)
-	-	-	18,560
-	-	-	3,964,718
-	-	-	-
<u>(43,591,300)</u>	<u>(16,856,551)</u>	<u>8,050,478</u>	<u>(16,136,260)</u>
40,302,572	9,895,313	25,081,187	340,913,739
(20,793,194)	(3,796,901)	(48,755,840)	(511,768,544)
562,477	263,038	680,588	8,026,784
<u>20,071,855</u>	<u>6,361,450</u>	<u>(22,994,065)</u>	<u>(162,828,021)</u>
(6,562,090)	2,220,139	1,787,024	61,671,521
<u>37,141,389</u>	<u>19,296,972</u>	<u>41,307,427</u>	<u>339,459,355</u>
<u>\$ 30,579,299</u>	<u>\$ 21,517,111</u>	<u>\$ 43,094,451</u>	<u>\$ 401,130,876</u>
\$ 3,482,192	\$ 8,971,172	\$ 4,448,518	\$ 100,031,175
27,097,107	12,545,939	38,645,933	301,099,701
<u>\$ 30,579,299</u>	<u>\$ 21,517,111</u>	<u>\$ 43,094,451</u>	<u>\$ 401,130,876</u>
\$ 13,094,110	\$ 9,770,868	\$ 11,309,853	\$ 186,232,357
5,395,174	3,643,583	5,632,607	63,586,693
(739,257)	(609,803)	(91,470)	(5,382,550)
(33,707)	(14,046)	63,564	1,260,070
(60,060)	(167,395)	(13,750)	(1,175,531)
38,674	65,057	12,778	535,413
(944,759)	(27,831)	(37,684)	21,521
359,199	(339,199)	382,242	(2,480,498)
33,846	(93,420)	41,956	(476,396)
-	288,820	-	288,820
(185,865)	198,606	(569,485)	(1,774,097)
<u>3,863,245</u>	<u>2,944,372</u>	<u>5,420,758</u>	<u>54,403,445</u>
<u>\$ 16,957,355</u>	<u>\$ 12,715,240</u>	<u>\$ 16,730,611</u>	<u>\$ 240,635,802</u>
\$ -	\$ 288,820	\$ -	\$ 288,820
-	-	-	12,368
1,093,290	444,915	522,822	9,384,013
(1,173,466)	(281,044)	(1,634,628)	(15,148,388)
85,796	17,334	54,553	775,723
60,060	167,395	13,750	1,175,531
-	12,010,000	-	95,125,000
-	13,864,776	-	112,683,692

# **NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS**

## **NOTES TO THE FINANCIAL STATEMENTS**

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### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Reporting Entity**

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

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

#### **Measurement Focus, Basis of Accounting and Financial Presentation**

##### **Measurement Focus**

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

##### **Basis of Accounting and Financial Presentation**

The District presents its financial statements in accordance with GASB Statement 34 guidance for governments engaged in business type activities. Accordingly, the basic financial statements and Required Supplementary Information (RSI) of the District consist of MD&A, Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, Notes to the Financial Statements, and Trend Information for the Retirement and Other Post-Employment Benefits Plan.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Basis of Accounting and Financial Presentation – Continued**

The District presents its activities in five major funds: Water System, Regional Wastewater System, Sewer System, Solid Waste System and Upper East Fork Interceptor System.

**Funds**

The Water Fund owns and operates a wholesale water treatment and transmission system consisting of raw water facilities, water treatment works and water transmission facilities and provides treated water to municipalities, water supply corporations, and individual customers. The Regional Wastewater, Sewer, and Interceptor Funds own and operate wastewater treatment and disposal systems consisting of facilities to receive, treat and dispose of wastewater. The Solid Waste Fund owns and operates landfill sites and solid waste transfer stations.

**Revenues**

Charges for treated water are based upon the current budgeted expenditure requirements (including debt service payments and excluding charges for depreciation and amortization) and amounts designated by the Board of Directors for capital improvements. Charges for wastewater and solid waste disposal are based upon the current budgeted expenditure requirements (including debt service payments and excluding charges for depreciation and amortization) and are adjusted for the difference between budgeted and actual expenditures for the same period. The District derives approximately 65% of its revenues from the Cities of Frisco, Garland, McKinney, Mesquite, Plano, and Richardson. Such revenues derived directly from the respective systems are defined by the District as operating revenues. All other revenues not directly related to the operations of the systems are reported as non-operating revenues. Revenues are shown net of rebates and/or excess billings.

**Expenses**

Direct charges attributable to the operations of the District's systems, including depreciation and amortization, are reported as operating expenses. Interest expense and other similar charges not directly related to the systems' operations are reported as non-operating expenses.

**Cash and Cash Equivalents**

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

**Deposits**

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



**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Investments**

All of the District's investments are reported at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Fair values are determined based on quoted market prices. Investments in U.S. government securities are guaranteed or insured by the U.S. government.

**Accounts Receivable**

Management considers accounts receivable to be fully collectible as of September 30, 2017; accordingly, no allowance for doubtful accounts is deemed necessary. As of September 30, 2017, member cities Allen, Garland, McKinney, Mesquite, Plano, Richardson, Rockwall, and Royse City accounted for approximately 71% of total accounts receivable.

**Material and Supplies Inventory**

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

**Capital Assets**

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

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

According to the District's capitalization policy, assets capitalized have an original cost of \$5,000 or more and two or more years of estimated useful life. Depreciation is calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Water treatment, storage and transmission facilities	40 to 75 years
Wastewater treatment and disposal facilities	30 to 50 years
Solid waste transfer and disposal facilities	40 years
Land improvements	20 years
Water rights	50 years
Reservoir facilities	50 years
Buildings	10 to 40 years
Automobiles and trucks	5 years
Office furniture and fixtures	7 to 10 years
Other equipment	5 to 20 years

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Capitalized Interest**

Interest related to the construction of major projects is capitalized. During the fiscal year ended September 30, 2017, \$9,384,013 of interest was capitalized.

**Compensated Absences**

Employees are allowed to accumulate vacation within certain limitations. Payment for accrued vacation (within limits) upon termination is subject to the employee leaving in good standing. Payment for accrued sick leave (within limits) is paid upon retirement. At September 30, 2017, a liability of \$3,528,254 for unused vacation and \$4,498,659 for unused sick leave has been accrued. The short-term portion is included in “accounts payable and accrued liabilities” in the accompanying statement of net position.

A summary of changes in accrued vacation and sick leave for the year ended September 30, 2017 is as follows:

	<u>Beginning Liability</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Liability</u>	<u>Amount due within one year</u>
Vacation	\$ 3,439,070	\$ 401,116	\$ 311,932	\$ 3,528,254	\$ 1,917,275
Sick	4,326,036	984,388	811,765	4,498,659	2,159,895

**Net Position**

Net position is reported as (1) net investment in capital assets; (2) restricted for debt service and; (3) unrestricted. When both restricted and unrestricted net position are available for use, it is the District's policy to use restricted net position first, then unrestricted net position.

**Budgets and Budgetary Accounting**

The District is not required under its enabling act to adopt a budget; therefore, comparative statements of actual expenses compared to budget expenses are not included.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Pensions**

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

**Postemployment Benefits Other Than Pensions (OPEB)**

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

**Subsequent Events**

The District has evaluated all events or transactions that occurred after September 30, 2017 up through January 19, 2018, the date the financial statements were available to be issued. During this period, the following subsequent events required disclosure:

The District issued \$44,650,000 of Series 2017, Regional Water System (SWIFT) Revenue Bonds on November 14, 2017, \$20,230,000 of Series 2017 Regional Solid Waste Disposal System Revenue Bonds on November 15, 2017, \$19,515,000 of Series 2017, Regional Wastewater System Revenue Refunding Bonds on December 1, 2017, \$11,050,000 of Series 2017 Panther Creek Regional Wastewater System Contract Revenue Refunding Bonds on December 1, 2017, and \$29,525,000 of Series 2017 Upper East Fork Interceptor System Revenue Refunding Bonds on December 1, 2017.

**NOTE 2. RESTRICTED ASSETS**

Restricted assets represent amounts reserved for:

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

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2. RESTRICTED ASSETS – CONTINUED**

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

Fund	Cash and Cash Equivalents	Investments	Interest Receivable
<b>Water:</b>			
Construction Fund	\$ 106,442,491	\$ 199,794,600	\$ 483,488
Interest and Redemption Fund	16,637,928	-	-
Reserve Fund	2,535,963	73,035,818	294,894
Contingency Fund	19,099,864	-	-
Reserve for Maintenance Fund	210,905	-	-
	<u>144,927,151</u>	<u>272,830,418</u>	<u>778,382</u>
<b>Regional Wastewater:</b>			
Construction Fund	67,385,880	98,891,230	240,570
Interest and Redemption Fund	8,787,269	-	-
Reserve Fund	179,293	15,804,199	69,879
Reserve for Maintenance Fund	1,531,129	-	-
	<u>77,883,571</u>	<u>114,695,429</u>	<u>310,449</u>
<b>Sewer:</b>			
Construction Fund	17,899,904	1,999,770	6,264
Interest and Redemption Fund	7,064,083	-	-
Reserve Fund	1,381,999	15,649,789	74,314
Reserve for Maintenance Fund	726,893	-	-
Reserve for Equipment Replacement	24,228	-	-
	<u>27,097,107</u>	<u>17,649,559</u>	<u>80,578</u>
<b>Solid Waste:</b>			
Construction Fund	7,362,208	-	-
Interest and Redemption Fund	506,141	-	-
Reserve Fund	124,783	3,291,133	17,351
Reserve for Maintenance Fund	1,100,744	-	-
Reserve for Equipment Replacement	3,452,063	-	-
	<u>12,545,939</u>	<u>3,291,133</u>	<u>17,351</u>
<b>Interceptor:</b>			
Construction Fund	30,568,136	40,947,710	96,975
Interest and Redemption Fund	6,735,253	-	-
Reserve Fund	24,497	9,888,761	45,990
Reserve for Maintenance Fund	1,318,047	-	-
	<u>38,645,933</u>	<u>50,836,471</u>	<u>142,965</u>
<b>Total</b>	<u>\$ 301,099,701</u>	<u>\$ 459,303,010</u>	<u>\$ 1,329,725</u>

Unbilled receivables of \$5,522,431 that are reflected as restricted assets in the Solid Waste System represent member cities' obligations for closure and postclosure costs related to solid waste landfills. Based on the contracts for services, member cities will be billed for the actual costs incurred to close the landfills.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 3. CASH AND INVESTMENTS**

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

**A. Deposits**

At September 30, 2017, the carrying amount of cash deposits was \$5,232,720 and total bank balance was \$15,630,674. During 2016-2017, the District's combined deposits were fully insured by federal depository insurance or collateralized with securities pledged to the District and held by the entity or its agent in the entity's name. At September 30, 2017, the District also held petty cash of \$2,000.

**B. Investments**

Legal provisions generally permit the District to invest in direct and indirect obligations of the United States of America or its agencies, certain certificates of deposit, repurchase agreements, public funds investment pools and mutual funds. During the year ended September 30, 2017, the District did not own any types of securities other than those permitted by statute.

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 funds 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 these agencies. For both LOGIC and TexPool investments, the fair value of the District's position in the pool is the same as the value of the pool shares. These investments and deposits are fully insured by Federal depository insurance or collateralized by securities held in the name of Texas Treasury Safekeeping Trust Company, the entity that created TexPool and in the name of LOGIC. Authorized investments include obligations of the United States of America or its agencies, direct obligations of the State of Texas or its agencies, certificates of deposit and repurchase agreements.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 3. CASH AND INVESTMENTS – CONTINUED**

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

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

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

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

	September 30, 2017	Fair Value Measurements Using			Percent of Total Investments	Weighted Average Maturity (Days)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
<b>Investments not Subject to Level Reporting:</b>						
<b>Investment Pools:</b>						
Texpool	\$ 55,047,131	\$ -	\$ -	\$ -	5.96%	30
LOGIC	340,849,025	-	-	-	36.88%	43
<b>Investments by Fair Value Level:</b>						
<b>U.S. Government Agency Securities:</b>						
Federal Farm Credit Bank	8,930,610	-	8,930,610	-	0.97%	1277
Federal Home Loan Bank	68,960,310	-	68,960,310	-	7.46%	194
Federal Home Loan Mortgage Corp.	81,765,900	-	81,765,900	-	8.85%	530
Fannie Mae	49,887,900	-	49,887,900	-	5.40%	1116
<b>U.S. Treasury Note</b>	318,695,780	318,695,780	-	-	34.49%	108
<b>Total Value</b>	<b>\$ 924,136,656</b>	<b>\$ 318,695,780</b>	<b>\$ 209,544,720</b>	<b>\$ -</b>		
<b>Portfolio Weighted Average Maturity</b>						109

*Investment Pools* are exempt for level reporting.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 3. CASH AND INVESTMENTS – CONTINUED**

*U.S. Government Agency Securities* classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

*U.S. Treasury Notes* classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

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

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

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

*Concentration of credit risk* is the risk associated with holding investments that are not pools and full faith credit securities in excess of 5% of the total portfolio. The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. At September 30, 2017, investments other than external investment pools that represent 5% or more of the District's investments are as follows:

Issue	Investment Type	Reported Amount
FHLB	Federal agency notes	\$ 68,960,310
FHLMC	Federal agency notes	81,765,900
FNMA	Federal agency notes	49,887,900
T-NOTE	T-Note	318,695,780

The District held a total of \$528,240,500 in securities that equated to 56.8% of the total investment portfolio.

*Interest rate risk* is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. There is no formal policy relating to interest rate risk. However, the District manages its exposure to interest rate risk by investing in investment pools which purchase a combination of short term investments with an average maturity of less than 60 days, thus reducing the interest rate risk. The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. At September 30, 2017, \$92,701,650 of the District's portfolio had a weighted average maturity of greater than one year.

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

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 3. CASH AND INVESTMENTS – CONTINUED**

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

	Water System	Regional Wastewater System	Sewer System	Solid Waste System	Interceptor System	Total
Investment income:						
Interest	\$ 5,583,470	\$ 1,566,646	\$ 631,041	\$ 238,607	\$ 737,515	\$ 8,757,279
Net changes in the fair value of investments	(515,599)	(102,441)	(85,796)	(17,334)	(54,555)	(775,725)
Investment income	<u>\$ 5,067,871</u>	<u>\$ 1,464,205</u>	<u>\$ 545,245</u>	<u>\$ 221,273</u>	<u>\$ 682,960</u>	<u>\$ 7,981,554</u>

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

**C. Summary of Cash and Investments**

The following is a summary of cash and investments at September 30, 2017:

	Water System	Regional Wastewater System	Sewer System	Solid Waste System	Interceptor System	Total
Unrestricted						
Cash and cash equivalents	\$ 78,913,780	\$ 4,215,513	\$ 3,482,192	\$ 8,971,172	\$ 4,448,518	\$ 100,031,175
Investments	68,937,490	-	-	-	-	68,937,490
Total unrestricted	<u>147,851,270</u>	<u>4,215,513</u>	<u>3,482,192</u>	<u>8,971,172</u>	<u>4,448,518</u>	<u>168,968,665</u>
Restricted						
Cash and cash equivalents	144,927,151	77,883,571	27,097,107	12,545,939	38,645,933	301,099,701
Investments	272,830,418	114,695,429	17,649,559	3,291,133	50,836,471	459,303,010
Total restricted	<u>417,757,569</u>	<u>192,579,000</u>	<u>44,746,666</u>	<u>15,837,072</u>	<u>89,482,404</u>	<u>760,402,711</u>
Total	<u>\$ 565,608,839</u>	<u>\$ 196,794,513</u>	<u>\$ 48,228,858</u>	<u>\$ 24,808,244</u>	<u>\$ 93,930,922</u>	<u>\$ 929,371,376</u>

Capital Improvement Funds in the amounts of \$116,908,640 in the Water System, \$639,939 in the Regional Wastewater System, \$138,667 in the Sewer System, \$6,429,605 in the Solid Waste System and \$1,700,589 in the Interceptor System are included in Unrestricted Cash and Investments. Please refer to Note 11 for commitments under construction contracts.



**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 3. CASH AND INVESTMENTS – CONTINUED**

At September 30, 2017, the District had the following deposits and investments:

	Credit Quality Ratings	Fair Value	Weighted Average Maturity
<u>Unrestricted Cash and Investments</u>			
Cash and cash equivalents:			
Deposits with a financial institution	Not Rated	\$ 5,232,720	n/a
Cash on hand	Not Rated	2,000	n/a
TexPool	AAAm	18,968,223	30 Days
LOGIC	AAAm	<u>75,828,232</u>	43 Days
Total cash and cash equivalents		<u>100,031,175</u>	
Investments—Securities of U.S. Government Agencies:			
Treasury Note - US Treasuries	N/A	49,957,340	94 Days
FHLMC - Federal Home Loan Mortgage Corp Agency Note	Aaa	3,988,960	191 Days
FHLB - Federal Home Loan Bank Agency Note	Aaa	<u>14,991,190</u>	160 Days
Total Securities of U.S. Government Agencies		<u>68,937,490</u>	
Total Unrestricted Investments and Cash Equivalents		<u>168,968,665</u>	
<u>Restricted Cash and Investments</u>			
Cash and Cash Equivalents			
Deposits with a financial institution	Not Rated	-	n/a
TexPool	AAAm	36,078,908	30 Days
LOGIC	AAAm	<u>265,020,793</u>	43 Days
Total cash and cash equivalents		<u>301,099,701</u>	
Investments—Securities of U.S. Government Agencies:			
FHLB - Federal Home Loan Bank Agency Note	Aaa	53,969,120	204 Days
FFCB - Federal Form Credit Bank	Aaa	8,930,610	1277 Days
Treasury Note - US Treasuries	Aaa	268,738,440	111 Days
FNMA - Fannie Mae	Aaa	49,887,900	1116 Days
FHLMC - Federal Home Loan Mortgage Corp Agency Note	Aaa	<u>77,776,940</u>	548 Days
Total Securities of U.S. Government Agencies		<u>459,303,010</u>	
Total Restricted Investments and Cash Equivalents		<u>760,402,711</u>	
Total Cash and Investments		<u><u>\$ 929,371,376</u></u>	

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 4. CAPITAL ASSETS**

A summary of changes in capital assets follows:

	Balance at October 1, 2016	Additions and Transfers	Disposals and Transfers	Balance at September 30, 2017
<b>Nondepreciable:</b>				
Land	\$ 71,771,379	\$ 239,043	\$ 318,010	\$ 71,692,412
Easements	58,131,259	4,263,655	-	62,394,914
Construction in progress	494,616,024	285,463,025	269,845,418	510,233,631
<b>Total nondepreciable assets</b>	<b>624,518,662</b>	<b>289,965,723</b>	<b>270,163,428</b>	<b>644,320,957</b>
<b>Depreciable:</b>				
Land improvements	7,968,994	133,487	-	8,102,481
Water treatment, storage and transmission facilities	1,302,394,239	209,352,583	1,219,843	1,510,526,979
Wastewater treatment and disposal facilities	674,358,375	27,309,764	-	701,668,139
Solid waste transfer and disposal facilities	68,187,078	775,271	-	68,962,349
Reservoir facilities and water rights	376,541,066	-	-	376,541,066
Buildings	48,093,881	20,829,226	-	68,923,107
Automobiles and trucks	14,923,354	1,819,971	1,824,134	14,919,191
Office furniture and fixtures	1,036,269	26,912	-	1,063,181
Other equipment	52,313,383	6,229,767	1,286,934	57,256,216
<b>Total depreciable assets</b>	<b>2,545,816,639</b>	<b>266,476,981</b>	<b>4,330,911</b>	<b>2,807,962,709</b>
<b>Less accumulated depreciation on:</b>				
Land improvements	(4,711,111)	(278,257)	-	(4,989,368)
Water treatment, storage and transmission facilities	(293,141,273)	(30,219,451)	-	(323,360,724)
Wastewater treatment and disposal facilities	(187,259,370)	(16,726,117)	-	(203,985,487)
Solid waste transfer and disposal facilities	(33,904,879)	(1,067,689)	-	(34,972,568)
Reservoir facilities and water rights	(88,156,052)	(7,539,355)	-	(95,695,407)
Buildings	(11,166,153)	(1,279,012)	-	(12,445,165)
Automobiles and trucks	(10,391,751)	(1,755,143)	(1,735,810)	(10,411,084)
Office furniture and fixtures	(356,955)	(102,235)	-	(459,190)
Other equipment	(30,285,413)	(4,793,444)	(1,260,283)	(33,818,575)
<b>Total accumulated depreciation</b>	<b>(659,372,957)</b>	<b>(63,760,705)</b>	<b>(2,996,093)</b>	<b>(720,137,568)</b>
<b>Total depreciable assets—net</b>	<b>1,886,443,682</b>	<b>202,716,276</b>	<b>1,334,818</b>	<b>2,087,825,141</b>
<b>TOTAL CAPITAL ASSETS—Net</b>	<b>\$ 2,510,962,344</b>	<b>\$ 492,681,999</b>	<b>\$ 271,498,246</b>	<b>\$ 2,732,146,098</b>

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

At September 30, 2017, accounts payable and accrued liabilities consisted of the following:

	Water System	Regional Wastewater System	Sewer System	Solid Waste System	Interceptor System	Total
Payable to vendors/contractors	\$ 34,384,228	\$ 8,764,666	\$ 8,106,303	\$ 4,003,214	\$ 5,368,247	\$ 60,626,658
Insurance claims liability	1,764,616	-	-	-	-	1,764,616
Payable to cities	-	1,531,129	799,938	4,552,806	1,318,048	8,201,921
Compensated absences	2,451,209	666,673	285,733	617,271	56,284	4,077,170
Accrued payroll and related benefits	1,889,012	532,660	232,879	685,199	74,187	3,413,937
<b>Total</b>	<b>\$ 40,489,065</b>	<b>\$ 11,495,128</b>	<b>\$ 9,424,853</b>	<b>\$ 9,858,490</b>	<b>\$ 6,816,766</b>	<b>\$ 78,084,302</b>
Payable from unrestricted assets	\$ 19,783,380	\$ 3,573,569	\$ 2,348,284	\$ 2,632,054	\$ 2,729,131	\$ 31,066,418
Payable from restricted assets	20,705,685	7,921,559	7,076,569	7,226,436	4,087,635	47,017,884
<b>Total</b>	<b>\$ 40,489,065</b>	<b>\$ 11,495,128</b>	<b>\$ 9,424,853</b>	<b>\$ 9,858,490</b>	<b>\$ 6,816,766</b>	<b>\$ 78,084,302</b>

**NOTE 6. INTERFUND BALANCES**

At September 30, 2017, interfund balances consisted of the following:

	Due From Other Funds	Due to Other Funds
Water System	\$ 336,234	\$ 134,050
Regional Wastewater System	39,162	326,763
Sewer System	30,707	196,913
Solid Waste System	321,945	13,699
Interceptor System	12,934	69,557
<b>Total</b>	<b>\$ 740,982</b>	<b>\$ 740,982</b>

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

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 7. DEFERRED OUTFLOWS OF RESOURCES**

At September 30, 2017, deferred outflows of resources consisted of the following:

	Balance at October 1, 2016	Additions	Deletions	Balance at September 30, 2017
<b>Water System:</b>				
Deferred loss on refunded debt	\$ 17,420,595	\$ 6,247,229	\$ (2,091,512)	\$ 21,576,312
Deferred pension outflow	9,304,772	-	(1,525,779)	7,778,993
Deferred OPEB outflow	-	58,865	-	58,865
	<u>26,725,367</u>	<u>6,306,094</u>	<u>(3,617,291)</u>	<u>29,414,170</u>
<b>Regional Wastewater:</b>				
Deferred loss on refunded debt	3,057,759	-	(343,013)	2,714,746
Deferred pension outflow	2,509,378	-	(334,519)	2,174,859
Deferred OPEB outflow	-	13,950	-	13,950
	<u>5,567,137</u>	<u>13,950</u>	<u>(677,532)</u>	<u>4,903,555</u>
<b>Sewer System:</b>				
Deferred loss on refunded debt	2,109,084	-	(242,058)	1,867,026
Deferred pension outflow	899,229	-	(119,579)	779,650
Deferred OPEB outflow	-	6,721	-	6,721
	<u>3,008,313</u>	<u>6,721</u>	<u>(361,637)</u>	<u>2,653,397</u>
<b>Solid Waste System:</b>				
Deferred loss on refunded debt	1,036,959	1,529,231	(240,820)	2,325,370
Deferred pension outflow	2,355,813	-	(333,294)	2,022,519
Deferred OPEB outflow	-	11,308	-	11,308
	<u>3,392,772</u>	<u>1,540,539</u>	<u>(574,114)</u>	<u>4,359,197</u>
<b>Interceptor System:</b>				
Deferred loss on refunded debt	2,176,302	-	(224,548)	1,951,754
Deferred pension outflow	211,432	-	(27,376)	184,056
Deferred OPEB outflow	-	2,222	-	2,222
	<u>2,387,734</u>	<u>2,222</u>	<u>(251,924)</u>	<u>2,138,032</u>
<b>Total</b>	<b>\$ 41,081,323</b>	<b>\$ 7,869,526</b>	<b>\$ (5,482,498)</b>	<b>\$ 43,468,351</b>

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 8. LONG-TERM DEBT**

Long-term debt consists of the following at September 30, 2017:

	Balance at October 1, 2016	Issued	Retired or Refunded	Balance at September 30, 2017	Amounts due Within One Year
<b>Water System:</b>					
Water revenue bonds 03/17-09/46, .854-6.123%	\$ 1,147,775,000	\$ 330,560,000	\$ 140,460,000	\$ 1,337,875,000	\$ 48,025,000
U.S. govt contracts payable, 11/16-10/51, 3.225-3.253%	31,049,381	-	1,452,271	29,597,110	1,499,187
	<u>1,178,824,381</u>	<u>330,560,000</u>	<u>141,912,271</u>	<u>1,367,472,110</u>	<u>49,524,187</u>
<b>Regional Wastewater:</b>					
Wastewater revenue bonds, 12/16-06/46, 2.00-5.00%	222,355,000	74,940,000	14,165,000	283,130,000	13,410,000
<b>Sewer System:</b>					
Rockwall contract revenue bonds, 12/16-06/28, 5.25-5.75%	2,115,000	-	130,000	1,985,000	135,000
Mustang Creek Interceptor System revenue bonds, 12/16-06/42, 3.00-6.00%	9,835,000	-	190,000	9,645,000	200,000
Rockwall-Heath contract revenue bonds 12/16-06/25, 3.85-4.25%	1,690,000	-	155,000	1,535,000	160,000
Terrell contract revenue bonds 12/16-06/35, 2.00-5.00%	10,000,000	-	375,000	9,625,000	385,000
Plano contract revenue bonds, 12/16-06/18, 3.50-3.641%	1,015,000	-	800,000	215,000	215,000
Stewart Creek contract revenue bonds, 12/16-06/35, 1.580-5.00%	64,080,000	-	2,695,000	61,385,000	2,800,000
Little Elm contract revenue bonds, 12/16-06/23, 1.25-2.00%	2,580,000	-	335,000	2,245,000	350,000
Parker Creek Interceptor System, revenue bonds, 12/16-06/23, 4.850-5.125%	1,270,000	-	155,000	1,115,000	165,000
Sabine Creek Interceptor System revenue bonds, 12/16-6/23, 4.850-5.125%	1,025,000	-	125,000	900,000	130,000
Sabine Creek Wastewater System revenue bonds, 12/16-6/36, 2.00-4.00%	4,380,000	11,120,000	870,000	14,630,000	1,005,000
Muddy Creek Wastewater System revenue bonds 12/16-06/26, 2.00-5.00%	12,685,000	-	1,385,000	11,300,000	1,440,000
Muddy Creek Interceptor revenue bonds 12/16-06/24, 3.00-4.00%	1,765,000	-	190,000	1,575,000	200,000
Buffalo Creek Interceptor revenue bonds 12/16-06/27, 3.00-5.00%	10,375,000	-	1,010,000	9,365,000	1,060,000
Rockwall Water Pumping Facilities bonds 12/16-06/26, 4.50-4.60%	1,330,000	-	105,000	1,225,000	110,000
Panther Creek Wastewater System bonds 12/16-06/29, 3.00-5.00%	34,840,000	-	2,515,000	32,325,000	2,595,000
Lower East Fork Interceptor bonds 12/16-06/26, 3.50-5.00%	10,680,000	-	895,000	9,785,000	925,000
Parker Creek Parallel Interceptor bonds 12/16-06/36, 2.00-3.00%	3,045,000	-	140,000	2,905,000	105,000
	<u>172,710,000</u>	<u>11,120,000</u>	<u>12,070,000</u>	<u>171,760,000</u>	<u>11,980,000</u>
Solid Waste System--revenue bonds, 03/17-09/36, 3.125-5.00%	45,315,000	19,050,000	16,245,000	48,120,000	3,730,000
Interceptor System--revenue bonds, 12/16-06/46, 3.00-6.25%	168,605,000	37,315,000	10,645,000	195,275,000	11,365,000
<b>Total</b>	<u>\$ 1,787,809,381</u>	<u>\$ 472,985,000</u>	<u>\$ 195,037,271</u>	<u>\$ 2,065,757,110</u>	<u>\$ 90,009,187</u>

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 8. LONG-TERM DEBT – CONTINUED**

In the Statement of Net Position, the long-term liabilities include premiums net of discounts of \$138,061,934 in the Water System, \$26,052,564 in the Regional Wastewater System, \$9,298,981 in the Sewer System, \$4,096,905 in the Solid Waste System and \$18,205,336 in the Interceptor System.

Other long term debt activity for the year ended September 30, 2017, was as follows:

	Balance at October 1, 2016	Additions	Deletions	Balance at September 30, 2017
Water System				
Premiums	\$ 101,573,702	\$ 50,464,644	\$ (13,976,412)	\$ 138,061,934
	<u>101,573,702</u>	<u>50,464,644</u>	<u>(13,976,412)</u>	<u>138,061,934</u>
Regional Wastewater				
Premiums	20,282,702	7,713,653	(1,943,791)	26,052,564
	<u>20,282,702</u>	<u>7,713,653</u>	<u>(1,943,791)</u>	<u>26,052,564</u>
Sewer System				
Premiums	10,381,034	451,529	(1,431,197)	9,401,366
Discounts	(118,058)	-	15,673	(102,385)
	<u>10,262,976</u>	<u>451,529</u>	<u>(1,415,524)</u>	<u>9,298,981</u>
Solid Waste System				
Premiums	2,026,332	2,595,346	(524,773)	4,096,905
Discounts	(82,371)	-	82,371	-
	<u>1,943,961</u>	<u>2,595,346</u>	<u>(442,402)</u>	<u>4,096,905</u>
Interceptor System				
Premiums	16,166,539	3,897,973	(1,859,176)	18,205,336
	<u>16,166,539</u>	<u>3,897,973</u>	<u>(1,859,176)</u>	<u>18,205,336</u>
Total	<u>\$ 150,229,880</u>	<u>\$ 65,123,145</u>	<u>\$ (19,637,305)</u>	<u>\$ 195,715,720</u>

Revenue bonds outstanding at September 30, 2017, are secured as follows:

- *Water Revenue Bonds*—Assignment of the gross revenues to be derived from the operation of the District’s Water System.
- *Regional Wastewater Revenue Bonds*—Assignment of the gross revenues to be derived from the operation of the District’s Regional Wastewater System and payments made to the District from the Cities of Plano, Mesquite, McKinney, Forney, Allen, Frisco, Princeton, Prosper, Rockwall, Seagoville and Heath, Texas.
- *Rockwall Contract Revenue Bonds*—Assignment of the gross revenues to be derived from the operation of the District’s sewage disposal system serving the City of Rockwall, Texas.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 8. LONG-TERM DEBT – CONTINUED**

- *Plano Contract Revenue Bonds*— Payments made to the District by the City of Plano, Texas.
- *Stewart Creek Contract Revenue Bonds*—Assignment of the gross revenues to be derived from the operation of the Stewart Creek Wastewater System and payments made to the District by the City of Frisco, Texas.
- *Little Elm Contract Revenue Bonds*—Payments made to the District by the Town of Little Elm, Texas.
- *Parker Creek Interceptor System*—Assignment of the gross revenues to be derived from the operation of the Parker Creek Interceptor System and payments made to the District by the Cities of Fate and Royse City, Texas.
- *Sabine Creek Interceptor System*—Assignment of the gross revenues to be derived from the operation of the Sabine Creek Interceptor System and payments made to the District by the City of Royse City, Texas.
- *Sabine Creek Wastewater System*—Assignment of the gross revenues to be derived from the operation of the Sabine Creek Wastewater System and payments made to the District by the City of Fate and the City of Royse City, Texas.
- *Muddy Creek Wastewater System*—Assignment of the gross revenues to be derived from the operation of the Muddy Creek Wastewater System and payments made to the District by the Cities of Murphy and Wylie, Texas.
- *Muddy Creek Interceptor System*—Assignment of the gross revenues to be derived from the operation of the Muddy Creek Interceptor System and payments made to the District by the Cities of Murphy and Wylie, Texas.
- *Buffalo Creek Interceptor System*—Assignment of the gross revenues to be derived from the operation of the Buffalo Creek Interceptor System and payments made to the District by the Cities of Forney, Heath and Rockwall, Texas.
- *Rockwall/Heath Water Storage Facilities*—Payments to be made to the District by the Cities of Rockwall and Heath, Texas.
- *Terrell Water Transmission Facilities*—Payments to be made to the District by the City of Terrell, Texas.
- *Rockwall Water Pumping Facilities*—Payments to be made to the District by the City of Rockwall, Texas.
- *Panther Creek Wastewater System*—Assignment of the gross revenues to be derived from the operation of the Panther Creek Wastewater System and payments made to the District by the City of Frisco, Texas.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 8. LONG-TERM DEBT – CONTINUED**

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

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

The Water Fund's long-term debt payable to the U.S. government is pursuant to contracts covering the Chapman and Lavon Reservoirs.

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

During the year, the District issued revenue bonds in the amounts of \$247,445,000 primarily for construction of the Wylie Water Treatment Plant expansion, construction of the Trinity River Main Stem Pump Station and Pipeline and other system improvements, \$74,940,000 in the Wastewater System primarily for the Wilson Creek Wastewater Treatment Plant expansion, \$11,120,000 in the Sewer System primarily for the expansion of the Sabine Creek Regional Wastewater Treatment Plant, \$7,040,000 in the Solid Waste System primarily for construction of the 121 Regional Disposal Facility improvements and \$37,315,000 in the Interceptor System primarily for system improvements. The District also issued revenue refunding bonds in the amounts of \$83,115,000 in the Water System and \$12,010,000 in the Solid Waste System.



**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 8. LONG-TERM DEBT – CONTINUED**

During the year, the District issued revenue refunding bonds in the amounts of \$83,115,000 in the Water System to refund a portion of the District’s outstanding debt. The net proceeds of the refunding of \$98,818,916 were deposited with an escrow agent to purchase direct obligations of the United States. As a result of the current refunding, the District decreased its aggregate debt service payment to maturity by \$17,670,502 and realized an economic gain (difference between the present value of debt service payments of the old debt and the new debt) of \$12,769,550.

During the year, the District issued revenue refunding bonds in the amounts of \$12,010,000 in the Solid Waste System to refund a portion of the District’s outstanding debt. The net proceeds of the refunding of \$13,864,776 were deposited with an escrow agent to purchase direct obligations of the United States. As a result of the current refunding, the District decreased its aggregate debt service payment to maturity by \$959,017 and realized an economic gain (difference between the present value of debt service payments of the old debt and the new debt) of \$807,161.

At September 30, 2017, defeased bonds outstanding totaled \$158,000,000.

For current and advance refunding resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. At September 30, 2017, the amount of the unamortized deferred amount on refundings is \$30,435,208.

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

	Water System			Regional Wastewater System		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 48,025,000	\$ 63,736,892	\$ 111,761,892	\$ 13,410,000	\$ 12,172,291	\$ 25,582,291
2019	50,965,000	61,604,329	112,569,329	12,585,000	11,557,791	24,142,791
2020	53,150,000	59,295,877	112,445,877	13,130,000	10,986,991	24,116,991
2021	54,605,000	56,740,712	111,345,712	13,675,000	10,391,441	24,066,441
2022	54,000,000	54,084,448	108,084,448	14,260,000	9,768,923	24,028,923
2023-2027	299,805,000	228,320,251	528,125,251	59,740,000	40,304,723	100,044,723
2028-2032	346,390,000	153,263,638	499,653,638	45,285,000	27,511,663	72,796,663
2033-2037	235,650,000	76,652,025	312,302,025	33,895,000	19,387,781	53,282,781
2038-2042	127,160,000	28,354,155	155,514,155	40,480,000	11,925,475	52,405,475
2043-2046	68,125,000	6,374,600	74,499,600	36,670,000	3,285,600	39,955,600
	<u>\$ 1,337,875,000</u>	<u>\$ 788,426,927</u>	<u>\$ 2,126,301,927</u>	<u>\$ 283,130,000</u>	<u>\$ 157,292,679</u>	<u>\$ 440,422,679</u>

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 8. LONG-TERM DEBT – CONTINUED**

	Sewer System			Solid Waste System		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 11,980,000	\$ 6,929,664	\$ 18,909,664	\$ 3,730,000	\$ 2,047,369	\$ 5,777,369
2019	12,190,000	6,474,226	18,664,226	3,885,000	1,871,369	5,756,369
2020	12,160,000	5,961,604	18,121,604	3,970,000	1,718,994	5,688,994
2021	12,680,000	5,502,795	18,182,795	4,125,000	1,542,294	5,667,294
2022	13,210,000	4,944,959	18,154,959	4,280,000	1,371,843	5,651,843
2023-2027	53,700,000	16,352,588	70,052,588	15,685,000	4,362,469	20,047,469
2028-2032	30,980,000	7,852,650	38,832,650	7,695,000	1,499,925	9,194,925
2033-2037	21,900,000	2,340,413	24,240,413	4,750,000	367,800	5,117,800
2038-2042	2,960,000	331,563	3,291,563	-	-	-
2043-2046	-	-	-	-	-	-
	<u>\$ 171,760,000</u>	<u>\$ 56,690,462</u>	<u>\$ 228,450,462</u>	<u>\$ 48,120,000</u>	<u>\$ 14,782,063</u>	<u>\$ 62,902,063</u>

	Interceptor System			Total All Systems		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 11,365,000	\$ 8,609,124	\$ 19,974,124	\$ 88,510,000	\$ 93,495,340	\$ 182,005,340
2019	10,440,000	8,035,311	18,475,311	90,065,000	89,543,026	179,608,026
2020	10,895,000	7,519,074	18,414,074	93,305,000	85,482,540	178,787,540
2021	11,375,000	6,949,574	18,324,574	96,460,000	81,126,816	177,586,816
2022	11,875,000	6,354,699	18,229,699	97,625,000	76,524,872	174,149,872
2023-2027	61,895,000	22,975,356	84,870,356	490,825,000	312,315,387	803,140,387
2028-2032	47,515,000	10,205,644	57,720,644	477,865,000	200,333,520	678,198,520
2033-2037	20,470,000	3,349,840	23,819,840	316,665,000	102,097,859	418,762,859
2038-2042	4,835,000	1,138,200	5,973,200	175,435,000	41,749,393	217,184,393
2043-2046	4,610,000	352,500	4,962,500	109,405,000	10,012,700	119,417,700
	<u>\$ 195,275,000</u>	<u>\$ 75,489,322</u>	<u>\$ 270,764,322</u>	<u>\$ 2,036,160,000</u>	<u>\$ 1,092,681,453</u>	<u>\$ 3,128,841,453</u>

Annual requirements to amortize contracts payable, including interest, are:

	Water System		
	Principal	Interest	Total
2018	\$ 1,499,187	\$ 959,414	\$ 2,458,601
2019	1,547,616	910,983	2,458,599
2020	1,597,613	860,987	2,458,600
2021	1,649,224	809,377	2,458,601
2022	1,702,502	756,099	2,458,601
2023-2027	7,485,972	2,949,055	10,435,027
2028-2032	2,161,740	2,159,662	4,321,402
2033-2037	2,536,978	1,784,423	4,321,401
2038-2042	2,977,352	1,344,049	4,321,401
2043-2047	3,494,166	827,235	4,321,401
2048-2051	2,944,760	234,420	3,179,180
	<u>\$ 29,597,110</u>	<u>\$ 13,595,704</u>	<u>\$ 43,192,814</u>

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 9. DEFERRED INFLOWS OF RESOURCES**

At September 30, 2017, deferred inflows of resources consisted of the following:

	Balance at October 1, 2016	Additions	Deletions	Balance at September 30, 2017
Water System:				
Deferred insurance proceeds	\$ 1,289,915	\$ -	\$ (277,619)	\$ 1,012,296
Deferred pension inflow	5,333,791	771,709	-	6,105,500
Deferred OPEB inflow	-	786,362	-	786,362
	<u>6,623,706</u>	<u>1,558,071</u>	<u>(277,619)</u>	<u>7,904,158</u>
Regional Wastewater:				
Deferred pension inflow	1,462,272	169,194	-	1,631,466
Deferred OPEB inflow	-	186,341	-	186,341
	<u>1,462,272</u>	<u>355,535</u>	<u>-</u>	<u>1,817,807</u>
Sewer System:				
Deferred pension inflow	532,671	60,484	-	593,155
Deferred OPEB inflow	-	89,800	-	89,800
	<u>532,671</u>	<u>150,284</u>	<u>-</u>	<u>682,955</u>
Solid Waste System:				
Deferred pension inflow	1,309,634	168,572	-	1,478,206
Deferred OPEB inflow	-	151,066	-	151,066
	<u>1,309,634</u>	<u>319,638</u>	<u>-</u>	<u>1,629,272</u>
Interceptor System:				
Deferred pension inflow	136,273	13,846	-	150,119
Deferred OPEB inflow	-	29,677	-	29,677
	<u>136,273</u>	<u>43,523</u>	<u>-</u>	<u>179,796</u>
Total	<u>\$ 10,064,556</u>	<u>\$ 2,427,051</u>	<u>\$ (277,619)</u>	<u>\$ 12,213,988</u>

The Water Fund has an additional deferred inflow that represents an acquisition of net position that applies to a future period. The \$1,012,296 represents the unspent portion of the advance funds the District received from the insurance company for the hail damage repairs during the prior fiscal year.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 10. RETIREMENT PLAN**

**Plan Description**

The District provides a Retirement Plan for Employees of North Texas Municipal Water District (the Plan), a single employer defined benefit pension plan, for all of its eligible full-time employees through an AETNA Life Insurance Company group pension defined benefit fund contract. The Plan is administered by the District's Executive Director/General Manager. The Plan does not issue separate financial statements. All employees who have two years of continuous service and have reached 21 years of age are eligible to participate in the Plan.

**Benefits Provided**

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

- *Normal Retirement (age 65)*—3% of earnings plus 1% of earnings in excess of covered compensation while an active member.
- *Early Retirement (over age 55 with at least 20 years of service)*—The annual accrued benefit equals the accrued benefit based on service to the early retirement date, reduced by 5% for each year a member retires before the normal retirement date. There is no reduction in benefits for a member who retires whose age plus years of service total at least 85.
- *Late Retirement (after normal retirement date)*—The benefit accrued to the late retirement date.
- *Disability (certified to be permanently and totally disabled on or after May 1, 1990)*—60% of final average monthly compensation reduced by 64% of Social Security disability.

**Employees Covered by Benefit Terms**

As of January 1, 2017, the participants comprised the following:

Active participants	538
Terminated vested participants	72
Disabled Participants	4
Retired participants	108
Beneficiaries	14
Total number of participants	<u>736</u>

The Plan's assets are invested in pooled mutual and commingled funds and are stated at fair value as determined by the Plan's custodian.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 10. RETIREMENT PLAN – CONTINUED**

**Contributions**

The District’s annual minimum contribution is actuarially calculated based on the amount required to prevent the unfunded liability from increasing. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the actuarial accrued liability as set forth above. The unfunded actuarial accrued liability is amortized over a closed period of 30 years. Employees make no contributions to the Plan.

For the plan years ended December 31, 2016, 2015, and 2014, the District made contributions of \$5,957,000, \$4,999,000, and \$5,595,000, respectively which represent 18.7%, 16.6% and 21.0%, respectively of annual covered payroll. These contributions were based on actuarially determined contribution requirements through an actuarial valuation performed at January 1, 2017, 2016, and 2015.

**Actuarial Assumptions**

Valuation date	January 1, 2016	January 1, 2017
Measurement date	December 31, 2015	December 31, 2016
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation	2.25%	2.25%
Salary increases including inflation	4.00%	4.00%
Mortality	SOA RP-2014 adjusted to 2006 mortality tables (blue collar) and MP 2015 mortality improvement scales	SOA RP-2014 adjusted to 2006 mortality tables (blue collar) and MP 2016 mortality improvement scales

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 10. RETIREMENT PLAN – CONTINUED**

**Discount Rate**

	December 31, 2015	December 31, 2016
Discount rate	8.00%	8.00%
Long-term expected rate of return, net of investment expense	8.00%	8.00%

The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

*Long-Term Expected Rate of Return*

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of December 31, 2016.

Asset Class	Index	Target Allocation*	Long-Term	Long-Term
			Expected Arithmetic Real Rate of Return	Expected Geometric Real Rate of Return
US Cash	BAML 3-Mon Tbill	1.00%	2.91%	2.89%
US Short Bonds	Barclays 1-3 Yr Gvt/Credit	6.00%	3.98%	9.95%
US Long Bonds	Barclays LT Gvt/Credit	7.00%	5.96%	5.49%
US Credit Bonds	Barclays Credit	6.00%	5.77%	5.58%
US Large Caps	S&P 500	20.00%	7.18%	6.00%
US Small Caps	Russell 2000	30.00%	8.42%	6.50%
US Large Growth	Russell 1000 Growth	10.00%	7.91%	6.40%
US Large Value	Russell 1000 Value	10.00%	7.05%	5.85%
US Mid Cap Growth	Russell MidCap Growth	10.00%	8.64%	6.35%
Assumed Inflation - Mean			2.30%	2.30%
Assumed Inflation - Standard Deviation			1.89%	1.89%
Portfolio Real Mean Return			4.95%	3.91%
Portfolio Nominal Mean Return			7.26%	6.30%
Portfolio Standard Deviation				14.59%
<b>Long-Term Expected Rate of Return</b>				<b>8.00%</b>

\* As outlined in the Plan's investment policy dated December 31, 2015.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 10. RETIREMENT PLAN – CONTINUED**

*Sensitivity Analysis*

The following presents the net pension liability of the NTMWD, calculated using the discount rate of 8.00%, as well as what the NTMWD's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	7.00%	8.00%	9.00%
Total pension liability	\$ 108,317,370	\$ 94,534,046	\$ 83,165,931
Fiduciary net position	70,826,509	70,826,509	70,826,509
Net pension liability	37,490,861	23,707,537	12,339,422

**Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions**

For the year ended September 30, 2017, the District recognized pension expense of \$5,134,469 of which \$3,347,107 was allocated to the Water System, \$733,836 was allocated to the Wastewater System, \$262,327 was allocated to the Sewer System, \$731,144 was allocated to the Solid Waste System, and \$60,055 was allocated to the Interceptor System. The breakdown of the components of pension expense are as follows:

	October 1, 2016 to September 30, 2017
<b>Pension Expense</b>	
Service cost	\$ 2,517,164
Interest on total pension liability	7,642,786
Effect of plan changes	-
Administrative expenses	-
Member contributions	-
Expected investment income (net of expense)	(5,126,585)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(237,068)
Recognition of assumptions changes or inputs	(1,069,061)
Recognition of investment gains or losses	1,407,233
Pension expense	\$ 5,134,469

At September 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ (3,935,632)	\$ 6,184,889
Changes of assumptions	(6,022,814)	-
Net difference between projected and actual earnings	-	4,025,184
Contributions made subsequent to measurement date	-	2,730,004
Total	\$ (9,958,446)	\$ 12,940,077

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 10. RETIREMENT PLAN – CONTINUED**

**Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions – continued**

The net amounts of the employer’s balances of deferred outflows and inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year Ended December 31	
2018	\$ 101,104
2019	411,998
2020	972,449
2021	(301,346)
2022	(269,809)
Thereafter	(662,768)
	<u>\$ 251,627</u>

**Net Pension Liability**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of September 30, 2016	\$ 91,084,923	\$ 62,677,503	\$ 28,407,420
Changes for the year:			
Service cost	2,517,164		2,517,164
Interest on total pension liability	7,642,786		7,642,786
Effect of plan changes	-		-
Effect of economic/demographic gains or losses	(2,503,263)		(2,503,263)
Effect of assumptions changes or inputs	(1,115,300)		(1,115,300)
Benefit payments	(3,092,264)	(3,092,264)	-
Employer contributions		5,957,000	(5,957,000)
Member contributions		-	-
Net investment income		5,284,270	(5,284,270)
Administrative expenses		-	-
Balances as of September 30, 2017	\$ 94,534,046	\$ 70,826,509	\$ 23,707,537

	December 31, 2015	December 31, 2016
Total pension liability	\$ 91,084,923	\$ 94,534,046
Fiduciary net position	62,677,503	70,826,509
Net pension liability	28,407,420	23,707,537
Fiduciary net position as a % of total pension liability	68.81%	74.92%
Covered payroll	30,084,911	31,777,947
Net pension liability as a % of covered payroll	94.42%	74.60%



**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 10. RETIREMENT PLAN – CONTINUED**

The District's total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below. There have been no significant changes between the valuation date and the fiscal year end. Any significant changes during this period must be reflected as prescribed by GASB 67 and 68.

The plan has not had a formal actuarial experience study performed.

*Pension plan fiduciary net position*

	December 31, 2015	December 31, 2016
<b>Assets</b>		
Cash and cash equivalents	\$ 1,858,179	\$ 1,869,341
Receivables and prepaid expenses	-	-
Investments:		
Fixed income	22,457,649	16,038,386
Stocks	38,361,675	52,918,782
Total investments	60,819,324	68,957,168
Total assets	62,677,503	70,826,509
<b>Liabilities</b>		
Total liabilities	-	-
<b>Net position restricted for pensions</b>	<b>\$ 62,677,503</b>	<b>\$ 70,826,509</b>

Investment gains/losses are recognized in pension expense over a period of five years; economic/demographic gains/losses and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Original Amount	Date Established	Original Recognition Period*	Amount Recognized in Expense 9/30/2017	Amount Recognized in Expense through 9/30/2017	Balance of Deferred Inflows as of 9/30/2017	Balance of Deferred Outflows as of 9/30/2017
Economic/ demographic (gains) or losses	\$(2,503,263)	9/30/2017	7.6	\$ (329,377)	\$ (329,377)	\$ (2,173,886)	\$ -
	8,442,147	9/30/2016	7.5	1,128,629	2,257,258	-	6,184,889
	(4,870,706)	9/30/2015	4.7	(1,036,320)	(3,108,960)	(1,761,746)	-
		Total		(237,068)	(1,181,079)	(3,935,632)	6,184,889
Assumption changes or inputs	(1,115,300)	9/30/2017	7.6	(146,750)	(146,750)	(968,550)	-
	(6,898,886)	9/30/2016	7.5	(922,311)	(1,844,622)	(5,054,264)	-
	-	9/30/2015	0.0	-	-	-	-
		Total		(1,069,061)	(1,991,372)	(6,022,814)	-
Investment (gains) or losses	(157,685)	9/30/2017	5.0	(31,537)	(31,537)	(126,148)	-
	6,368,973	9/30/2016	5.0	1,273,795	2,547,590	-	3,821,383
	824,874	9/30/2015	5.0	164,975	494,925	-	329,949
		Total		1,407,233	3,010,978	(126,148)	4,151,332
Total for economic/demographic gains or losses and assumption changes or inputs						(9,958,446)	6,184,889
Net deferred (inflows)/outflows for investment gains or losses						-	4,025,184
Total deferred (inflows)/outflows						(9,958,446)	10,210,073
Total net deferrals							251,627

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 10. RETIREMENT PLAN – CONTINUED**

In addition to this retirement plan, the District provides health and dental care benefits for certain retirees and their spouses up to age 65. The District pays 100 percent of the health and dental care premiums for participants currently eligible for benefits.

For the year ended September 30, 2017, the District contributed \$1,275,000, related to these benefits, of which \$758,930 was allocated to the Water System, \$211,745 was allocated to the Wastewater System, \$78,915 was allocated to the Sewer System, \$208,005 was allocated to the Solid Waste System, and \$17,405 was allocated to the Interceptor System. See Note 14 for additional disclosure information related to the District's post-employment benefits.

**NOTE 11. COMMITMENTS AND CONTINGENCIES**

**Commitments**

Remaining commitments under construction contracts as of September 30, 2017 were as follows:

<b>Payable from:</b>	<b>Unrestricted Capital Improvement Funds</b>	<b>Restricted Bond Funds</b>	<b>Total Commitments</b>
Regional Water System	\$ 97,305,560	\$ 248,820,346	\$ 346,125,906
Regional Wastewater System	-	158,255,141	158,255,141
Regional Sewer System	14,843	17,169,341	17,184,184
Regional Solid Waste System	-	4,557,932	4,557,932
Upper East Fork Interceptor System	153,336	39,505,119	39,658,455
	<b>\$ 97,473,739</b>	<b>\$ 468,307,879</b>	<b>\$ 565,781,618</b>

**Contingencies**

The District is involved in threatened litigation and lawsuits arising in the ordinary course of business, including claims involving contract disputes. In the opinion of the District's management, potential liability in these matters will not have a material impact on the financial statements as of September 30, 2017.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 12. CLOSURE AND POSTCLOSURE CARE COSTS**

State and Federal laws and regulations require the District to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the District accrues a portion of these estimated closure and postclosure care costs in each period based on landfill capacity used as of each balance sheet date. At September 30, 2017, a liability of \$5,522,431 for landfill closure and postclosure care costs has been accrued in the Solid Waste System Fund in the accompanying statement of net position.

Beginning Liability	Additions	Reductions	Ending Liability
\$ 5,233,611	\$ 288,820	\$ -	\$ 5,522,431

The \$5,522,431 reported as landfill closure and postclosure care liability at September 30, 2017, includes \$206,622 for Transfer Stations, \$1,478,703 for the Maxwell Creek Landfill, \$2,756,304 for the McKinney Landfill and \$1,080,802 for the 121 Regional Disposal Facility, which represents the cumulative amount reported to date based on the use of 12.5% of the estimated capacity of the 121 Regional Disposal Facility. The Maxwell Creek Landfill was closed during 2006 and the McKinney Landfill was closed during 2009. The District will recognize the remaining cost of closure and postclosure care of \$7,593,368 for the 121 Regional Disposal Facility as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care at September 30, 2017. Based upon the current utilization of capacity, the remaining expected life of the 121 Regional Disposal Facility is estimated to be 31 years. Actual costs may be higher due to inflation, changes in technology, or changes in laws or regulations.

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

**NOTE 13. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is purchased for fire and extended coverage for the buildings, plants, structures and contents with a \$25,000 deductible per occurrence. Commercial insurance is also provided under a commercial floater policy, which covers the heavy off-road equipment with a \$5,000 deductible per occurrence. The District is a member of a public entity risk pool operating as a common risk management and insurance program for a number of water districts and river authorities within the State of Texas. Coverage provided by the pool consists of workers' compensation, general liability, automobile liability, directors' and officers' liability, and automobile physical damage. Annual premiums are paid to the pool. The pool is self-sustaining through member premiums and the purchase of reinsurance through commercial companies. The amount of settlements did not exceed insurance coverage for the last three fiscal years.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 13. RISK MANAGEMENT – CONTINUED**

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

The liability for insurance claims is based on GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities are based upon the insurance company's figures for the District's liability for termination claims upon the termination of the policy year and the stop loss premium for any claims above the District's liability. Additionally, the liability for unpaid claims includes the effects of specific incremental claims, adjustment expenses, and if probable and material, salvage, and subrogation. The liability is reported with accounts payable and accrued liabilities in the statement of net position. Changes in the employees' health claims liability amount in fiscal September 30, 2017 and 2016 were:

Fiscal Year	Liability Beginning of Year	Claims Incurred and Change in Estimates	Current Year Claim Payments	Liability End of Year
2016	\$ 1,229,805	\$ 10,319,499	\$ 9,965,063	\$ 1,584,241
2017	1,584,241	11,494,502	11,314,127	\$ 1,764,616

**NOTE 14. OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description and Benefits Provided**

The District's defined benefit other postemployment benefits (OPEB) plan provides OPEB in the form of health and dental insurance benefits for certain retirees and their spouses up to age 65 through a single-employer defined medical plan. These benefits are funded 100 percent by the District for the currently eligible retirees and their spouses. A third-party administrator is utilized to provide claims administration and payment of claims. Insurance is purchased to provide specific stop loss and aggregate stop loss protection.

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

**Employees Covered by Benefit Terms**

As of September 30, 2017, the participants comprised the following:

Retirees and beneficiaries currently receiving benefits	46
Inactive employees entitled to but not yet receiving benefits	0
Active members	564
Total number of participants	<u>610</u>

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 14. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED**

**Contributions**

The District's funding policy is established and may be amended by the District's Board of Directors. The District has established an irrevocable trust fund to accumulate assets for payment of future OPEB benefits.

**OPEB Plan Fiduciary Net Position**

	September 30, 2016	September 30, 2017
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 320,667
Receivables and prepaid expenses	-	-
Investments:		
Fixed income	2,165,000	2,623,635
Stocks	3,503,969	3,656,521
Real estate	-	130,041
Alternative investments	-	138,139
Total investments	<u>5,668,969</u>	<u>6,548,336</u>
Total assets	<u>5,668,969</u>	<u>6,869,003</u>
<b>Liabilities</b>		
Total liabilities	-	-
<b>Net position restricted for OPEB</b>	<u>\$ 5,668,969</u>	<u>\$ 6,869,003</u>

**Net OPEB Liability**

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

*Actuarial Methods and Assumptions*

The total OPEB liability in the September 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.30%
Salary increases including inflation	3.00%
Long-Term Expected Rate of Return	7.50%
Healthcare Cost Trend Rates (Medical)	5.0% for 2017, gradually decreasing to an ultimate rate of 4.0% for 2091 and beyond.
Healthcare Cost Trend Rates (Dental)	4.0% for 2017, gradually decreasing to an ultimate rate of 3.0% for 2074 and beyond.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 14. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED**

Mortality rates were based on the adjusted RPH-2014 Blue Collar Mortality Table projected backward to 2006 with Mortality Improvement Scale MP-2017 on a generational basis with healthy annuitant rates after benefit commencement.

The plan has not had a formal actuarial experience study performed.

*Long-Term Expected Rate of Return*

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of June 30, 2017.

Asset Class	Index	Target Allocation*	Long-Term	Long-Term
			Expected Arithmetic Real Rate of Return	Expected Geometric Real Rate of Return
Cash	Citigroup 90-Day T-Bills	4.67%	0.47%	0.46%
Core Fixed Income	Barclays Aggregate	14.13%	2.49%	2.35%
Short-Term Bonds	Citigroup 1-3 Year Gov/Cre	6.68%	1.54%	1.48%
Non-US Fixed Income	JPM GBI Global ex-US	4.89%	0.84%	0.29%
Large Cap US Equities	S&P 500	7.85%	4.57%	3.37%
Broad US Equities	S&P 500	14.61%	4.85%	3.57%
Small Cap US Equities	Russell 2000	6.09%	5.80%	3.86%
Mid Cap US Equities	Russell Microcaps	4.86%	5.09%	3.52%
Developed Foreign Equities	MSCI EAFE NR	13.95%	5.78%	4.15%
Emerging Market Equities	MSCI Emerging Markets	5.86%	8.10%	4.84%
Real Estate (REITS)	FTSE NAREIT Equity REIT	1.89%	5.06%	3.27%
Private Equity	Cambridge Associates	2.01%	8.93%	5.08%
Hedge Funds / Absolute Return	HFRI Fund of Funds	12.51%	4.31%	3.62%
Assumed Inflation - Mean			2.30%	2.30%
Assumed Inflation - Standard Deviation			2.00%	2.00%
Portfolio Real Mean Return			4.17%	3.53%
Portfolio Nominal Mean Return			6.49%	5.91%
Portfolio Standard Deviation			11.30%	11.30%
<b>Long-Term Expected Rate of Return</b>				<b>7.50%</b>

*Discount Rate*

The discount rate used to measure the total OPEB liability was 7.5%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total OPEB liability is equal to the long-term expected rate of return.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 14. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED**

**Changes in the Net OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances on valuation date of October 1, 2016	\$ 10,580,902	\$ 5,668,969	\$ 4,911,933
Changes for the year:			
Service cost	431,946		431,946
Interest on total OPEB liability	825,964		825,964
Effect of plan changes	-		-
Effect of economic/demographic gains or losses	(1,257,910)		(1,257,910)
Effect of assumptions changes or inputs	104,429	-	104,429
Benefit payments	-	-	-
Employer contributions		600,000	(600,000)
Member contributions		-	-
Net investment income		600,034	(600,034)
Administrative expenses		-	-
Balances as of September 30, 2017	\$ 10,685,331	\$ 6,869,003	\$ 3,816,328

*Sensitivity Analysis*

The following presents the net OPEB liability of the District, calculated using the discount rate of 7.5%, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Total OPEB liability	\$ 11,582,852	\$ 10,685,331	\$ 9,887,725
Fiduciary net position	6,869,003	6,869,003	6,869,003
Net OPEB liability	4,713,849	3,816,328	3,018,722

The following presents the net OPEB liability of the District, calculated using the current healthcare cost trend rates, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates.

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 9,771,540	\$ 10,685,331	\$ 11,749,585
Fiduciary net position	6,869,003	6,869,003	6,869,003
Net OPEB liability	2,902,537	3,816,328	4,880,582

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 14. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED**

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

For the year ended September 30, 2017, the District recognized OPEB expense of \$654,575. The breakdown of the components of OPEB expense are as follows:

<b>OPEB Expense</b>	<u>October 1, 2016 to September 30, 2017</u>
Service cost	\$ 431,946
Interest on total OPEB liability	825,964
Effect of plan changes	-
Administrative expenses	-
Member contributions	-
Expected investment income (net of expense)	(447,266)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(136,878)
Recognition of assumptions changes or inputs	11,363
Recognition of investment gains or losses	(30,554)
OPEB expense	<u>\$ 654,575</u>

At September 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ (1,121,032)	\$ -
Changes of assumptions	-	93,066
Net difference between projected and actual earnings	(122,214)	-
Total	<u>\$ (1,243,246)</u>	<u>\$ 93,066</u>

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

<u>Year Ended December 31</u>	
2018	\$ (156,069)
2019	(156,069)
2020	(156,069)
2021	(156,067)
2022	(125,515)
Thereafter	(400,391)
	<u>\$ (1,150,180)</u>



**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 14. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED**

Investment gains/losses are recognized in OPEB expense over a period of five years; economic/demographic gains/losses and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Original Amount	Date Established	Original Recognition Period*	Amount Recognized in 9/30/2017 Expense	Balance of Deferred Inflows 9/30/2017	Balance of Deferred Outflows 9/30/2017
Investment (gains) or losses	\$ (152,768)	9/30/2017	5.0	\$ (30,554)	\$ (122,214)	\$ -
		Total		(30,554)	(122,214)	-
Economic/demographic (gains) or losses	(1,257,910)	9/30/2017	9.2	(136,878)	(1,121,032)	-
		Total		(136,878)	(1,121,032)	-
Assumption changes or inputs	104,429	9/30/2017	9.2	11,363	-	93,066
		Total		11,363	-	93,066

**NOTE 15. PRIOR YEAR RESTATEMENT**

As a result of the implementation of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", an adjustment for a change in accounting principle has been made to record the District's net OPEB liability as of October 1, 2016.

	Regional Water System	Regional Wastewater System	Sewer System	Regional Solid Waste System	Regional Interceptor System	Total
September 30, 2016 net position (as previously stated)	\$ 904,043,074	\$ 107,625,135	\$ 52,481,254	\$ 48,142,777	\$ 97,869,420	\$ 1,210,161,660
Implementation of GASB 75	(3,465,837)	(664,142)	(320,064)	(538,419)	(105,773)	(5,094,235)
September 30, 2016 net position (as restated)	\$ 900,577,237	\$ 106,960,993	\$ 52,161,190	\$ 47,604,358	\$ 97,763,647	\$ 1,205,067,425

**REQUIRED SUPPLEMENTAL INFORMATION**

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

	<b>Fiscal Year Ending September 30,</b>									
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Total Pension Liability</b>										
Service cost	\$2,517	\$3,058	\$2,166	\$2,005	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	7,643	6,614	6,387	5,854	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic gains or (losses)	(2,503)	8,442	(4,871)	1,527	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumptions changes or inputs	(1,115)	(6,899)	0	154	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(3,092)	(2,617)	(2,055)	(1,700)	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	3,450	8,599	1,627	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	91,085	82,486	80,859	73,020	55,436	47,048	39,331	34,596	30,059	26,041
Total pension liability, ending (a)	94,534	91,085	82,486	80,859	73,020	55,436	47,048	39,331	34,596	30,059
<b>Fiduciary Net Position</b>										
Employer contributions	\$5,957	\$4,999	\$5,595	\$4,945	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	5,284	(1,337)	3,689	7,436	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(3,092)	(2,617)	(2,055)	(1,700)	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	0	(195)	(180)	(159)	N/A	N/A	N/A	N/A	N/A	N/A
Net change in fiduciary net position	8,149	850	7,049	10,522	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	62,678	61,828	54,779	44,257	35,949	32,430	27,146	19,735	25,072	21,866
Fiduciary net position, ending (b)	70,827	62,678	61,828	54,779	44,257	35,949	32,430	27,146	19,735	25,072
Net pension liability, ending = (a) - (b)	23,708	28,407	20,658	26,080	28,763	19,487	14,618	12,185	14,861	4,987
Fiduciary net position as a % of total pension liability	74.92%	68.81%	74.96%	67.75%	60.61%	64.85%	68.93%	69.02%	57.04%	83.41%
Covered payroll	\$31,778	\$30,085	\$26,655	\$25,929	\$24,859	\$24,256	\$23,572	\$22,514	\$20,010	\$18,036
Net pension liability as a % of covered payroll	74.60%	94.42%	77.50%	100.58%	115.70%	80.34%	62.02%	54.12%	74.27%	27.65%

**Notes to Schedule:**

*Changes of assumptions.* The mortality assumptions were updated from Projection Scale MP-2015 to Projection Scale MP-2016.

Data prior to 2014 is not available. Additional years' information will be displayed as it becomes available.

**North Texas Municipal Employee Retirement System**  
**Schedule of Employer Contributions**  
**Last 10 Fiscal Years**  
**(Dollar amounts in 1,000s)**

	<b>Fiscal Year Ending September 30,</b>									
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Actuarially Determined Contribution	\$5,034	\$4,600	\$4,386	\$4,504	\$4,555	\$3,841	\$3,291	\$3,333	\$2,157	\$1,847
Actual Employer Contribution	5,957	4,999	5,595	4,945	5,022	3,925	3,345	3,351	2,207	1,981
Contribution Deficiency (Excess)	(923)	(399)	(1,209)	(441)	(467)	(84)	(54)	(18)	(50)	(134)
Covered Payroll	\$31,778	\$30,085	\$26,655	\$25,929	\$24,859	\$24,256	\$23,572	\$22,514	\$20,010	\$18,036
Contributions as a % of Covered Payroll	18.75%	16.62%	20.99%	19.07%	20.20%	16.18%	14.19%	14.88%	11.03%	10.98%

**Schedule of Changes in Net OPEB Liability and Related Ratios**  
**Last 10 Fiscal Years**  
**(Dollar amounts in 1,000s)**

	<b>Fiscal Year Ending September 30,</b>									
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Total OPEB Liability</b>										
Service cost	\$432	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total OPEB liability	827	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes on benefit terms	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic gains or (losses)	(1,258)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumptions changes or inputs	104	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	105	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, beginning	10,581	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, ending (a)	10,685	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Fiduciary Net Position</b>										
Employer contributions	\$600	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net investment income	600	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in fiduciary net position	1,200	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	5,669	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	6,869	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net OPEB liability, ending = (a) - (b)	3,816	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total OPEB liability	64.29%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered payroll (as reported with pension data)	\$31,778	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net OPEB liability as a % of covered payroll	12.01%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Notes to Schedule:**

*Changes of benefit terms.* There were no substantial changes to benefits between 2016 and 2017.  
*Changes of assumptions.* The mortality assumptions were updated to reflect current actuarial standards.  
The actuarial cost method was updated from Unit Credit to Entry Age Normal in accordance with GASB 75.  
Data prior to 2017 is not available. Additional years' information will be displayed as it becomes available.

**North Texas Municipal Employee Other Postemployment Benefits Plan**

**Schedule of NTMWD Contributions**

Last 10 Fiscal Years

(Dollar amounts in 1,000s)

	Fiscal Year Ending September 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially Determined Contribution	\$669	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Actual Employer Contribution	1,297	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution Deficiency (Excess)	(628)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered Payroll	\$31,778	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a % of Covered Payroll	4.08%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Notes to Schedule:**

- Valuation Timing: Actuarial valuations for funding purposes are performed annually as of October 1.
- Actuarial Cost Method: Entry Age Normal
- Amortization Method: N/A
- Asset Valuation Method: Market Value
- Inflation: 2.30%
- Salary Increases: 3.00%
- Discount Rate: 7.50%
- Healthcare Cost Trend Rates (Medical): 5.0% for 2017, gradually decreasing to an ultimate rate of 4.0% for 2091 and beyond
- Healthcare Cost Trend Rates (Dental): 4.7% for 2017, gradually decreasing to an ultimate rate of 3.8% for 2074 and beyond
- Retirement age: Participants are assumed to retire at the earlier of their Normal Retirement Age or the eligibility for unreduced early retirement benefit under the Retirement Plan.
- Mortality: Adjusted RPH-2014 Blue Collar with MP-2017 Projection

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

**SEWER SYSTEM SUPPLEMENTAL SCHEDULES**

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**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SEWER SYSTEM SUPPLEMENTAL  
SCHEDULES OF NET POSITION  
SEPTEMBER 30, 2017**

<b>ASSETS</b>	<b>Little Elm Water Transmission Facilities</b>	<b>Plano Water Transmission Facilities</b>
<b>CURRENT ASSETS:</b>		
Unrestricted assets:		
Cash and cash equivalents	\$ 3,156	\$ 4,084
Accounts receivable	-	-
Due from other funds	-	-
Prepaid expenses	-	-
Unbilled receivable	-	-
<b>Total unrestricted assets</b>	<b>3,156</b>	<b>4,084</b>
Restricted assets:		
Cash and cash equivalents	190,110	307,663
Investments	397,759	-
Interest and accounts receivable	2,686	-
<b>Total restricted assets</b>	<b>590,555</b>	<b>307,663</b>
<b>TOTAL CURRENT ASSETS</b>	<b>593,711</b>	<b>311,747</b>
<b>LONG-TERM ASSETS:</b>		
Nondepreciable:		
Land	-	-
Easements	1,148,575	-
Construction-in-progress	-	-
<b>Total nondepreciable assets</b>	<b>1,148,575</b>	<b>-</b>
Depreciable:		
Land improvements	-	-
Water treatment, storage, and transmission facilities	4,140,774	9,233,771
Wastewater treatment and disposal facilities	-	-
Buildings	-	-
Automobiles and trucks	-	-
Other equipment	-	-
<b>Total depreciable assets</b>	<b>4,140,774</b>	<b>9,233,771</b>
Less accumulated depreciation	(1,026,567)	(3,929,328)
<b>Net capital assets</b>	<b>4,262,782</b>	<b>5,304,443</b>
<b>TOTAL LONG-TERM ASSETS</b>	<b>4,262,782</b>	<b>5,304,443</b>
<b>TOTAL ASSETS</b>	<b>4,856,493</b>	<b>5,616,190</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred loss on refunding	81,914	-
Deferred pension outflow	-	-
Deferred OPEB outflow	-	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>81,914</b>	<b>-</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 4,938,407</b>	<b>\$ 5,616,190</b>

<b>Kaufman 4-1 Water Distribution Facilities</b>	<b>Rockwall-Heath Water Storage Facilities</b>	<b>Terrell Water Transmission Facilities</b>	<b>Rockwall Water Pump Station Facilities</b>	<b>Murphy WWTP/ Interceptor</b>
\$ 27,570	\$ (119)	\$ 636	\$ 59	\$ 71,705
6,787	120	-	-	-
-	-	-	-	-
101	-	-	-	-
-	-	-	-	-
<u>34,458</u>	<u>1</u>	<u>636</u>	<u>59</u>	<u>71,705</u>
54,782	92,191	266,620	79,853	-
-	218,767	745,796	149,159	-
-	1,478	5,037	1,007	-
<u>54,782</u>	<u>312,436</u>	<u>1,017,453</u>	<u>230,019</u>	<u>-</u>
<u>89,240</u>	<u>312,437</u>	<u>1,018,089</u>	<u>230,078</u>	<u>71,705</u>
-	-	-	-	33,018
-	-	-	-	-
-	-	-	-	-
-	-	-	-	<u>33,018</u>
-	-	-	-	-
-	2,600,259	12,039,133	1,932,237	-
-	-	-	-	75,144
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>2,600,259</u>	<u>12,039,133</u>	<u>1,932,237</u>	<u>75,144</u>
<u>-</u>	<u>(533,053)</u>	<u>(2,909,457)</u>	<u>(483,064)</u>	<u>(75,144)</u>
<u>-</u>	<u>2,067,206</u>	<u>9,129,676</u>	<u>1,449,173</u>	<u>33,018</u>
<u>-</u>	<u>2,067,206</u>	<u>9,129,676</u>	<u>1,449,173</u>	<u>33,018</u>
<u>89,240</u>	<u>2,379,643</u>	<u>10,147,765</u>	<u>1,679,251</u>	<u>104,723</u>
-	-	130,266	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>130,266</u>	<u>-</u>	<u>-</u>
<u>\$ 89,240</u>	<u>\$ 2,379,643</u>	<u>\$ 10,278,031</u>	<u>\$ 1,679,251</u>	<u>\$ 104,723</u>

(Continued)

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SEWER SYSTEM SUPPLEMENTAL  
SCHEDULES OF NET POSITION  
SEPTEMBER 30, 2017**

<b>ASSETS</b>	<b>Wylie WWTP</b>	<b>South Rockwall (Buffalo Creek) WWTP</b>
<b>CURRENT ASSETS:</b>		
Unrestricted assets:		
Cash and cash equivalents	\$ 1,823	\$ 433,611
Accounts receivable	-	-
Due from other funds	375	432
Prepaid expenses	15,847	23,352
Unbilled receivable	143	11,507
<b>Total unrestricted assets</b>	<b>18,188</b>	<b>468,902</b>
Restricted assets:		
Cash and cash equivalents	23,788	129,452
Investments	-	248,598
Interest and accounts receivable	-	1,679
<b>Total restricted assets</b>	<b>23,788</b>	<b>379,729</b>
<b>TOTAL CURRENT ASSETS</b>	<b>41,976</b>	<b>848,631</b>
<b>LONG-TERM ASSETS:</b>		
Nondepreciable:		
Land	-	60,724
Easements	-	243,045
Construction-in-progress	-	-
<b>Total nondepreciable assets</b>	<b>-</b>	<b>303,769</b>
Depreciable:		
Land improvements	-	-
Water treatment, storage, and transmission facilities	-	-
Wastewater treatment and disposal facilities	2,149,480	8,214,579
Buildings	-	-
Automobiles and trucks	3,503	69,003
Other equipment	53,402	247,665
<b>Total depreciable assets</b>	<b>2,206,385</b>	<b>8,531,247</b>
Less accumulated depreciation	(2,089,921)	(5,479,025)
<b>Net capital assets</b>	<b>116,464</b>	<b>3,355,991</b>
<b>TOTAL LONG-TERM ASSETS</b>	<b>116,464</b>	<b>3,355,991</b>
<b>TOTAL ASSETS</b>	<b>158,440</b>	<b>4,204,622</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred loss on refunding	-	-
Deferred pension outflow	1,158	38,193
Deferred OPEB outflow	9	295
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,167</b>	<b>38,488</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 159,607</b>	<b>\$ 4,243,110</b>

<b>North Rockwall (Squabble Creek) WWTP</b>	<b>Panther Creek WWTP</b>	<b>Sabine Creek WWTP</b>	<b>Stewart Creek WWTP</b>	<b>Muddy Creek WWTP</b>
\$ 46,624	\$ 911,656	\$ 44,834	\$ 467,535	\$ 407,342
-	-	24,718	5,887	167,462
296	113	692	57	65
21,087	75,538	5,257	52,121	60,204
7,158	110,624	57,116	31,467	18,909
<u>75,165</u>	<u>1,097,931</u>	<u>132,617</u>	<u>557,067</u>	<u>653,982</u>
4,219	1,669,627	6,497,246	14,016,126	682,527
-	3,347,095	894,955	6,369,045	1,480,327
-	25,869	6,045	14,491	10,779
<u>4,219</u>	<u>5,042,591</u>	<u>7,398,246</u>	<u>20,399,662</u>	<u>2,173,633</u>
<u>79,384</u>	<u>6,140,522</u>	<u>7,530,863</u>	<u>20,956,729</u>	<u>2,827,615</u>
-	-	375,774	-	-
-	19,042	-	-	9,421
-	26,895	6,000,663	58,233,940	73,862
-	45,937	6,376,437	58,233,940	83,283
-	-	-	-	417,138
-	-	-	-	-
1,576,459	51,820,475	7,803,906	6,896,732	28,265,888
-	-	-	9,698	161,583
42,655	99,805	51,438	56,481	58,728
270,486	371,561	372,399	393,185	257,367
<u>1,889,600</u>	<u>52,291,841</u>	<u>8,227,743</u>	<u>7,356,096</u>	<u>29,160,704</u>
<u>(1,415,881)</u>	<u>(10,498,557)</u>	<u>(2,598,960)</u>	<u>(3,766,951)</u>	<u>(10,261,375)</u>
473,719	41,839,221	12,005,220	61,823,085	18,982,612
473,719	41,839,221	12,005,220	61,823,085	18,982,612
553,103	47,979,743	19,536,083	82,779,814	21,810,227
-	657,598	132,796	5,485	306,880
19,913	201,390	24,909	106,278	231,879
154	1,865	201	1,017	1,863
<u>20,067</u>	<u>860,853</u>	<u>157,906</u>	<u>112,780</u>	<u>540,622</u>
<u>\$ 573,170</u>	<u>\$ 48,840,596</u>	<u>\$ 19,693,989</u>	<u>\$ 82,892,594</u>	<u>\$ 22,350,849</u>

(Continued)

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SEWER SYSTEM SUPPLEMENTAL  
SCHEDULES OF NET POSITION  
SEPTEMBER 30, 2017**

<b>ASSETS</b>	<b>Seis Lagos WWTP</b>	<b>Royse City WWTP</b>
<b>CURRENT ASSETS:</b>		
Unrestricted assets:		
Cash and cash equivalents	\$ 48,524	\$ 2,630
Accounts receivable	-	-
Due from other funds	562	126
Prepaid expenses	1,774	126
Unbilled receivable	4,335	502
<b>Total unrestricted assets</b>	<b>55,195</b>	<b>3,384</b>
Restricted assets:		
Cash and cash equivalents	13,838	10,026
Investments	-	-
Interest and accounts receivable	-	-
<b>Total restricted assets</b>	<b>13,838</b>	<b>10,026</b>
<b>TOTAL CURRENT ASSETS</b>	<b>69,033</b>	<b>13,410</b>
<b>LONG-TERM ASSETS:</b>		
Nondepreciable:		
Land	-	-
Easements	-	-
Construction-in-progress	-	-
<b>Total nondepreciable assets</b>	<b>-</b>	<b>-</b>
Depreciable:		
Land improvements	-	-
Water treatment, storage, and transmission facilities	-	-
Wastewater treatment and disposal facilities	-	-
Buildings	-	-
Automobiles and trucks	29,481	1,779
Other equipment	38,124	7,324
<b>Total depreciable assets</b>	<b>67,605</b>	<b>9,103</b>
Less accumulated depreciation	(38,869)	(7,684)
<b>Net capital assets</b>	<b>28,736</b>	<b>1,419</b>
<b>TOTAL LONG-TERM ASSETS</b>	<b>28,736</b>	<b>1,419</b>
<b>TOTAL ASSETS</b>	<b>97,769</b>	<b>14,829</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred loss on refunding	-	-
Deferred pension outflow	8,302	1,145
Deferred OPEB outflow	83	9
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>8,385</b>	<b>1,154</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 106,154</b>	<b>\$ 15,983</b>

<b>Farmersville WWTP</b>	<b>Frisco Cottonwood Creek WWTP</b>	<b>Lavon WWTP</b>	<b>Crandall WWTP</b>	<b>Forney Interceptor</b>
\$ 35,398	\$ 36,709	\$ 28,491	\$ 591	\$ 101,467
-	-	-	-	-
-	-	812	-	659
4,013	-	2,676	-	3,721
7,869	-	5,500	-	-
<u>47,280</u>	<u>36,709</u>	<u>37,479</u>	<u>591</u>	<u>105,847</u>
19,924	14,092	4,555	-	21,718
-	-	-	-	-
-	-	-	-	-
<u>19,924</u>	<u>14,092</u>	<u>4,555</u>	<u>-</u>	<u>21,718</u>
<u>67,204</u>	<u>50,801</u>	<u>42,034</u>	<u>591</u>	<u>127,565</u>
-	-	-	-	-
-	-	-	-	48,877
-	-	-	-	-
-	-	-	-	<u>48,877</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	1,856,524
16,225	-	-	-	-
34,817	-	29,481	-	-
<u>419,042</u>	<u>-</u>	<u>37,769</u>	<u>-</u>	<u>189,025</u>
<u>470,084</u>	<u>-</u>	<u>67,250</u>	<u>-</u>	<u>2,045,549</u>
<u>(413,915)</u>	<u>-</u>	<u>(30,355)</u>	<u>-</u>	<u>(1,304,193)</u>
<u>56,169</u>	<u>-</u>	<u>36,895</u>	<u>-</u>	<u>790,233</u>
<u>56,169</u>	<u>-</u>	<u>36,895</u>	<u>-</u>	<u>790,233</u>
<u>123,373</u>	<u>50,801</u>	<u>78,929</u>	<u>591</u>	<u>917,798</u>
-	-	-	-	-
12,451	-	8,302	-	2,586
111	96	83	-	20
<u>12,562</u>	<u>96</u>	<u>8,385</u>	<u>-</u>	<u>2,606</u>
<u>\$ 135,935</u>	<u>\$ 50,897</u>	<u>\$ 87,314</u>	<u>\$ 591</u>	<u>\$ 920,404</u>

(Continued)

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SEWER SYSTEM SUPPLEMENTAL  
SCHEDULES OF NET POSITION  
SEPTEMBER 30, 2017**

<b>ASSETS</b>	<b>Lower East Fork Interceptor</b>	<b>Muddy Creek Interceptor</b>
<b>CURRENT ASSETS:</b>		
Unrestricted assets:		
Cash and cash equivalents	\$ 87,082	\$ 40,614
Accounts receivable	-	-
Due from other funds	876	-
Prepaid expenses	6,925	-
Unbilled receivable	-	-
<b>Total unrestricted assets</b>	<b>94,883</b>	<b>40,614</b>
Restricted assets:		
Cash and cash equivalents	520,800	126,111
Investments	1,316,729	249,372
Interest and accounts receivable	2,693	556
<b>Total restricted assets</b>	<b>1,840,222</b>	<b>376,039</b>
<b>TOTAL CURRENT ASSETS</b>	<b>1,935,105</b>	<b>416,653</b>
<b>LONG-TERM ASSETS:</b>		
Nondepreciable:		
Land	-	-
Easements	193,687	49,232
Construction-in-progress	-	-
<b>Total nondepreciable assets</b>	<b>193,687</b>	<b>49,232</b>
Depreciable:		
Land improvements	-	-
Water treatment, storage, and transmission facilities	-	-
Wastewater treatment and disposal facilities	15,137,968	3,411,083
Buildings	-	-
Automobiles and trucks	-	-
Other equipment	-	-
<b>Total depreciable assets</b>	<b>15,137,968</b>	<b>3,411,083</b>
Less accumulated depreciation	(2,800,495)	(1,293,499)
<b>Net capital assets</b>	<b>12,531,160</b>	<b>2,166,816</b>
<b>TOTAL LONG-TERM ASSETS</b>	<b>12,531,160</b>	<b>2,166,816</b>
<b>TOTAL ASSETS</b>	<b>14,466,265</b>	<b>2,583,469</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred loss on refunding	183,734	(10,528)
Deferred pension outflow	2,576	-
Deferred OPEB outflow	19	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>186,329</b>	<b>(10,528)</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 14,652,594</b>	<b>\$ 2,572,941</b>

<b>Parker Creek Interceptor</b>	<b>Sabine Creek Interceptor</b>	<b>Buffalo Creek Interceptor</b>	<b>McKinney Interceptor</b>	<b>Mustang Creek Interceptor</b>
\$ 366	\$ 7,073	\$ 48,380	\$ 3,354	\$ 36,922
7,303	-	71,022	-	1,096,642
-	-	604	-	-
44	-	9,988	-	435
-	-	-	-	-
<u>7,713</u>	<u>7,073</u>	<u>129,994</u>	<u>3,354</u>	<u>1,133,999</u>
86,561	68,691	786,832	9,956	871,415
219,454	179,546	1,037,440	-	596,638
449	407	2,029	-	4,030
<u>306,464</u>	<u>248,644</u>	<u>1,826,301</u>	<u>9,956</u>	<u>1,472,083</u>
<u>314,177</u>	<u>255,717</u>	<u>1,956,295</u>	<u>13,310</u>	<u>2,606,082</u>
-	-	-	-	-
104,204	70,341	1,253,590	16,150	915,950
-	-	-	-	195,260
<u>104,204</u>	<u>70,341</u>	<u>1,253,590</u>	<u>16,150</u>	<u>1,111,210</u>
-	-	-	-	-
-	-	-	-	-
2,465,984	1,697,812	18,008,418	1,551,439	8,567,121
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>2,465,984</u>	<u>1,697,812</u>	<u>18,008,418</u>	<u>1,551,439</u>	<u>8,567,121</u>
<u>(526,077)</u>	<u>(339,566)</u>	<u>(6,464,122)</u>	<u>(1,116,486)</u>	<u>(356,946)</u>
<u>2,044,111</u>	<u>1,428,587</u>	<u>12,797,886</u>	<u>451,103</u>	<u>9,321,385</u>
<u>2,044,111</u>	<u>1,428,587</u>	<u>12,797,886</u>	<u>451,103</u>	<u>9,321,385</u>
<u>2,358,288</u>	<u>1,684,304</u>	<u>14,754,181</u>	<u>464,413</u>	<u>11,927,467</u>
-	-	378,881	-	-
-	-	2,583	-	-
-	-	23	-	-
-	-	<u>381,487</u>	-	-
<u>\$ 2,358,288</u>	<u>\$ 1,684,304</u>	<u>\$ 15,135,668</u>	<u>\$ 464,413</u>	<u>\$ 11,927,467</u>

(Continued)



**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SEWER SYSTEM SUPPLEMENTAL  
SCHEDULES OF NET POSITION  
SEPTEMBER 30, 2017**

<b>ASSETS</b>	<b>Parker Creek Parallel WW Interceptor</b>	<b>Small Plants Clearing</b>
<b>CURRENT ASSETS:</b>		
Unrestricted assets:		
Cash and cash equivalents	\$ 6,749	\$ 413,150
Accounts receivable	-	-
Due from other funds	-	25,005
Prepaid expenses	73	-
Unbilled receivable	-	-
<b>Total unrestricted assets</b>	<b>6,822</b>	<b>438,155</b>
Restricted assets:		
Cash and cash equivalents	528,384	-
Investments	198,879	-
Interest and accounts receivable	1,343	-
<b>Total restricted assets</b>	<b>728,606</b>	<b>-</b>
<b>TOTAL CURRENT ASSETS</b>	<b>735,428</b>	<b>438,155</b>
<b>LONG-TERM ASSETS:</b>		
Nondepreciable:		
Land	-	-
Easements	33,688	-
Construction-in-progress	139,141	-
<b>Total nondepreciable assets</b>	<b>172,829</b>	<b>-</b>
Depreciable:		
Land improvements	-	-
Water treatment, storage, and transmission facilities	-	-
Wastewater treatment and disposal facilities	2,285,464	-
Buildings	-	-
Automobiles and trucks	-	-
Other equipment	-	-
<b>Total depreciable assets</b>	<b>2,285,464</b>	<b>-</b>
Less accumulated depreciation	(3,809)	-
<b>Net capital assets</b>	<b>2,454,484</b>	<b>-</b>
<b>TOTAL LONG-TERM ASSETS</b>	<b>2,454,484</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>3,189,912</b>	<b>438,155</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred loss on refunding	-	-
Deferred pension outflow	-	-
Deferred OPEB outflow	-	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 3,189,912</b>	<b>\$ 438,155</b>

<u>Dewatering Operations</u>	<u>Wastewater Pretreatment Program</u>	<u>Total Sewer System</u>
\$ 18,460	\$ 145,716	\$ 3,482,192
-	17,789	1,397,730
-	33	30,707
-	7,977	291,259
-	32,971	288,101
<u>18,460</u>	<u>204,486</u>	<u>5,489,989</u>
-	-	27,097,107
-	-	17,649,559
-	-	80,578
<u>-</u>	<u>-</u>	<u>44,827,244</u>
<u>18,460</u>	<u>204,486</u>	<u>50,317,233</u>
-	-	469,516
-	-	4,105,802
<u>-</u>	<u>-</u>	<u>64,669,761</u>
<u>-</u>	<u>-</u>	<u>69,245,079</u>
-	-	417,138
-	-	29,946,174
-	-	161,784,476
-	-	187,506
-	87,269	564,440
<u>-</u>	<u>18,726</u>	<u>2,676,075</u>
<u>-</u>	<u>105,995</u>	<u>195,575,809</u>
<u>-</u>	<u>(33,435)</u>	<u>(59,796,734)</u>
<u>-</u>	<u>72,560</u>	<u>205,024,154</u>
<u>-</u>	<u>72,560</u>	<u>205,024,154</u>
<u>18,460</u>	<u>277,046</u>	<u>255,341,387</u>
-	-	1,867,026
-	117,985	779,650
<u>-</u>	<u>873</u>	<u>6,721</u>
<u>-</u>	<u>118,858</u>	<u>2,653,397</u>
<u>\$ 18,460</u>	<u>\$ 395,904</u>	<u>\$ 257,994,784</u>

(Continued)

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SEWER SYSTEM SUPPLEMENTAL  
SCHEDULES OF NET POSITION  
SEPTEMBER 30, 2017**

<b>LIABILITIES</b>	<b>Little Elm Water Transmission Facilities</b>	<b>Plano Water Transmission Facilities</b>
<b>CURRENT LIABILITIES:</b>		
Payable from unrestricted assets:		
Accounts payable and accrued liabilities	\$ -	\$ -
Due to other funds	-	-
Customers' advance payments	3,156	4,084
<b>Total payable from unrestricted assets</b>	<b>3,156</b>	<b>4,084</b>
Payable from restricted assets:		
Accounts payable and accrued liabilities	41,796	76,144
Due to other funds	-	-
Accrued interest payable on revenue bonds	14,384	2,508
Current portion of revenue bonds	350,000	215,000
<b>Total payable from restricted assets</b>	<b>406,180</b>	<b>293,652</b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>409,336</b>	<b>297,736</b>
<b>LONG-TERM LIABILITIES:</b>		
Accrued vacation—less current portion	-	-
Accrued sick—less current portion	-	-
Net pension liability	-	-
Net OPEB liability	-	-
Long-term debt—less current portion	1,910,785	1,044
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>1,910,785</b>	<b>1,044</b>
<b>TOTAL LIABILITIES</b>	<b>2,320,121</b>	<b>298,780</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred pension inflow	-	-
Deferred OPEB inflow	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>2,320,121</b>	<b>298,780</b>
<b>NET POSITION:</b>		
Net investment in capital assets	2,083,911	5,088,399
Restricted for debt service	534,375	229,011
Unrestricted	-	-
<b>TOTAL NET POSITION</b>	<b>\$ 2,618,286</b>	<b>\$ 5,317,410</b>

<b>Kaufman 4-1 Water Distribution Facilities</b>	<b>Rockwall-Heath Water Storage Facilities</b>	<b>Terrell Water Transmission Facilities</b>	<b>Rockwall Water Pump Station Facilities</b>	<b>Murphy WWTP/ Interceptor</b>
\$ 2,803	\$ -	\$ -	\$ -	\$ (21)
6,005	-	-	-	194
25,650	-	636	59	71,332
<b>34,458</b>	<b>-</b>	<b>636</b>	<b>59</b>	<b>71,505</b>
54,782	-	-	-	-
-	-	-	-	-
-	21,008	114,260	18,507	-
-	160,000	385,000	110,000	-
<b>54,782</b>	<b>181,008</b>	<b>499,260</b>	<b>128,507</b>	<b>-</b>
<b>89,240</b>	<b>181,008</b>	<b>499,896</b>	<b>128,566</b>	<b>71,505</b>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	1,375,000	9,523,981	1,120,716	-
<b>-</b>	<b>1,375,000</b>	<b>9,523,981</b>	<b>1,120,716</b>	<b>-</b>
<b>89,240</b>	<b>1,556,008</b>	<b>10,023,877</b>	<b>1,249,282</b>	<b>71,505</b>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<b>89,240</b>	<b>1,556,008</b>	<b>10,023,877</b>	<b>1,249,282</b>	<b>71,505</b>
-	532,206	(649,039)	218,457	33,018
-	291,428	903,193	211,512	-
-	1	-	-	200
<b>\$ -</b>	<b>\$ 823,635</b>	<b>\$ 254,154</b>	<b>\$ 429,969</b>	<b>\$ 33,218</b>

(Continued)

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SEWER SYSTEM SUPPLEMENTAL  
SCHEDULES OF NET POSITION  
SEPTEMBER 30, 2017**

<b>LIABILITIES</b>	<b>Wylie WWTP</b>	<b>South Rockwall (Buffalo Creek) WWTP</b>
<b>CURRENT LIABILITIES:</b>		
Payable from unrestricted assets:		
Accounts payable and accrued liabilities	\$ 18,867	\$ 361,527
Due to other funds	249	27,331
Customers' advance payments	432	101,854
<b>Total payable from unrestricted assets</b>	<b>19,548</b>	<b>490,712</b>
Payable from restricted assets:		
Accounts payable and accrued liabilities	23,788	40,466
Due to other funds	-	-
Accrued interest payable on revenue bonds	-	37,437
Current portion of revenue bonds	-	135,000
<b>Total payable from restricted assets</b>	<b>23,788</b>	<b>212,903</b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>43,336</b>	<b>703,615</b>
<b>LONG-TERM LIABILITIES:</b>		
Accrued vacation—less current portion	215	6,072
Accrued sick—less current portion	-	-
Net pension liability	2,005	66,663
Net OPEB liability	385	12,108
Long-term debt—less current portion	-	1,831,152
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>2,605</b>	<b>1,915,995</b>
<b>TOTAL LIABILITIES</b>	<b>45,941</b>	<b>2,619,610</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred pension inflow	854	28,298
Deferred OPEB inflow	126	3,944
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>980</b>	<b>32,242</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>46,921</b>	<b>2,651,852</b>
<b>NET POSITION:</b>		
Net investment in capital assets	116,464	1,389,839
Restricted for debt service	-	301,826
Unrestricted	(3,778)	(100,407)
<b>TOTAL NET POSITION</b>	<b>\$ 112,686</b>	<b>\$ 1,591,258</b>

<b>North Rockwall (Squabble Creek) WWTP</b>	<b>Panther Creek WWTP</b>	<b>Sabine Creek WWTP</b>	<b>Stewart Creek WWTP</b>	<b>Muddy Creek WWTP</b>
\$ 43,469	\$ 867,589	\$ 84,638	\$ 295,415	\$ 316,889
5,526	36,968	17,900	20,064	27,370
30,973	50,050	50,025	255,648	319,502
<u>79,968</u>	<u>954,607</u>	<u>152,563</u>	<u>571,127</u>	<u>663,761</u>
4,219	26,348	837,192	4,150,320	18,023
-	-	6,877	13,337	-
-	519,575	152,059	817,230	141,616
-	2,595,000	1,005,000	2,800,000	1,440,000
<u>4,219</u>	<u>3,140,923</u>	<u>2,001,128</u>	<u>7,780,887</u>	<u>1,599,639</u>
<u>84,187</u>	<u>4,095,530</u>	<u>2,153,691</u>	<u>8,352,014</u>	<u>2,263,400</u>
3,316	35,554	5,030	27,620	34,477
-	35,212	-	-	41,446
34,750	364,022	43,488	226,760	432,513
6,302	76,496	8,240	41,702	76,395
-	31,617,256	14,077,037	62,821,510	10,474,449
<u>44,368</u>	<u>32,128,540</u>	<u>14,133,795</u>	<u>63,117,592</u>	<u>11,059,280</u>
<u>128,555</u>	<u>36,224,070</u>	<u>16,287,486</u>	<u>71,469,606</u>	<u>13,322,680</u>
14,754	149,841	18,458	82,785	171,845
2,053	24,921	2,684	13,586	24,886
<u>16,807</u>	<u>174,762</u>	<u>21,142</u>	<u>96,371</u>	<u>196,731</u>
<u>145,362</u>	<u>36,398,832</u>	<u>16,308,628</u>	<u>71,565,977</u>	<u>13,519,411</u>
473,719	8,284,563	2,121,061	5,563,721	7,375,043
-	4,496,668	1,337,036	6,068,379	2,013,994
(45,911)	(339,467)	(72,736)	(305,483)	(557,599)
<u>\$ 427,808</u>	<u>\$ 12,441,764</u>	<u>\$ 3,385,361</u>	<u>\$ 11,326,617</u>	<u>\$ 8,831,438</u>

(Continued)

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SEWER SYSTEM SUPPLEMENTAL  
SCHEDULES OF NET POSITION  
SEPTEMBER 30, 2017**

<b>LIABILITIES</b>	<b>Seis Lagos WWTP</b>	<b>Royse City WWTP</b>
<b>CURRENT LIABILITIES:</b>		
Payable from unrestricted assets:		
Accounts payable and accrued liabilities	\$ 10,823	\$ 1,737
Due to other funds	4,008	249
Customers' advance payments	31,651	2,761
<b>Total payable from unrestricted assets</b>	<b>46,482</b>	<b>4,747</b>
Payable from restricted assets:		
Accounts payable and accrued liabilities	13,838	10,026
Due to other funds	-	-
Accrued interest payable on revenue bonds	-	-
Current portion of revenue bonds	-	-
<b>Total payable from restricted assets</b>	<b>13,838</b>	<b>10,026</b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>60,320</b>	<b>14,773</b>
<b>LONG-TERM LIABILITIES:</b>		
Accrued vacation—less current portion	1,771	215
Accrued sick—less current portion	-	-
Net pension liability	14,487	2,001
Net OPEB liability	3,398	386
Long-term debt—less current portion	-	-
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>19,656</b>	<b>2,602</b>
<b>TOTAL LIABILITIES</b>	<b>79,976</b>	<b>17,375</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred pension inflow	6,151	846
Deferred OPEB inflow	1,107	126
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>7,258</b>	<b>972</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>87,234</b>	<b>18,347</b>
<b>NET POSITION:</b>		
Net investment in capital assets	28,736	1,419
Restricted for debt service	-	-
Unrestricted	(9,816)	(3,783)
<b>TOTAL NET POSITION</b>	<b>\$ 18,920</b>	<b>\$ (2,364)</b>

<b>Farmersville WWTP</b>	<b>Frisco Cottonwood Creek WWTP</b>	<b>Lavon WWTP</b>	<b>Crandall WWTP</b>	<b>Forney Interceptor</b>
\$ 22,824	\$ 3,864	\$ 16,495	\$ -	\$ 51,096
7,948	3,321	4,767	-	2,552
18,438	29,526	7,283	-	52,431
49,210	36,711	28,545	-	106,079
19,924	14,092	4,555	-	21,718
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
19,924	14,092	4,555	-	21,718
69,134	50,803	33,100	-	127,797
2,847	-	1,993	-	229
-	-	-	-	-
21,745	-	14,488	-	7,334
4,559	3,951	3,398	-	822
-	-	-	-	-
29,151	3,951	19,879	-	8,385
98,285	54,754	52,979	-	136,182
9,224	-	6,150	-	2,331
1,485	1,287	1,107	-	267
10,709	1,287	7,257	-	2,598
108,994	56,041	60,236	-	138,780
56,169	-	36,895	-	790,233
-	-	-	-	-
(29,228)	(5,144)	(9,817)	591	(8,609)
\$ 26,941	\$ (5,144)	\$ 27,078	\$ 591	\$ 781,624

(Continued)



**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SEWER SYSTEM SUPPLEMENTAL  
SCHEDULES OF NET POSITION  
SEPTEMBER 30, 2017**

<b>LIABILITIES</b>	<b>Lower East Fork Interceptor</b>	<b>Muddy Creek Interceptor</b>
<b>CURRENT LIABILITIES:</b>		
Payable from unrestricted assets:		
Accounts payable and accrued liabilities	\$ 57,230	\$ 15,405
Due to other funds	3,911	61
Customers' advance payments	34,990	25,148
<b>        Total payable from unrestricted assets</b>	<b>96,131</b>	<b>40,614</b>
Payable from restricted assets:		
Accounts payable and accrued liabilities	24,167	22,561
Due to other funds	-	-
Accrued interest payable on revenue bonds	135,550	16,500
Current portion of revenue bonds	925,000	200,000
<b>        Total payable from restricted assets</b>	<b>1,084,717</b>	<b>239,061</b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,180,848</b>	<b>279,675</b>
<b>LONG-TERM LIABILITIES:</b>		
Accrued vacation—less current portion	222	-
Accrued sick—less current portion	-	-
Accrued OPEB liability		
Net pension liability	7,315	-
Net OPEB liability	799	-
Long-term debt—less current portion	9,779,886	1,436,250
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>9,788,222</b>	<b>1,436,250</b>
<b>TOTAL LIABILITIES</b>	<b>10,969,070</b>	<b>1,715,925</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred pension inflow	2,336	-
Deferred OPEB inflow	260	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,596</b>	<b>-</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>10,971,666</b>	<b>1,715,925</b>
<b>NET POSITION:</b>		
Net investment in capital assets	2,010,008	520,038
Restricted for debt service	1,680,505	336,978
Unrestricted	(9,585)	-
<b>TOTAL NET POSITION</b>	<b>\$ 3,680,928</b>	<b>\$ 857,016</b>

<b>Parker Creek Interceptor</b>	<b>Sabine Creek Interceptor</b>	<b>Buffalo Creek Interceptor</b>	<b>McKinney Interceptor</b>	<b>Mustang Creek Interceptor</b>
\$ 6,804	\$ 165	\$ 66,966	\$ 42	\$ 33,413
909	-	4,472	430	515
-	6,908	59,741	2,030	3,429
<u>7,713</u>	<u>7,073</u>	<u>131,179</u>	<u>2,502</u>	<u>37,357</u>
4,048	5,186	153,818	9,956	1,391,593
-	-	-	-	-
18,924	15,277	141,211	-	119,856
165,000	130,000	1,060,000	-	200,000
<u>187,972</u>	<u>150,463</u>	<u>1,355,029</u>	<u>9,956</u>	<u>1,711,449</u>
<u>195,685</u>	<u>157,536</u>	<u>1,486,208</u>	<u>12,458</u>	<u>1,748,806</u>
-	-	260	-	-
-	-	-	-	-
-	-	7,329	-	-
-	-	934	-	-
950,000	770,000	8,804,628	-	9,741,365
<u>950,000</u>	<u>770,000</u>	<u>8,813,151</u>	<u>-</u>	<u>9,741,365</u>
<u>1,145,685</u>	<u>927,536</u>	<u>10,299,359</u>	<u>12,458</u>	<u>11,490,171</u>
-	-	2,332	-	-
-	-	304	-	-
-	-	2,636	-	-
<u>1,145,685</u>	<u>927,536</u>	<u>10,301,995</u>	<u>12,458</u>	<u>11,490,171</u>
929,111	528,587	3,312,139	451,103	(1,839,998)
283,492	228,181	1,531,272	-	1,180,652
-	-	(9,738)	852	1,096,642
<u>\$ 1,212,603</u>	<u>\$ 756,768</u>	<u>\$ 4,833,673</u>	<u>\$ 451,955</u>	<u>\$ 437,296</u>

(Continued)

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SEWER SYSTEM SUPPLEMENTAL  
SCHEDULES OF NET POSITION  
SEPTEMBER 30, 2017**

<b>LIABILITIES</b>	<b>Parker Creek Parallel WW Interceptor</b>	<b>Small Plants Clearing</b>
<b>CURRENT LIABILITIES:</b>		
Payable from unrestricted assets:		
Accounts payable and accrued liabilities	\$ 9	\$ 18,287
Due to other funds	491	545
Customers' advance payments	6,348	-
<b>Total payable from unrestricted assets</b>	<b>6,848</b>	<b>18,832</b>
Payable from restricted assets:		
Accounts payable and accrued liabilities	108,009	-
Due to other funds	707	-
Accrued interest payable on revenue bonds	23,985	-
Current portion of revenue bonds	105,000	-
<b>Total payable from restricted assets</b>	<b>237,701</b>	<b>-</b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>244,549</b>	<b>18,832</b>
<b>LONG-TERM LIABILITIES:</b>		
Accrued vacation—less current portion	-	-
Accrued sick—less current portion	-	-
Net pension liability	-	-
Net OPEB liability	-	-
Long-term debt—less current portion	2,843,922	-
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>2,843,922</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>3,088,471</b>	<b>18,832</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred pension inflow	-	-
Deferred OPEB inflow	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>3,088,471</b>	<b>18,832</b>
<b>NET POSITION:</b>		
Net investment in capital assets	(136,593)	-
Restricted for debt service	238,060	-
Unrestricted	(26)	419,323
<b>TOTAL NET POSITION</b>	<b>\$ 101,441</b>	<b>\$ 419,323</b>

<b>Dewatering Operations</b>	<b>Wastewater Pretreatment Program</b>	<b>Total Sewer System</b>
\$ -	\$ 51,948	\$ 2,348,284
-	206	175,992
-	140,367	1,334,452
-	192,521	3,858,728
-	-	7,076,569
-	-	20,921
-	-	2,309,887
-	-	11,980,000
-	-	21,387,377
-	192,521	25,246,105
-	22,043	141,864
-	46,595	123,253
-	299,757	1,544,657
-	35,784	275,659
-	-	169,078,981
-	404,179	171,164,414
-	596,700	196,410,519
-	96,950	593,155
-	11,657	89,800
-	108,607	682,955
-	705,307	197,093,474
-	72,560	39,391,769
-	-	21,866,562
18,460	(381,963)	(357,021)
<b>\$ 18,460</b>	<b>\$ (309,403)</b>	<b>\$ 60,901,310</b>

(Concluded)

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SEWER SYSTEM SUPPLEMENTAL  
SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
SEPTEMBER 30, 2017**

	<b>Little Elm Water Transmission Facilities</b>	<b>Plano Water Transmission Facilities</b>
<b>OPERATING REVENUES:</b>		
Wastewater service fees	\$ 386,734	\$ 243,576
Other operating revenues	-	-
<b>Total operating revenues</b>	<b>386,734</b>	<b>243,576</b>
<b>OPERATING EXPENSES:</b>		
Personnel	-	-
Operating Supplies:		
Chemicals	-	-
Other supplies	-	-
Operating Services:		
Electric power	-	-
Other services	4,742	4,995
Depreciation	103,519	231,467
<b>Total operating expenses</b>	<b>108,261</b>	<b>236,462</b>
<b>OPERATING INCOME (LOSS)</b>	<b>278,473</b>	<b>7,114</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment income	5,214	4,498
Gain (loss) on sale of capital assets	-	-
Interest expense	(54,531)	(22,012)
<b>Total nonoperating revenues (expenses)</b>	<b>(49,317)</b>	<b>(17,514)</b>
<b>CHANGE IN NET POSITION</b>	<b>229,156</b>	<b>(10,400)</b>
<b>NET POSITION AT OCTOBER 1, 2016 (As Previously Stated)</b>	<b>2,389,130</b>	<b>5,327,810</b>
<b>CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE</b>	<b>-</b>	<b>-</b>
<b>NET POSITION AT OCTOBER 1, 2016 (As Restated)</b>	<b>2,389,130</b>	<b>5,327,810</b>
<b>NET POSITION AT SEPTEMBER 30, 2017</b>	<b>\$ 2,618,286</b>	<b>\$ 5,317,410</b>

<b>Kaufman 4-1 Water Distribution Facilities</b>	<b>Rockwall-Heath Water Storage Facilities</b>	<b>Terrell Water Transmission Facilities</b>	<b>Rockwall Water Pump Station Facilities</b>	<b>Murphy WWTP/ Interceptor</b>
\$ 44,211	\$ 228,995	\$ 726,634	\$ 169,271	\$ (12,002)
-	-	-	-	34
44,211	228,995	726,634	169,271	(11,968)
-	-	-	-	-
-	-	-	-	-
455	-	-	-	-
30,353	-	-	-	221
13,505	5,206	12,430	4,251	(12,083)
-	52,005	300,978	48,306	-
44,313	57,211	313,408	52,557	(11,862)
(102)	171,784	413,226	116,714	(106)
102	2,891	9,749	2,094	107
-	-	-	-	-
-	(67,002)	(326,930)	(57,505)	-
102	(64,111)	(317,181)	(55,411)	107
-	107,673	96,045	61,303	1
-	715,962	158,109	368,666	33,217
-	-	-	-	-
-	715,962	158,109	368,666	33,217
\$ -	\$ 823,635	\$ 254,154	\$ 429,969	\$ 33,218

(Continued)

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SEWER SYSTEM SUPPLEMENTAL  
SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
SEPTEMBER 30, 2017**

	<u>Wylie WWTP</u>	<u>South Rockwall (Buffalo Creek) WWTP</u>
<b>OPERATING REVENUES:</b>		
Wastewater service fees	\$ 56,917	\$ 1,525,160
Other operating revenues	88	23,779
<b>Total operating revenues</b>	<u>57,005</u>	<u>1,548,939</u>
<b>OPERATING EXPENSES:</b>		
Personnel	7,683	229,449
Operating Supplies:		
Chemicals	15,651	47,001
Other supplies	3,015	123,647
Operating Services:		
Electric power	543	141,634
Other services	29,543	701,642
Depreciation	78,812	197,460
<b>Total operating expenses</b>	<u>135,247</u>	<u>1,440,833</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(78,242)</u>	<u>108,106</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment income	26	6,164
Gain (loss) on sale of capital assets	-	-
Interest expense	-	(119,930)
<b>Total nonoperating revenues (expenses)</b>	<u>26</u>	<u>(113,766)</u>
<b>CHANGE IN NET POSITION</b>	(78,216)	(5,660)
<b>NET POSITION AT OCTOBER 1, 2016 (As Previously Stated)</b>	<u>191,350</u>	<u>1,610,976</u>
<b>CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE</b>	<u>(448)</u>	<u>(14,058)</u>
<b>NET POSITION AT OCTOBER 1, 2016 (As Restated)</b>	<u>190,902</u>	<u>1,596,918</u>
<b>NET POSITION AT SEPTEMBER 30, 2017</b>	<u>\$ 112,686</u>	<u>\$ 1,591,258</u>

<b>North Rockwall (Squabble Creek) WWTP</b>	<b>Panther Creek WWTP</b>	<b>Sabine Creek WWTP</b>	<b>Stewart Creek WWTP</b>	<b>Muddy Creek WWTP</b>
\$ 448,457	\$ 8,931,910	\$ 2,128,218	\$ 7,565,769	\$ 5,283,374
1,992	28,154	21,430	17,070	362,996
450,449	8,960,064	2,149,648	7,582,839	5,646,370
119,873	1,337,257	157,611	738,314	1,289,996
68,721	653,237	6,996	471,961	286,585
46,168	320,511	104,046	216,942	384,742
42,048	427,994	151,495	264,870	263,523
155,900	1,942,713	756,481	810,075	1,533,049
49,099	1,333,240	288,511	277,288	990,694
481,809	6,014,952	1,465,140	2,779,450	4,748,589
(31,360)	2,945,112	684,508	4,803,389	897,781
639	41,216	96,241	278,583	20,601
-	-	-	5,282	1,022
-	(1,296,373)	(371,092)	(1,091,732)	(338,050)
639	(1,255,157)	(274,851)	(807,867)	(316,427)
(30,721)	1,689,955	409,657	3,995,522	581,354
465,846	10,840,629	2,985,271	7,379,515	8,338,784
(7,317)	(88,820)	(9,567)	(48,420)	(88,700)
458,529	10,751,809	2,975,704	7,331,095	8,250,084
\$ 427,808	\$ 12,441,764	\$ 3,385,361	\$ 11,326,617	\$ 8,831,438

(Continued)



**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SEWER SYSTEM SUPPLEMENTAL  
SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
SEPTEMBER 30, 2017**

	<u>Seis Lagos WWTP</u>	<u>Royse City WWTP</u>
<b>OPERATING REVENUES:</b>		
Wastewater service fees	\$ 165,230	\$ 16,371
Other operating revenues	902	86
<b>Total operating revenues</b>	<u>166,132</u>	<u>16,457</u>
<b>OPERATING EXPENSES:</b>		
Personnel	64,666	7,688
Operating Supplies:		
Chemicals	3,352	-
Other supplies	12,578	900
Operating Services:		
Electric power	12,438	127
Other services	68,469	7,210
Depreciation	6,480	338
<b>Total operating expenses</b>	<u>167,983</u>	<u>16,263</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(1,851)</u>	<u>194</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment income	434	64
Gain (loss) on sale of capital assets	-	-
Interest expense	-	-
<b>Total nonoperating revenues (expenses)</b>	<u>434</u>	<u>64</u>
<b>CHANGE IN NET POSITION</b>	(1,417)	258
<b>NET POSITION AT OCTOBER 1, 2016 (As Previously Stated)</b>	<u>24,282</u>	<u>(2,173)</u>
<b>CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE</b>	<u>(3,945)</u>	<u>(449)</u>
<b>NET POSITION AT OCTOBER 1, 2016 (As Restated)</b>	<u>20,337</u>	<u>(2,622)</u>
<b>NET POSITION AT SEPTEMBER 30, 2017</b>	<u>\$ 18,920</u>	<u>\$ (2,364)</u>

<b>Farmersville WWTP</b>	<b>Frisco Cottonwood Creek WWTP</b>	<b>Lavon WWTP</b>	<b>Crandall WWTP</b>	<b>Forney Interceptor</b>
\$ 322,564	\$ 126,734	\$ 227,983	\$ -	\$ 280,619
1,253	8	924	101	394
<u>323,817</u>	<u>126,742</u>	<u>228,907</u>	<u>101</u>	<u>281,013</u>
89,372	45,554	65,944	-	14,925
8,944	1,790	3,101	-	60,637
36,865	4,723	40,748	-	110,089
47,372	25,163	-	-	36,414
115,424	50,355	114,419	-	59,665
8,309	-	8,547	-	64,372
<u>306,286</u>	<u>127,585</u>	<u>232,759</u>	<u>-</u>	<u>346,102</u>
17,531	(843)	(3,852)	101	(65,089)
454	287	366	5	823
-	-	-	-	-
-	-	-	-	-
<u>454</u>	<u>287</u>	<u>366</u>	<u>5</u>	<u>823</u>
17,985	(556)	(3,486)	106	(64,266)
14,249		34,509	485	846,844
<u>(5,293)</u>	<u>(4,588)</u>	<u>(3,945)</u>	<u>-</u>	<u>(954)</u>
8,956	(4,588)	30,564	485	845,890
<u>\$ 26,941</u>	<u>\$ (5,144)</u>	<u>\$ 27,078</u>	<u>\$ 591</u>	<u>\$ 781,624</u>

(Continued)

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SEWER SYSTEM SUPPLEMENTAL  
SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
SEPTEMBER 30, 2017**

	<b>Lower East Fork Interceptor</b>	<b>Muddy Creek Interceptor</b>
<b>OPERATING REVENUES:</b>		
Wastewater service fees	\$ 1,648,844	\$ 304,046
Other operating revenues	649	4
<b>Total operating revenues</b>	<u>1,649,493</u>	<u>304,050</u>
<b>OPERATING EXPENSES:</b>		
Personnel	14,081	-
Operating Supplies:		
Chemicals	47,804	31,783
Other supplies	16,686	518
Operating Services:		
Electric power	25,631	28
Other services	261,889	31,060
Depreciation	302,760	111,943
<b>Total operating expenses</b>	<u>668,851</u>	<u>175,332</u>
<b>OPERATING INCOME (LOSS)</b>	<u>980,642</u>	<u>128,718</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment income	16,015	3,186
Gain (loss) on sale of capital assets	-	-
Interest expense	(258,725)	(35,232)
<b>Total nonoperating revenues (expenses)</b>	<u>(242,710)</u>	<u>(32,046)</u>
<b>CHANGE IN NET POSITION</b>	737,932	96,672
<b>NET POSITION AT OCTOBER 1, 2016 (As Previously Stated)</b>	<u>2,943,924</u>	<u>760,344</u>
<b>CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE</b>	<u>(928)</u>	<u>-</u>
<b>NET POSITION AT OCTOBER 1, 2016 (As Restated)</b>	<u>2,942,996</u>	<u>760,344</u>
<b>NET POSITION AT SEPTEMBER 30, 2017</b>	<u><u>\$ 3,680,928</u></u>	<u><u>\$ 857,016</u></u>

<b>Parker Creek Interceptor</b>	<b>Sabine Creek Interceptor</b>	<b>Buffalo Creek Interceptor</b>	<b>McKinney Interceptor</b>	<b>Mustang Creek Interceptor</b>
\$ 269,027	\$ 184,687	\$ 1,885,588	\$ 6,619	\$ 605,786
39	-	790	7	518
<u>269,066</u>	<u>184,687</u>	<u>1,886,378</u>	<u>6,626</u>	<u>606,304</u>
-	-	16,582	-	-
-	-	105,375	-	-
1,739	211	12,949	75	165
249	-	39,220	315	-
49,691	8,082	274,294	6,291	46,495
<u>49,320</u>	<u>33,956</u>	<u>610,271</u>	<u>54,941</u>	<u>171,343</u>
<u>100,999</u>	<u>42,249</u>	<u>1,058,691</u>	<u>61,622</u>	<u>218,003</u>
<u>168,067</u>	<u>142,438</u>	<u>827,687</u>	<u>(54,996)</u>	<u>388,301</u>
2,533	2,015	15,842	54	14,427
-	-	-	-	-
<u>(61,784)</u>	<u>(49,873)</u>	<u>(373,852)</u>	<u>-</u>	<u>(347,636)</u>
<u>(59,251)</u>	<u>(47,858)</u>	<u>(358,010)</u>	<u>54</u>	<u>(333,209)</u>
108,816	94,580	469,677	(54,942)	55,092
<u>1,103,787</u>	<u>662,188</u>	<u>4,365,080</u>	<u>506,897</u>	<u>382,204</u>
-	-	(1,084)	-	-
<u>1,103,787</u>	<u>662,188</u>	<u>4,363,996</u>	<u>506,897</u>	<u>382,204</u>
<u>\$ 1,212,603</u>	<u>\$ 756,768</u>	<u>\$ 4,833,673</u>	<u>\$ 451,955</u>	<u>\$ 437,296</u>

(Continued)

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SEWER SYSTEM SUPPLEMENTAL  
SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
SEPTEMBER 30, 2017**

	<b>Parker Creek Parallel WW Interceptor</b>	<b>Small Plants Clearing</b>
<b>OPERATING REVENUES:</b>		
Wastewater service fees	\$ 176,842	\$ -
Other operating revenues	-	-
<b>Total operating revenues</b>	<b>176,842</b>	<b>-</b>
<b>OPERATING EXPENSES:</b>		
Personnel	-	-
Operating Supplies:		
Chemicals	-	-
Other supplies	-	(1)
Operating Services:		
Electric power	-	-
Other services	(13,068)	1
Depreciation	3,809	-
<b>Total operating expenses</b>	<b>(9,259)</b>	<b>-</b>
<b>OPERATING INCOME (LOSS)</b>	<b>186,101</b>	<b>-</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment income	18,764	-
Gain (loss) on sale of capital assets	-	-
Interest expense	(39,893)	-
<b>Total nonoperating revenues (expenses)</b>	<b>(21,129)</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>164,972</b>	<b>-</b>
<b>NET POSITION AT OCTOBER 1, 2016 (As Previously Stated)</b>	<b>(63,531)</b>	<b>419,323</b>
<b>CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE</b>	<b>-</b>	<b>-</b>
<b>NET POSITION AT OCTOBER 1, 2016 (As Restated)</b>	<b>(63,531)</b>	<b>419,323</b>
<b>NET POSITION AT SEPTEMBER 30, 2017</b>	<b>\$ 101,441</b>	<b>\$ 419,323</b>

<b>Dewatering Operations</b>	<b>Wastewater Pretreatment Program</b>	<b>Total Sewer System</b>
\$ -	\$ 934,916	\$ 34,883,080
-	4,887	466,105
-	939,803	35,349,185
-	653,800	4,852,795
-	-	1,812,938
-	30,257	1,468,028
-	-	1,509,638
-	173,776	7,216,502
-	17,406	5,395,174
-	875,239	22,255,075
-	64,564	13,094,110
160	1,691	545,245
-	6,613	12,917
-	-	(4,912,152)
160	8,304	(4,353,990)
160	72,868	8,740,120
18,300	(340,723)	52,481,254
-	(41,548)	(320,064)
18,300	(382,271)	52,161,190
<u>\$ 18,460</u>	<u>\$ (309,403)</u>	<u>\$ 60,901,310</u>

(Concluded)

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SEWER SYSTEM SUPPLEMENTAL  
SCHEDULES OF CASH FLOWS  
SEPTEMBER 30, 2017**

	<b>Little Elm Water Transmission Facilities</b>	<b>Plano Water Transmission Facilities</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 386,833	\$ 243,574
Cash received from other funds		
Cash received from (paid to) others		
Cash paid to suppliers for goods and services	(4,977)	(1,884)
Cash paid for employee services		-
Cash paid to other funds	(480)	(485)
Net cash provided by (used for) operating activities	<u>381,376</u>	<u>241,205</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from the issuance of bonds	-	-
Cash paid for capital assets	-	-
Interest paid	(47,337)	(36,650)
Principal payments on long-term debt and capital leases	(335,000)	(800,000)
Payments for bond issue costs	-	-
Miscellaneous receipts	-	-
Net cash provided by (used for) capital and related financing activities	<u>(382,337)</u>	<u>(836,650)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sale and maturity of investments	396,744	528,993
Purchases of investments	(399,306)	-
Interest received	1,292	(2,617)
Net cash provided by (used for) investing activities	<u>(1,270)</u>	<u>526,376</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,231)</b>	<b>(69,069)</b>
<b>CASH AND CASH EQUIVALENTS—Beginning of year</b>	<b>195,497</b>	<b>380,816</b>
<b>CASH AND CASH EQUIVALENTS—End of year</b>	<b><u>\$ 193,266</u></b>	<b><u>\$ 311,747</u></b>
<b>RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET POSITION</b>		
Unrestricted cash and cash equivalents	\$ 3,156	\$ 4,084
Restricted cash and cash equivalents	190,110	307,663
	<u>\$ 193,266</u>	<u>\$ 311,747</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 278,473	\$ 7,114
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>		
Depreciation	103,519	231,467
Change in current assets and liabilities:		
Accounts receivable and deferred billings	(714)	2,629
Prepaid expenses	-	-
Net pension liability	-	-
Net OPEB liability	-	-
Due to/from other funds	-	-
Accounts payable, accrued liabilities, and developers' deposits	(1)	(3)
Accrued vacation and Accrued sick	-	-
Accrued OPEB	-	-
Customers' advance payments	99	(2)
Total adjustments	<u>102,903</u>	<u>234,091</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 381,376</u></b>	<b><u>\$ 241,205</u></b>
<b>NONCASH TRANSACTION DISCLOSURES</b>		
Gain (loss) on disposal of capital assets	-	-
Interest capitalized on construction	-	-
Amortization of bond-related items	8,589	(4,930)
Change in fair value of investments	2,046	350
Change in actuarial value of net pension liability	-	-
Refunding bonds issued	-	-
Refunding proceeds deposited in escrow	-	-
	-	-





**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SEWER SYSTEM SUPPLEMENTAL  
SCHEDULES OF CASH FLOWS  
SEPTEMBER 30, 2017**

	<b>Wylie WWTP</b>	<b>South Rockwall (Buffalo Creek) WWTP</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 33,484	\$ 1,505,218
Cash received from other funds	246	
Cash received from (paid to) others	2	40,658
Cash paid to suppliers for goods and services	(25,542)	(599,370)
Cash paid for employee services	(5,458)	(170,390)
Cash paid to other funds	(8,459)	(276,534)
Net cash provided by (used for) operating activities	<u>(5,727)</u>	<u>499,582</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from the issuance of bonds		
Cash paid for capital assets	(554)	(59,226)
Interest paid		(119,138)
Principal payments on long-term debt and capital leases		(130,000)
Payments for bond issue costs		
Miscellaneous receipts	-	-
Net cash provided by (used for) capital and related financing activities	<u>(554)</u>	<u>(308,364)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sale and maturity of investments	-	244,151
Purchases of investments	-	(249,566)
Interest received	217	3,892
Net cash provided by (used for) investing activities	<u>217</u>	<u>(1,523)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(6,064)</b>	<b>189,695</b>
<b>CASH AND CASH EQUIVALENTS—Beginning of year</b>	<b>31,675</b>	<b>373,368</b>
<b>CASH AND CASH EQUIVALENTS—End of year</b>	<b><u>\$ 25,611</u></b>	<b><u>\$ 563,063</u></b>
<b>RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET POSITION</b>		
Unrestricted cash and cash equivalents	\$ 1,823	\$ 433,611
Restricted cash and cash equivalents	23,788	129,452
	<u>\$ 25,611</u>	<u>\$ 563,063</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ (78,242)	\$ 108,106
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	78,812	197,460
Change in current assets and liabilities:		
Accounts receivable and deferred billings	(60)	42,185
Prepaid expenses	(15,793)	(11,636)
Net pension liability	(96)	(3,188)
Net OPEB liability	54	1,699
Due to/from other funds	(347)	105
Accounts payable, accrued liabilities, and developers' deposits	17,398	199,074
Accrued vacation and Accrued sick	71	(140)
Accrued OPEB	-	-
Customers' advance payments	(7,524)	(34,083)
Total adjustments	<u>72,515</u>	<u>391,476</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ (5,727)</u></b>	<b><u>\$ 499,582</u></b>
<b>NONCASH TRANSACTION DISCLOSURES</b>		
Gain (loss) on disposal of capital assets	-	-
Interest capitalized on construction	-	-
Amortization of bond-related items	-	3,067
Change in fair value of investments	-	1,277
Change in actuarial value of net pension liability	96	3,188
Refunding bonds issued	-	-
Refunding proceeds deposited in escrow	-	-

North Rockwall (Squabble Creek) WWTP	Panther Creek WWTP	Sabine Creek WWTP	Stewart Creek WWTP	Muddy Creek WWTP
\$ 380,572	\$ 8,933,842	\$ 2,156,195	\$ 7,608,074	\$ 5,492,251
227	12,771	19,284	8,723	708
(245,221)	(2,476,239)	(1,932,156)	(2,316,439)	(1,903,572)
(88,316)	(958,685)	(115,844)	(544,147)	(975,957)
(127,557)	(958,815)	(256,529)	(572,006)	(777,220)
(80,295)	4,552,874	(129,050)	4,184,205	1,836,277
(85,683)	(195,320)	11,899,465	-	(18,021)
(1,640,813)	(1,640,813)	(4,132,844)	(28,547,961)	(195,064)
(2,515,000)	(2,515,000)	(332,029)	(2,547,391)	(470,350)
-	-	(870,000)	(2,695,000)	(1,385,000)
-	-	(327,936)	-	18,021
-	-	-	-	-
(85,683)	(4,351,133)	6,236,656	(33,790,352)	(2,050,414)
-	4,731,375	701,933	26,534,095	2,196,188
-	(4,528,779)	(898,438)	(6,595,797)	(2,282,971)
1,258	60,198	89,920	291,953	30,465
1,258	262,794	(106,585)	20,230,251	(56,318)
(164,720)	464,535	6,001,021	(9,375,896)	(270,455)
215,563	2,116,748	541,059	23,859,557	1,360,324
\$ 50,843	\$ 2,581,283	\$ 6,542,080	\$ 14,483,661	\$ 1,089,869
\$ 46,624	\$ 911,656	\$ 44,834	\$ 467,535	\$ 407,342
4,219	1,669,627	6,497,246	14,016,126	682,527
\$ 50,843	\$ 2,581,283	\$ 6,542,080	\$ 14,483,661	\$ 1,089,869
\$ (31,360)	\$ 2,945,112	\$ 684,508	\$ 4,803,389	\$ 897,781
49,099	1,333,240	288,511	277,288	990,694
4,426	(54,691)	21,339	50,838	142,246
(13,759)	34,338	(3,209)	(12,999)	(16,225)
(1,663)	(16,274)	(2,080)	(8,001)	(17,548)
884	10,732	1,156	5,851	10,718
(3,996)	(4,336)	(74)	(954,011)	11,739
(24,039)	296,486	(1,124,092)	(2,760)	(219,210)
58	11,130	289	(1,277)	(35,787)
-	-	-	-	-
(59,945)	(2,863)	4,602	25,887	71,869
(48,935)	1,607,762	(813,558)	(619,184)	938,496
(80,295)	4,552,874	(129,050)	4,184,205	1,836,277
-	-	-	-	-
-	958	45,956	1,015,952	-
-	(316,119)	(29,190)	(407,806)	(117,132)
-	24,830	4,478	24,452	10,002
1,663	16,274	2,080	8,001	17,548
-	-	-	-	-
-	-	-	-	-

(Continued)

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SEWER SYSTEM SUPPLEMENTAL  
SCHEDULES OF CASH FLOWS  
SEPTEMBER 30, 2017**

	<b>Seis Lagos WWTP</b>	<b>Royse City WWTP</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 178,730	\$ 9,360
Cash received from other funds	-	-
Cash received from (paid to) others	13	-
Cash paid to suppliers for goods and services	(61,443)	(8,935)
Cash paid for employee services	(47,051)	(5,458)
Cash paid to other funds	(52,233)	(1,050)
Net cash provided by (used for) operating activities	<u>18,016</u>	<u>(6,083)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from the issuance of bonds	-	-
Cash paid for capital assets	(804)	(554)
Interest paid	-	-
Principal payments on long-term debt and capital leases	-	-
Payments for bond issue costs	-	-
Miscellaneous receipts	-	-
Net cash provided by (used for) capital and related financing activities	<u>(804)</u>	<u>(554)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sale and maturity of investments	-	-
Purchases of investments	-	-
Interest received	535	151
Net cash provided by (used for) investing activities	<u>535</u>	<u>151</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>17,747</b>	<b>(6,486)</b>
<b>CASH AND CASH EQUIVALENTS—Beginning of year</b>	<b>44,615</b>	<b>19,142</b>
<b>CASH AND CASH EQUIVALENTS—End of year</b>	<b><u>\$ 62,362</u></b>	<b><u>\$ 12,656</u></b>
<b>RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET POSITION</b>		
Unrestricted cash and cash equivalents	\$ 48,524	\$ 2,630
Restricted cash and cash equivalents	13,838	10,026
	<u>\$ 62,362</u>	<u>\$ 12,656</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ (1,851)	\$ 194
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	6,480	338
Change in current assets and liabilities:		
Accounts receivable and deferred billings	(3,652)	(419)
Prepaid expenses	(636)	(124)
Net pension liability	(693)	(95)
Net OPEB liability	477	54
Due to/from other funds	94	(134)
Accounts payable, accrued liabilities, and developers' deposits	49	426
Accrued vacation and Accrued sick	472	71
Accrued OPEB	-	-
Customers' advance payments	17,276	(6,394)
Total adjustments	<u>19,867</u>	<u>(6,277)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 18,016</u></b>	<b><u>\$ (6,083)</u></b>
<b>NONCASH TRANSACTION DISCLOSURES</b>		
Gain (loss) on disposal of capital assets	-	-
Interest capitalized on construction	-	-
Amortization of bond-related items	-	-
Change in fair value of investments	-	-
Change in actuarial value of net pension liability	693	95
Refunding bonds issued		
Refunding proceeds deposited in escrow		

Farmersville WWTP	Frisco Cottonwood Creek WWTP	Lavon WWTP	Crandall WWTP	Forney Interceptor
\$ 336,636	\$ 132,451	\$ 234,826	\$ 28,157	\$ 308,408
-	-	-	-	-
32	8	36	-	-
(162,837)	(86,581)	(97,249)	(28,156)	(154,627)
(63,482)	-	(47,042)	-	(9,374)
(80,943)	(37,770)	(81,505)	-	(50,835)
29,406	8,108	9,066	1	93,572
(25,852)	1,500	(2,804)	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(25,852)	1,500	(2,804)	-	-
-	-	-	-	-
-	-	-	-	-
627	401	413	4	1,011
627	401	413	4	1,011
4,181	10,009	6,675	5	94,583
51,141	40,792	26,371	586	28,602
\$ 55,322	\$ 50,801	\$ 33,046	\$ 591	\$ 123,185
\$ 35,398	\$ 36,709	\$ 28,491	\$ 591	\$ 101,467
19,924	14,092	4,555	-	21,718
\$ 55,322	\$ 50,801	\$ 33,046	\$ 591	\$ 123,185
\$ 17,531	\$ (843)	\$ (3,852)	\$ 101	\$ (65,089)
8,309	-	8,547	-	64,372
(4,350)	1,202	828	-	-
(892)	805	(1,718)	-	5,531
(1,038)	-	(693)	-	(220)
640	554	477	-	115
2,580	2,941	(4,110)	-	904
(12,762)	(1,463)	1,592	(100)	36,609
950	-	712	-	229
-	-	-	-	-
18,438	4,912	7,283	-	51,121
11,875	8,951	12,918	(100)	158,661
\$ 29,406	\$ 8,108	\$ 9,066	\$ 1	\$ 93,572
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,038	-	693	-	220
-	-	-	-	-
-	-	-	-	-

(Continued)

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SEWER SYSTEM SUPPLEMENTAL  
SCHEDULES OF CASH FLOWS  
SEPTEMBER 30, 2017**

	<b>Lower East Fork Interceptor</b>	<b>Muddy Creek Interceptor</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 1,639,479	\$ 306,195
Cash received from other funds	16,875	34
Cash received from (paid to) others	256	4
Cash paid to suppliers for goods and services	(294,960)	(58,344)
Cash paid for employee services	(9,512)	-
Cash paid to other funds	(90,642)	(12,874)
Net cash provided by (used for) operating activities	<u>1,261,496</u>	<u>235,015</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from the issuance of bonds	(14,757)	-
Cash paid for capital assets	-	15,000
Interest paid	(437,975)	(55,200)
Principal payments on long-term debt and capital leases	(895,000)	(190,000)
Payments for bond issue costs	14,757	-
Miscellaneous receipts	-	-
Net cash provided by (used for) capital and related financing activities	<u>(1,332,975)</u>	<u>(230,200)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sale and maturity of investments	1,333,074	387,945
Purchases of investments	(1,317,686)	(399,004)
Interest received	12,418	2,721
Net cash provided by (used for) investing activities	<u>27,806</u>	<u>(8,338)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(43,673)</b>	<b>(3,523)</b>
<b>CASH AND CASH EQUIVALENTS—Beginning of year</b>	<b>651,555</b>	<b>170,248</b>
<b>CASH AND CASH EQUIVALENTS—End of year</b>	<b><u>\$ 607,882</u></b>	<b><u>\$ 166,725</u></b>
<b>RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET POSITION</b>		
Unrestricted cash and cash equivalents	\$ 87,082	\$ 40,614
Restricted cash and cash equivalents	520,800	126,111
	<u>\$ 607,882</u>	<u>\$ 166,725</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 980,642	\$ 128,718
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	302,760	111,943
Change in current assets and liabilities:		
Accounts receivable and deferred billings	27,637	(549)
Prepaid expenses	(2,906)	5,741
Net pension liability	(224)	-
Net OPEB liability	112	-
Due to/from other funds	171	(1,333)
Accounts payable, accrued liabilities, and developers' deposits	(9,052)	(5,913)
Accrued vacation and Accrued sick	222	-
Accrued OPEB	-	-
Customers' advance payments	(37,866)	(3,592)
Total adjustments	<u>280,854</u>	<u>106,297</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 1,261,496</u></b>	<b><u>\$ 235,015</u></b>
<b>NONCASH TRANSACTION DISCLOSURES</b>		
Gain (loss) on disposal of capital assets	-	-
Interest capitalized on construction	-	-
Amortization of bond-related items	(168,808)	(18,068)
Change in fair value of investments	3,487	614
Change in actuarial value of net pension liability	224	-
Refunding bonds issued	-	-
Refunding proceeds deposited in escrow	-	-

<b>Parker Creek Interceptor</b>	<b>Sabine Creek Interceptor</b>	<b>Buffalo Creek Interceptor</b>	<b>McKinney Interceptor</b>	<b>Mustang Creek Interceptor</b>
\$ 271,305	\$ 185,931	\$ 1,873,695	\$ 2,355	\$ 601,660
-	-	-	-	-
39	-	397	7	-
(27,071)	(4,959)	(356,369)	(5,142)	222,407
-	-	(10,653)	-	-
(41,448)	(3,820)	(84,890)	(1,110)	(9,590)
<u>202,825</u>	<u>177,152</u>	<u>1,422,180</u>	<u>(3,890)</u>	<u>814,477</u>
6,750	-	-	4,750	-
(64,290)	(51,895)	(465,048)	-	(142,366)
(155,000)	(125,000)	(1,010,000)	-	(370,969)
-	-	-	-	(190,000)
-	-	-	-	-
<u>(212,540)</u>	<u>(176,895)</u>	<u>(1,475,048)</u>	<u>4,750</u>	<u>(703,335)</u>
324,844	286,690	1,537,863	-	-
(339,215)	(289,268)	(1,576,497)	-	(598,958)
2,033	1,530	20,666	118	16,969
(12,338)	(1,048)	(17,968)	118	(581,989)
(22,053)	(791)	(70,836)	978	(470,847)
<u>108,980</u>	<u>76,555</u>	<u>906,048</u>	<u>12,332</u>	<u>1,379,184</u>
<u>\$ 86,927</u>	<u>\$ 75,764</u>	<u>\$ 835,212</u>	<u>\$ 13,310</u>	<u>\$ 908,337</u>
\$ 366	\$ 7,073	\$ 48,380	\$ 3,354	\$ 36,922
86,561	68,691	786,832	9,956	871,415
<u>\$ 86,927</u>	<u>\$ 75,764</u>	<u>\$ 835,212</u>	<u>\$ 13,310</u>	<u>\$ 908,337</u>
\$ 168,067	\$ 142,438	\$ 827,687	\$ (54,996)	\$ 388,301
49,320	33,956	610,271	54,941	171,343
1,834	(41)	167,454	-	(1,100,672)
(44)	-	(3,035)	-	(435)
-	-	(221)	-	-
-	-	131	-	-
(3,305)	(252)	(2,335)	430	(1,245)
(13,047)	168	(983)	(1)	1,361,311
-	-	260	-	-
-	-	-	-	-
-	883	(177,049)	(4,264)	(4,126)
<u>34,758</u>	<u>34,714</u>	<u>594,493</u>	<u>51,106</u>	<u>426,176</u>
<u>\$ 202,825</u>	<u>\$ 177,152</u>	<u>\$ 1,422,180</u>	<u>\$ (3,890)</u>	<u>\$ 814,477</u>
-	-	-	-	-
-	-	-	-	-
-	-	(77,391)	-	(19,533)
561	501	3,910	-	2,675
-	-	221	-	-
-	-	-	-	-
-	-	-	-	-

(Continued)

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SEWER SYSTEM SUPPLEMENTAL  
SCHEDULES OF CASH FLOWS  
SEPTEMBER 30, 2017**

	<b>Parker Creek Parallel WW Interceptor</b>	<b>Small Plants Clearing</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 183,190	\$ -
Cash received from other funds	-	-
Cash received from (paid to) others	-	263
Cash paid to suppliers for goods and services	(102,253)	(9,660)
Cash paid for employee services	-	41,248
Cash paid to other funds	(998)	(4,627)
Net cash provided by (used for) operating activities	<u>79,939</u>	<u>27,224</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from the issuance of bonds	(19,138)	-
Cash paid for capital assets	(2,290,126)	-
Interest paid	(50,460)	-
Principal payments on long-term debt and capital leases	(140,000)	-
Payments for bond issue costs	19,138	-
Miscellaneous receipts	-	-
Net cash provided by (used for) capital and related financing activities	<u>(2,480,586)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sale and maturity of investments	-	-
Purchases of investments	(199,653)	-
Interest received	19,538	-
Net cash provided by (used for) investing activities	<u>(180,115)</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(2,580,762)</u>	<u>27,224</u>
<b>CASH AND CASH EQUIVALENTS—Beginning of year</b>	<u>3,115,895</u>	<u>385,926</u>
<b>CASH AND CASH EQUIVALENTS—End of year</b>	<u>\$ 535,133</u>	<u>\$ 413,150</u>
<b>RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET POSITION</b>		
Unrestricted cash and cash equivalents	\$ 6,749	\$ 413,150
Restricted cash and cash equivalents	528,384	-
	<u>\$ 535,133</u>	<u>\$ 413,150</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 186,101	\$ -
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>		
Depreciation	3,809	-
Change in current assets and liabilities:		
Accounts receivable and unbilled receivable	(1,340)	-
Prepaid expenses	(73)	4,615
Net pension liability	-	-
Net OPEB liability		
Due to/from other funds	491	9,869
Accounts payable, accrued liabilities, and developers' deposits	(115,397)	12,740
Accrued vacation and Accrued sick	-	-
Accrued OPEB	-	-
Customers' advance payments	6,348	-
Total adjustments	<u>(106,162)</u>	<u>27,224</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 79,939</u>	<u>\$ 27,224</u>
<b>NONCASH TRANSACTION DISCLOSURES</b>		
Gain (loss) on disposal of capital assets	-	-
Interest capitalized on construction	30,424	-
Amortization of bond-related items	(4,129)	-
Change in fair value of investments	892	-
Change in actuarial value of net pension liability	-	-
Refunding bonds issued	-	-

<b>Dewatering Operations</b>	<b>Wastewater Pretreatment Program</b>	<b>Total Sewer System</b>
\$ -	\$ 833,953	35,012,734
-	-	17,222
-	29	83,491
-	(210,755)	(11,006,253)
-	(417,500)	(3,427,621)
-	(167,200)	(3,722,218)
-	38,527	16,957,355
-	-	11,847,549
(177,835)	(80,656)	(35,923,768)
-	-	(7,169,061)
-	-	(12,070,000)
-	-	(276,020)
-	-	-
(177,835)	(80,656)	(43,591,300)
-	-	40,302,572
-	-	(20,793,194)
1,197	1,691	562,477
1,197	1,691	20,071,855
(176,638)	(40,438)	(6,562,090)
195,098	186,154	37,141,389
\$ 18,460	\$ 145,716	\$ 30,579,299
\$ 18,460	\$ 145,716	3,482,192
-	-	27,097,107
\$ 18,460	\$ 145,716	\$ 30,579,299
\$ -	\$ 64,564	13,094,110
-	17,406	5,395,174
-	(39,941)	(739,257)
-	(1,227)	(33,707)
-	(8,026)	(60,060)
-	5,020	38,674
-	(4,404)	(944,759)
-	(37,755)	359,199
-	56,586	33,846
-	-	-
-	(13,696)	(185,865)
-	(26,037)	3,863,245
\$ -	\$ 38,527	\$ 16,957,355
-	-	-
-	-	1,093,290
-	-	(1,173,466)
-	-	85,796
-	8,026	60,060
-	-	-
-	-	-
		(Concluded)



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## **STATISTICAL SECTION**

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*This part of the North Texas Municipal Water District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health. This information has not been audited by the independent auditor.*

<b><u>Contents</u></b>	<b><u>Schedule #s</u></b>
<b>Financial Trends</b> These tables contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	<b>1 thru 9</b>
<b>Revenue Capacity</b> These tables contain information to help the reader assess the District's various revenue sources.	<b>10 thru 15</b>
<b>Debt Capacity</b> These tables present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	<b>16 &amp; 17</b>
<b>Economic and Demographic Information</b> These tables offer economic and demographic indicators to help the reader understand the environment within which the District's financial activities take place.	<b>18 thru 20</b>
<b>Operating Information</b> These tables contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides.	<b>21 thru 23</b>

**Source:** Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SCHEDULE 1  
NET POSITION BY COMPONENT (UNAUDITED)  
LAST TEN FISCAL YEARS**

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Net investment in capital assets	\$ 563,070,109	\$ 600,921,714	\$ 642,592,189
Restricted for debt service	84,276,605	95,516,877	98,617,167
Unrestricted	<u>126,874,912</u>	<u>104,395,902</u>	<u>86,328,779</u>
<b>Total</b>	<u>\$ 774,221,626</u>	<u>\$ 800,834,493</u>	<u>\$ 827,538,135</u>
	<u>2011</u>	<u>2012</u>	<u>2013</u>
Net investment in capital assets	\$ 655,040,848	\$ 687,317,597	\$ 747,192,747
Restricted for debt service	102,802,273	129,622,913	134,554,194
Unrestricted	<u>108,197,769</u>	<u>102,807,227</u>	<u>83,782,522</u>
<b>Total</b>	<u>\$ 866,040,890</u>	<u>\$ 919,747,737</u>	<u>\$ 965,529,463</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>
Net investment in capital assets	\$ 794,854,341	\$ 864,338,873	\$ 942,119,408
Restricted for debt service	138,297,302	142,275,759	141,312,557
Unrestricted	<u>89,311,734</u>	<u>77,655,896</u>	<u>126,729,695</u>
<b>Total</b>	<u>\$ 1,022,463,377</u>	<u>\$ 1,084,270,528</u>	<u>\$ 1,210,161,660</u>
	<u>2017</u>		
Net investment in capital assets	\$ 1,055,668,099		
Restricted for debt service	147,826,838		
Unrestricted	<u>130,713,207</u>		
<b>Total</b>	<u>\$ 1,334,208,144</u>		

**Source:** Statement of Net Position for the NTMWD

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SCHEDULE 2  
CHANGES IN NET POSITION (UNAUDITED)  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Operating Revenues</b>	<b>Operating Expenses</b>	<b>Operating Income</b>	<b>Nonoperating Revenues / (Expenses)</b>	<b>Change in Net Position</b>	<b>Prior Period Adjustment</b>
2008	\$ 200,461,423	\$ 135,201,435	\$ 65,259,988	\$ (5,075,990)	\$ 60,183,998	\$ -
2009	220,001,152	174,371,455	45,629,697	(19,016,830)	26,612,867	-
2010	230,990,723	169,457,931	61,532,792	(31,244,507)	30,288,285	(3,584,643)
2011	247,247,717	168,185,081	79,062,636	(40,559,881)	38,502,755	-
2012	266,482,345	172,604,883	93,877,462	(40,170,615)	53,706,847	-
2013	294,318,335	185,544,056	108,774,279	(49,877,698)	58,896,581	(13,114,855)
2014	310,571,544	206,640,634	103,930,910	(46,996,996)	56,933,914	-
2015	338,513,458	208,587,026	129,926,432	(43,095,097)	86,831,335	(25,024,184)
2016	398,068,222	224,688,538	173,379,684	(47,488,552)	125,891,132	-
2017	439,923,445	253,691,088	186,232,357	(57,091,638)	129,140,719	(5,094,235)

**Source:** Statement of Revenues, Expenses and Changes in Net Position for the NTMWD

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SCHEDULE 3  
TOTAL REVENUES BY SOURCE (UNAUDITED)  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Water Sales</b>	<b>Wastewater Service Fees</b>	<b>Solid Waste Service Fees</b>	<b>Investment Income</b>	<b>(1) Miscellaneous</b>	<b>Total</b>
2008	\$ 110,771,168	\$ 65,714,584	\$ 22,435,070	\$ 12,266,911	\$ 1,909,808	\$ 213,097,541
2009	122,135,437	73,823,795	22,146,863	6,874,381	5,535,297	230,515,773
2010	129,079,671	77,238,181	23,154,120	1,626,312	5,966,568	237,064,852
2011	148,712,453	73,550,031	23,526,336	2,039,519	6,734,417	254,562,756
2012	161,588,387	78,762,862	24,257,060	1,864,517	9,411,393	275,884,219
2013	184,641,152	83,357,407	24,553,966	1,261,442	6,686,736	300,500,703
2014	197,954,585	86,758,613	23,460,042	842,516	9,471,508	318,487,264
2015	215,871,181	93,754,382	27,603,397	2,034,940	5,685,793	344,949,693
2016	252,591,522	113,132,055	30,760,383	3,059,347	6,465,868	406,009,175
2017	282,595,391	120,803,096	34,206,532	7,981,554	6,576,178	452,162,751

**Source:** Statement of Revenues, Expenses and Changes in Net Position for the NTMWD

- (1) Miscellaneous revenues includes federal grant program revenues and other operating and nonoperating revenue.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SCHEDULE 4  
TOTAL EXPENSES BY FUNCTION (UNAUDITED)  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Operating and Maintenance Expenses</b>	<b>Interest Expense</b>	<b>Depreciation</b>	<b>Amortization</b>	<b>Miscellaneous</b>	<b>Total</b>
2008	\$ 109,643,334	\$ 17,683,227	\$ 24,968,068	\$ 590,033	\$ 28,881	\$ 152,913,543
2009	139,032,903	29,525,984	34,678,755	659,797	5,467	203,902,906
2010	130,142,166	36,311,906	38,315,439	1,000,326	1,006,730	206,776,567
2011	127,804,481	47,874,920	39,262,832	1,117,768	-	216,060,001
2012	129,796,674	49,572,489	41,661,976	1,146,233	-	222,177,372
2013	140,151,618	56,060,066	45,392,438	-	-	241,604,122
2014	157,424,943	53,416,490	49,215,691	-	1,496,226	261,553,350
2015	158,078,403	49,531,332	50,508,623	-	-	258,118,358
2016	171,021,459	54,997,252	54,099,332	-	-	280,118,043
2017	190,104,395	68,257,962	63,586,693	-	1,072,982	323,022,032

**Source:** Statement of Revenues, Expenses and Changes in Net Position for the NTMWD



**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SCHEDULE 5  
TOTAL REVENUES BY SYSTEM (UNAUDITED)  
LAST TEN FISCAL YEARS**

<b>Year</b>	<b>Water System</b>	<b>Regional Wastewater System</b>	<b>Sewer System</b>	<b>Solid Waste System</b>	<b>Interceptor System</b>	<b>Total</b>
2008	\$ 119,482,896	\$ 33,263,176	\$ 21,650,281	\$ 23,441,552	\$ 15,259,636	\$ 213,097,541
2009	128,499,761	38,483,393	22,297,706	23,448,502	17,786,411	230,515,773
2010	134,628,838	38,459,665	20,417,285	23,982,504	19,576,560	237,064,852
2011	155,773,667	38,475,101	18,866,637	24,196,146	17,251,205	254,562,756
2012	170,969,532	37,966,678	23,759,739	25,089,308	18,098,962	275,884,219
2013	189,952,267	41,092,579	25,238,821	25,893,780	18,323,256	300,500,703
2014	205,567,790	43,985,499	24,534,984	25,009,414	19,389,577	318,487,264
2015	221,944,473	45,406,393	27,623,302	28,193,176	21,782,349	344,949,693
2016	258,967,069	55,054,270	34,653,940	32,223,631	25,110,265	406,009,175
2017	292,601,342	59,123,075	35,907,347	35,340,336	29,190,651	452,162,751

**Source:** Statement of Revenues, Expenses and Changes in Net Position for the NTMWD

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SCHEDULE 6  
TOTAL EXPENSES BY SYSTEM (UNAUDITED)  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Water System</b>	<b>Regional Wastewater System</b>	<b>Sewer System</b>	<b>Solid Waste System</b>	<b>Interceptor System</b>	<b>Total</b>
2008	\$ 79,896,481	\$ 27,860,710	\$ 16,290,315	\$ 20,611,697	\$ 8,254,340	\$ 152,913,543
2009	120,636,425	32,916,158	20,362,370	20,481,786	9,506,167	203,902,906
2010	122,239,215	32,413,410	20,568,052	20,826,161	10,729,729	206,776,567
2011	131,111,892	32,066,017	20,190,437	21,740,087	10,951,568	216,060,001
2012	134,466,963	31,584,482	21,232,537	22,384,482	12,508,908	222,177,372
2013	145,776,078	36,087,104	21,926,891	23,261,880	14,552,169	241,604,122
2014	161,004,668	40,719,243	22,049,092	22,730,220	15,050,127	261,553,350
2015	153,916,103	41,678,405	22,319,175	23,317,420	16,887,255	258,118,358
2016	159,971,880	48,772,951	26,235,649	26,015,728	19,121,835	280,118,043
2017	194,027,288	52,302,307	27,167,227	26,479,241	23,045,969	323,022,032

**Source:** Statement of Revenues, Expenses and Changes in Net Position for the NTMWD

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SCHEDULE 7  
OPERATING REVENUES (UNAUDITED)  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Water Sales</b>	<b>Wastewater Service Fees</b>	<b>Solid Waste Service Fees</b>	<b>Other Operating Revenues</b>	<b>Total</b>
2008	\$ 110,771,168	\$ 65,714,584	\$ 22,435,070	\$ 1,540,601	\$ 200,461,423
2009	122,135,437	73,823,795	22,146,863	1,895,057	220,001,152
2010	129,079,671	77,238,181	23,154,120	1,518,751	230,990,723
2011	148,712,453	73,550,031	23,526,336	1,458,897	247,247,717
2012	161,588,387	78,762,862	24,257,060	1,874,036	266,482,345
2013	184,641,152	83,357,407	24,553,966	1,765,810	294,318,335
2014	197,954,585	86,758,613	23,460,042	2,398,304	310,571,544
2015	215,871,181	93,754,382	27,603,397	1,284,498	338,513,458
2016	252,591,522	113,132,055	30,760,383	1,584,262	398,068,222
2017	282,595,391	120,803,096	34,206,532	2,318,426	439,923,445

**Source:** Statement of Revenues, Expenses and Changes in Net Position for the NTMWD

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SCHEDULE 8  
OPERATING EXPENSES (UNAUDITED)  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Personnel</b>	<b>Electric Power</b>	<b>Chemicals</b>	<b>Operating Supplies and Services</b>	<b>Depreciation and Amortization</b>	<b>Total</b>
2008	\$ 35,174,646	\$ 25,504,019	\$ 21,266,391	\$ 27,698,278	\$ 25,558,101	\$ 135,201,435
2009	41,148,956	36,452,486	31,559,396	29,872,065	35,338,552	174,371,455
2010	43,373,126	31,396,882	26,431,408	28,940,750	39,315,765	169,457,931
2011	44,509,650	29,454,026	22,741,133	31,099,672	40,380,600	168,185,081
2012	46,772,079	24,705,243	23,490,278	34,829,074	42,808,209	172,604,883
2013	48,000,657	28,667,812	23,398,387	40,084,762	45,392,438	185,544,056
2014	53,252,470	26,628,105	24,178,928	53,365,440	49,215,691	206,640,634
2015	53,098,135	23,997,861	25,325,219	55,657,188	50,508,623	208,587,026
2016	65,389,176	19,187,942	28,283,012	57,729,076	54,099,332	224,688,538
2017	70,226,647	19,894,130	27,629,538	72,354,080	63,586,693	253,691,088

**Source:** Statement of Revenues, Expenses and Changes in Net Position for the NTMWD

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SCHEDULE 9  
NONOPERATING REVENUES AND EXPENSES (UNAUDITED)  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Investment Income</b>	<b>Miscellaneous Revenue</b>	<b>Gain (Loss) on Sale of Capital Assets</b>	<b>Interest Expense</b>	<b>Total</b>
2008	\$ 12,266,911	\$ 360,509	\$ (20,183)	\$ (17,683,227)	\$ (5,075,990)
2009	6,874,381	3,607,677	27,096	(29,525,984)	(19,016,830)
2010	1,626,312	4,395,324	(954,237)	(36,311,906)	(31,244,507)
2011	2,039,519	5,275,520	-	(47,874,920)	(40,559,881)
2012	1,864,517	7,372,696	164,661	(49,572,489)	(40,170,615)
2013	1,261,442	4,740,486	180,440	(56,060,066)	(49,877,698)
2014	842,516	6,748,435	(1,171,457)	(53,416,490)	(46,996,996)
2015	2,034,940	4,401,295	-	(49,531,332)	(43,095,097)
2016	3,059,347	3,573,729	875,624	(54,997,252)	(47,488,552)
2017	7,981,554	2,910,296	274,474	(68,257,962)	(57,091,638)

**Source:** Statement of Revenues, Expenses and Changes in Net Position for the NTMWD

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SCHEDULE 10  
NET ADDITIONS TO CAPITAL ASSETS EXCLUDING CONSTRUCTION IN PROGRESS  
(UNAUDITED)  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Water System</b>	<b>Regional Wastewater System</b>	<b>Sewer System</b>	<b>Solid Waste System</b>	<b>Interceptor System</b>	<b>Total</b>
2008	\$ 217,271,666	\$ 915,563	\$ 53,426,921	\$ 9,861,935	\$ 26,790,287	\$ 308,266,372
2009	284,522,680	14,101,945	34,804,787	24,952,092	16,341,285	374,722,789
2010	59,428,177	787,189	904,541	4,048,279	2,739,993	67,908,179
2011	37,945,874	3,504,095	23,018,671	4,503,898	30,415,197	99,387,735
2012	97,175,728	900,820	610,798	1,708,150	17,550,394	117,945,890
2013	103,316,959	90,768,086	320,947	5,979,869	30,382,947	230,768,808
2014	25,269,744	7,857,071	(2,207,403)	1,450,082	2,557,388	34,926,882
2015	31,937,890	10,403,531	9,796,189	6,712,023	16,248,750	75,098,383
2016	398,312,927	11,077,703	721,164	4,078,101	29,053,254	443,243,149
2017	216,005,065	12,546,239	2,741,961	21,919,663	13,117,830	266,330,758

**Source:** Based on information provided in the schedule of capital assets in Note 4.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SCHEDULE 11  
WATER PRODUCED AND CONSUMED, WASTEWATER TREATED AND SOLID WASTE  
DISPOSED (UNAUDITED)  
LAST TEN FISCAL YEARS**

Water Year	Gallons of Water Produced	Gallons of Water Consumed	Gallons of Water Unbilled	Percent Unbilled	Water Rates (per 1,000 gallons)	
					Members	Customer
2008	93,501,966,897	90,254,296,000	3,247,670,897	3.5%	\$ 1.08	\$ 1.13
2009	96,036,110,124	93,224,065,000	2,812,045,124	2.9%	\$ 1.18	\$ 1.23
2010	90,683,355,747	88,163,732,000	2,519,623,747	2.8%	\$ 1.25	\$ 1.30
2011	104,965,486,000	102,097,794,000	2,867,692,000	2.7%	\$ 1.37	\$ 1.42
2012	98,209,915,613	96,846,812,000	1,363,103,613	1.4%	\$ 1.49	\$ 1.54
2013	98,031,722,000	93,366,805,000	4,664,917,000	4.8%	\$ 1.70	\$ 1.75
2014	88,512,901,000	83,633,749,000	4,879,152,000	5.5%	\$ 1.87	\$ 1.92
2015	83,288,227,957	80,027,915,000	3,260,312,957	3.9%	\$ 2.06	\$ 2.11
2016	100,282,548,000	97,345,239,000	2,937,309,000	2.9%	\$ 2.29	\$ 2.34
2017	97,942,133,000	95,123,951,000	2,818,182,000	2.9%	\$ 2.53	\$ 2.58

**Note:** Water production and consumption is based on the NTMWD Water Year (August 1 through July 31).

Fiscal Year	Gallons of Wastewater Treated	Tons of Solid Waste Disposed
2008	32,065,925,000	816,994
2009	31,348,246,000	750,018
2010	36,263,799,000	743,171
2011	30,875,376,000	751,787
2012	32,789,293,000	722,813
2013	32,919,670,000	786,441
2014	32,546,937,000	835,224
2015	39,364,325,000	877,072
2016	42,949,703,000	950,220
2017	37,569,619,000	1,009,236

**Source:** Based on information provided in NTMWD Operations Report.

**Note:** Wastewater treated and solid waste disposed is based on the NTMWD Fiscal Year (October 1 through September 30).

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SCHEDULE 12  
HISTORIC SERVICE USE (UNAUDITED)  
LAST TEN YEARS**

	<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011</b>
<b>WATER CONSUMPTION</b>				
<b>(GALLONS IN THOUSANDS):</b>				
Member cities	77,535,389	79,197,589	74,574,835	85,966,816
Customer cities	12,713,053	14,019,682	13,583,041	16,126,637
Individual meters	<u>5,854</u>	<u>6,794</u>	<u>5,856</u>	<u>4,341</u>
<b>Total</b>	<u><u>90,254,296</u></u>	<u><u>93,224,065</u></u>	<u><u>88,163,732</u></u>	<u><u>102,097,794</u></u>
<b>Total rainfall (in inches)</b>	<u><u>34.89</u></u>	<u><u>39.02</u></u>	<u><u>41.45</u></u>	<u><u>31.18</u></u>
<b>WASTEWATER VOLUME</b>				
<b>TREATED (GALLONS IN THOUSANDS):</b>				
Regional system	26,159,510	25,254,348	29,189,205	24,721,535
Small plant system	<u>5,906,415</u>	<u>6,093,898</u>	<u>7,074,594</u>	<u>6,153,841</u>
<b>Total</b>	<u><u>32,065,925</u></u>	<u><u>31,348,246</u></u>	<u><u>36,263,799</u></u>	<u><u>30,875,376</u></u>
<b>SOLID WASTE VOLUME</b>				
<b>(IN TONS):</b>				
Transfer stations	490,400	465,440	473,322	471,825
Landfill	<u>326,594</u>	<u>284,578</u>	<u>269,849</u>	<u>279,962</u>
<b>Total</b>	<u><u>816,994</u></u>	<u><u>750,018</u></u>	<u><u>743,171</u></u>	<u><u>751,787</u></u>

**Source:** Based on information provided in NTMWD Operations Report.

**Note:** Data for water consumption is based on the NTMWD water year (August 1 through July 31). Data for wastewater volume treated and solid waste volume is reported on the NTMWD fiscal year (October 1 through September 30).



<b>2011-2012</b>	<b>2012-2013</b>	<b>2013-2014</b>	<b>2014-2015</b>	<b>2015-2016</b>	<b>2016-2017</b>
81,019,601	78,407,137	69,155,408	66,632,698	80,685,320	78,723,004
15,822,993	14,956,602	14,475,125	13,390,178	16,655,941	16,398,007
<u>4,218</u>	<u>3,066</u>	<u>3,216</u>	<u>5,039</u>	<u>3,978</u>	<u>2,940</u>
<u>96,846,812</u>	<u>93,366,805</u>	<u>83,633,749</u>	<u>80,027,915</u>	<u>97,345,239</u>	<u>95,123,951</u>
<u>35.16</u>	<u>29.17</u>	<u>29.08</u>	<u>44.54</u>	<u>53.71</u>	<u>32.33</u>
26,347,832	26,734,851	26,468,520	32,164,465	34,983,736	30,525,105
<u>6,441,461</u>	<u>6,184,819</u>	<u>6,078,417</u>	<u>7,199,860</u>	<u>7,965,967</u>	<u>7,044,514</u>
<u>32,789,293</u>	<u>32,919,670</u>	<u>32,546,937</u>	<u>39,364,325</u>	<u>42,949,703</u>	<u>37,569,619</u>
459,167	475,072	495,756	533,545	566,601	586,098
<u>263,646</u>	<u>311,369</u>	<u>339,468</u>	<u>343,527</u>	<u>383,619</u>	<u>423,138</u>
<u>722,813</u>	<u>786,441</u>	<u>835,224</u>	<u>877,072</u>	<u>950,220</u>	<u>1,009,236</u>

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SCHEDULE 13  
NUMBER OF WATER, WASTEWATER AND SOLID WASTE CUSTOMERS (UNAUDITED)  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Water</b>				<b>Wastewater Member Cities</b>	<b>Solid Waste Member Cities</b>
	<b>Member Cites</b>	<b>Customer Cities</b>	<b>Total Cities</b>			
2008	13	31	44		12	5
2009	13	32	45		12	5
2010	13	32	45		12	5
2011	13	32	45		12	5
2012	13	32	45		12	5
2013	13	33	46		12	5
2014	13	33	46		12	5
2015	13	33	46		12	5
2016	13	34	47	(1)	12	5
2017	13	34	47	(1)	12	5

**Source:** Based on information provided in NTMWD Operations Report.

(1) BHPWSC became a direct customer of NTMWD in April 2016. BHPWSC had previously received service from NTMWD as a customer of the City of Royse City.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SCHEDULE 14  
WATER RATES (UNAUDITED)  
LAST TEN FISCAL YEARS**

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Water Rates (per 1,000 gallons)					
Member Cities	\$ 1.08	\$ 1.18	\$ 1.25	\$ 1.37	\$ 1.49
Customer Cities	\$ 1.13	\$ 1.23	\$ 1.30	\$ 1.42	\$ 1.54
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Water Rates (per 1,000 gallons)					
Member Cities	\$ 1.70	\$ 1.87	\$ 2.06	\$ 2.29	\$ 2.53
Customer Cities	\$ 1.75	\$ 1.92	\$ 2.11	\$ 2.34	\$ 2.58

**Source:** Based on information provided in NTMWD Budget Resolution.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SCHEDULE 15  
LARGEST CUSTOMERS (UNAUDITED)  
CURRENT YEAR AND TEN YEARS AGO**

Customer	Fiscal Year 2007					
	Water Sales		Wastewater Service Fees		Solid Waste Service Fees	
	Amount	%	Amount	%	Amount	%
Frisco	\$ 7,970,709	7.90%	\$ 6,089,718	10.32%	\$ 2,183,597	11.34%
Garland	13,347,344	13.23%	-	0.00%	-	0.00%
McKinney	9,097,050	9.02%	8,675,261	14.71%	3,786,961	19.66%
Mesquite	7,977,344	7.91%	5,693,942	9.65%	-	0.00%
Plano	24,941,475	24.72%	17,134,045	29.05%	6,425,396	33.36%
Richardson	10,284,831	10.19%	3,691,450	6.26%	3,197,002	16.60%
Subtotal	73,618,753	72.96%	41,284,416	69.99%	15,592,956	80.95%
Other Customers	27,282,721	27.04%	17,704,399	30.01%	3,670,507	19.05%
<b>Grand Total</b>	<b>\$ 100,901,474</b>	<b>100.00%</b>	<b>\$ 58,988,815</b>	<b>100.00%</b>	<b>\$ 19,263,463</b>	<b>100.00%</b>

Customer	Fiscal Year 2017					
	Water Sales		Wastewater Service Fees		Solid Waste Service Fees	
	Amount	%	Amount	%	Amount	%
Frisco	\$ 25,652,227	9.08%	\$ 20,831,830	17.24%	\$ 4,095,082	11.97%
Garland	33,248,412	11.77%	-	0.00%	-	0.00%
McKinney	27,136,829	9.60%	16,935,153	14.02%	5,381,333	15.73%
Mesquite	19,896,553	7.04%	9,854,964	8.16%	-	0.00%
Plano	65,664,110	23.23%	30,257,342	25.05%	8,805,414	25.74%
Richardson	26,680,040	9.44%	8,957,306	7.41%	3,971,490	11.61%
Subtotal	198,278,171	70.16%	86,836,595	71.88%	22,253,319	65.05%
Other Customers	84,317,220	29.84%	33,966,501	28.12%	11,953,213	34.95%
<b>Grand Total</b>	<b>\$ 282,595,391</b>	<b>100.00%</b>	<b>\$ 120,803,096</b>	<b>100.00%</b>	<b>\$ 34,206,532</b>	<b>100.00%</b>

**Source:** Based on information provided in NTMWD Operations Report.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SCHEDULE 16  
OUTSTANDING DEBT BY TYPE (UNAUDITED)  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Revenue Bonds (1)</b>	<b>U.S Government Notes</b>	<b>Capital Leases</b>	<b>Total</b>	<b>District Population</b>	<b>Per Capita Debt</b>
2008	\$ 971,266,403	\$ 41,145,477	\$ -	\$ 1,012,411,880	748,500	1,353
2009	1,123,155,107	40,019,360	-	1,163,174,467	764,500	1,521
2010	1,201,211,843	75,497,946	-	1,276,709,789	786,250	1,624
2011	1,296,431,816	37,656,812	-	1,334,088,628	791,470	1,686
2012	1,693,890,969	36,417,993	-	1,730,308,962	834,642	2,073
2013	1,649,854,821	35,139,154	-	1,684,993,975	854,778	1,971
2014	1,675,033,880	33,819,003	-	1,708,852,883	885,241	1,930
2015	1,821,632,620	32,456,205	-	1,854,088,825	914,127	2,028
2016	1,906,989,880	31,049,381	-	1,938,039,261	939,585	2,063
2017	2,231,875,720	29,597,110	-	2,261,472,830	n/a	n/a

**Source:** Notes to the Basic Financial Statements for the North Texas Municipal Water District.

(1) Presented net of original issuance discounts and premiums

**Note:** The District provides service to portions of Collin, Hunt, Rockwall, Dallas, Kaufman, Ellis, Rains, Fannin, Grayson, and Denton Counties. The majority of the District's population served resides in Collin County. Therefore, this schedule reflects data for Collin County only.

The District was unable to obtain the 2017 "District Population" and the "Per Capita Debt" information at the time of publication of this report.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SCHEDULE 17  
REVENUE COVERAGE (UNAUDITED)  
LAST TEN FISCAL YEARS**

Fiscal Year	{a} Total Revenues	Less: Operating Expenses (excluding depreciation)	Net Available Revenues	Debt Service			Coverage Ratio
				Principal	Adjustment {b}	Interest Paid	
2008	\$ 213,097,541	\$ 109,643,334	\$ 103,454,207	\$ 32,840,877	\$ -	\$ 38,357,048	1.45
2009	230,515,773	139,032,903	91,482,870	36,471,117	-	48,520,843	1.08
2010	237,064,852	130,142,166	106,922,686	46,021,961	-	56,034,581	1.05
2011	254,562,756	127,804,481	126,758,275	83,806,133	(36,641,083)	61,388,483	1.17
2012	275,884,219	129,796,674	146,087,545	49,873,819	-	61,388,483	1.31
2013	300,500,703	140,151,618	160,349,085	62,918,838	-	79,055,732	1.13
2014	318,487,264	157,424,943	161,062,321	63,480,151	-	71,448,310	1.19
2015	344,949,693	158,078,403	186,871,290	72,317,798	-	74,903,222	1.27
2016	406,009,175	170,589,206	235,419,969	79,006,824	-	80,521,078	1.48
2017	452,162,751	190,104,395	262,058,356	91,572,271	-	87,754,800	1.46

**Source:** Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows for the NTMWD

{a} Amount represents operating revenue plus nonoperating revenues, excluding interest expense and loss on disposal of capital assets.

{b} Advance payment of debt.

**Note:** The District currently does not maintain any debt covenants requiring a coverage ratio of greater than 1.00.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SCHEDULE 18  
DEMOGRAPHIC STATISTICS (UNAUDITED)  
LAST TEN CALENDAR YEARS**

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<b>Calendar Year</b>	<b>District Population</b>	<b>Personal Income (thousand dollars)</b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate</b>
2007	724,900	\$ 26,345,030	\$ 36,343	6.0%
2008	748,500	27,539,359	36,793	6.4%
2009	764,500	28,476,127	37,248	6.9%
2010	786,250	29,648,689	37,709	7.3%
2011	791,470	30,214,869	38,176	7.3%
2012	834,642	30,941,848	37,072	4.5%
2013	854,778	32,401,215	37,906	5.2%
2014	885,241	34,148,172	38,575	5.5%
2015	914,127	36,154,637	39,551	3.7%
2016	939,585	38,686,473	41,174	3.7%

**Source:** Years 2007 - 2011 were based on information provided by North Central Texas Council of Governments. Years 2012 - 2016 were based on information provided by the U.S. Census Bureau; however, the District was unable to obtain this information for 2017 at the time of publication of this report.

**Note:** The District provides service to portions of Collin, Hunt, Rockwall, Dallas, Kaufman, Ellis, Rains, Fannin, Grayson, and Denton Counties. The majority of the District's population served resides in Collin County. Therefore, this schedule reflects data for Collin County only.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SCHEDULE 19  
PRINCIPAL EMPLOYERS (UNAUDITED)  
PREVIOUS YEAR AND TEN YEARS AGO**

<b>Employer</b>	<b>2016</b>	
	<b>Employees</b>	<b>Percentage of Total</b>
HP Enterprise Services, LLC	10,000	2.06%
JP Morgan Chase & Co	6,000	1.24%
Bank of America Home Loans-Corporate Dr.	4,646	0.96%
Liberty Mutual Insurance	4,000	0.82%
Toyota	4,000	0.82%
JC Penney (Corporate HQ)	3,800	0.78%
Capital One	3,683	0.76%
University of Texas at Dallas	3,500	0.72%
Blue Cross and Blue Shield of Texas	3,100	0.64%
Medical Center of Plano (HCA Inc.)	3,000	0.62%
<b>Total</b>	<b>45,729</b>	<b>9.42%</b>
<b>Total Employed in the County</b>	<b>485,601</b>	

<b>Employer</b>	<b>2006</b>	
	<b>Employees</b>	<b>Percentage of Total</b>
Countrywide Home Loans	4,402	1.13%
EDS	4,310	1.11%
JC Penney	4,300	1.10%
University of Texas at Dallas	3,058	0.78%
Raytheon	2,850	0.73%
Perot Systems	2,732	0.70%
Raytheon Corp	2,400	0.62%
Alcatel	2,280	0.58%
AT&T Inc.	2,140	0.55%
<b>Total</b>	<b>28,472</b>	<b>7.30%</b>

**Source:** Years 2006 and 2016 are based on information provided by North Central Texas Council of Governments; however, the District was unable to obtain this information for 2017 at the time of publication of this report.

**Note 1:** The District provides service to portions of Collin, Hunt, Rockwall, Dallas, Kaufman, Ellis, Rains, Fannin, Grayson, and Denton Counties. The majority of the District's population served resides in Collin County. Therefore, this schedule reflects data for Collin County only.



**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SCHEDULE 20  
NUMBER OF EMPLOYEES BY FUNCTION (UNAUDITED)  
LAST TEN FISCAL YEARS**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Water:</b>										
General	14.0	18.0	18.0	29.0	29.0	31.0	31.0	30.0	8.0	11.0
Public Information	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0	2.0	3.0
Planning	8.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Information Technology									20.4	24.0
Administration	22.0	22.0	23.0	21.0	21.0	21.0	25.0	28.0	36.0	38.0
Plant Operations	34.0	40.0	45.0	47.0	66.0	78.0	64.0	66.0	77.0	79.0
Tawakoni Raw Water Pump St	0.0	0.0	5.0	10.0	11.0	11.0	11.0	11.0	12.0	12.0
East Fork Raw Water Supply	5.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Bonham Water Treatment	8.0	10.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Facilities Service	31.0	40.0	40.5	40.5	43.5	46.5	48.5	55.0	61.0	61.0
Technical Service	50.0	53.0	56.5	55.5	56.5	58.5	80.5	85.0	91.0	92.0
Laboratory	23.3	24.3	25.3	25.3	25.3	27.3	27.3	26.9	27.8	26.0
Engineering	35.0	40.0	40.0	40.0	43.0	44.0	50.0	62.0	74.0	77.0
Environmental Service	4.5	5.5	5.7	7.7	7.7	7.7	9.2	11.4	11.0	11.5
Permitting									4.2	4.0
Regulatory Compliance									3.3	4.0
<b>Total</b>	<b>236.8</b>	<b>261.8</b>	<b>279.0</b>	<b>296.0</b>	<b>323.0</b>	<b>345.0</b>	<b>366.5</b>	<b>396.3</b>	<b>445.6</b>	<b>460.5</b>
<b>Wastewater:</b>										
Wilson Creek WWTP	51.8	52.8	52.8	52.8	55.8	55.8	56.1	56.4	58.8	59.0
Floyd Branch WWTP	6.3	6.3	6.3	6.3	6.3	6.3	6.4	6.5	7.5	8.0
Rowlett Creek WWTP	20.8	21.8	21.8	21.8	21.8	21.8	23.1	23.4	25.5	26.5
Mesquite WWTP	27.8	29.8	29.8	29.8	32.8	32.8	34.1	35.4	34.1	34.0
Panther Creek WWTP	6.1	6.1	6.1	12.1	12.1	12.1	12.1	12.6	17.8	17.8
Muddy Creek WWTP	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1	18.4	18.9
Stewart Creek WWTP	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.6	10.6	11.5
Seagoville WWTP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Small WWTPs	6.5	6.5	5.5	5.5	5.5	5.5	5.5	7.5	7.0	9.0
Pretreatment	5.2	5.2	5.0	5.0	5.0	5.0	5.5	6.7	6.8	7.5
Dewatering	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.0	0.0	0.0
Forney Interceptor										0.1
Lower East Fork Interceptor									0.1	0.1
Buffalo Creek Interceptor										0.1
Upper East Fork Interceptor	5.9	6.9	6.9	6.9	7.9	8.9	8.9	11.9	19.9	19.1
<b>Total</b>	<b>150.2</b>	<b>155.2</b>	<b>154.0</b>	<b>160.0</b>	<b>167.0</b>	<b>168.0</b>	<b>171.6</b>	<b>178.7</b>	<b>206.3</b>	<b>211.5</b>
<b>Solid Waste:</b>										
Transfer Station	49.5	52.8	52.8	50.8	48.8	47.8	47.3	46.3	46.4	47.0
Landfills	8.3	8.3	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposal Facility	30.3	33.0	37.8	39.3	40.3	39.3	36.8	32.8	33.9	34.7
Fleet Maintenance Shop	11.0	13.0	13.0	13.0	12.0	12.0	15.0	16.0	18.7	19.4
<b>Total</b>	<b>99.0</b>	<b>107.0</b>	<b>106.1</b>	<b>103.0</b>	<b>101.0</b>	<b>99.0</b>	<b>99.0</b>	<b>95.0</b>	<b>99.0</b>	<b>101.0</b>
<b>Total Employees</b>	<b>486</b>	<b>524</b>	<b>539</b>	<b>559</b>	<b>591</b>	<b>612</b>	<b>637</b>	<b>670</b>	<b>751</b>	<b>773</b>

**Source:** Based on information provided in NTMWD Annual Budget.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SCHEDULE 21  
MISCELLANEOUS STATISTICAL DATA (UNAUDITED)  
YEAR ENDED SEPTEMBER 30, 2017**

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Authority created under Chapter 62, Acts of 1951, 52nd Legislature of Texas, Regular Session

Year of creation	1951
Domicile	Wylie, Texas
District population	1,700,000
District service area	2,200 square miles
Water Treatment Plant	420 acres
Rain received at Lavon Lake during fiscal year	32.33
Total employees	773

**REGIONAL WATER SYSTEM**

RAW WATER SUPPLY—SAFE YIELD:

Lavon Lake	102.6	MGD
Lake Texoma	82.8	
Jim Chapman Lake	44.6	
Lake Bonham	4.8	
Lake Tawakoni	45.7	
Wilson Creek Reuse	44.0	
East Fork Raw Water Supply	27.0	
Lake Ray Hubbard Pass Through	18.8	
	<hr/>	
Total	370.3	MGD
	<hr/> <hr/>	

WATER TREATMENT PLANTS:

Wylie—WTP I	70.0	MGD
Wylie—WTP II	280.0	
Wylie—WTP III	280.0	
Wylie—WTP IV	140.0	
Bonham WTP	6.6	
Tawakoni WTP	30.0	
	<hr/>	
Total	806.6	MGD
	<hr/> <hr/>	

TRANSMISSION PIPELINES:

12" to 24" diameter	116.0	Miles
30" to 54" diameter	174.0	
60" to 96" diameter	286.0	
	<hr/>	
Total	576.0	Miles
	<hr/> <hr/>	

RAW WATER PUMP STATIONS:

Lake Lavon—3 sites:		
Total water pumps	17	
Total raw water pumping capacity	940	MGD
Lake Texoma—1 site:		
Total water pumps	4	
Total raw water pumping capacity	125	MGD

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SCHEDULE 21  
MISCELLANEOUS STATISTICAL DATA (UNAUDITED)  
YEAR ENDED SEPTEMBER 30, 2017**

Jim Chapman Lake—1 site:

Total water pumps	3	
Total raw water pumping capacity	165	MGD

East Fork Raw Water Supply—2 sites:

Total water pumps	8	
Total raw water pumping capacity	270	MGD

Lake Tawakoni—2 sites:

Total water pumps	7	MGD
Total raw water pumping capacity	168	

Wylie Water Plant - Treated Water Pump Stations  
Wylie Water Plant - Treated Water Pumping Capacity

7	
953.5	MGD

TREATED WATER STORAGE RESERVOIRS:

NTMWD Treatment plant storage	42.0	Million gallons
NTMWD Transmission system storage	368.0	
	<u>410.0</u>	Million gallons

TOTAL CITY DELIVERY POINTS

82

**WASTEWATER SYSTEM**

**Permitted Capacity**

REGIONAL SYSTEM:

Regional wastewater plants:

Floyd Branch RWWTP	*	4.750	MGD
South Mesquite RWWTP	*	33.000	
Rowlett Creek RWWTP	*	24.000	
Wilson Creek RWWTP	*	56.000	

SEWER SYSTEM:

City:

Farmersville	Farmersville No. 1 Plant	0.225	a
	Farmersville No. 2 Plant	0.530	a
Frisco	Cottonwood Creek Plant	0.300	
	Panther Creek Plant	* 10.000	
	Stewart Creek West Plant	* 5.000	
Lavon	Bear Creek Plant	0.250	
Rockwall	North Rockwall Plant	* 1.200	
	South Rockwall Plant	* 2.250	
Royse City	Royse City Plant	0.500	b
Royse City and Fate	Sabine Creek Plant	* 1.500	
Seis Lagos MUD	Seis Lagos Plant	0.250	

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SCHEDULE 21  
MISCELLANEOUS STATISTICAL DATA (UNAUDITED)  
YEAR ENDED SEPTEMBER 30, 2017**

Wylie and Murphy	Muddy Creek Plant	*	10.000	
Wylie	Wylie Plant	*	2.000	<sup>b</sup>
Total treatment capacity			<u>151.755</u>	MGD
Total number of plants			17	
Total number of plants in operation			14	
a) Operates as a single plant				
b) Not in operation				
* Number of plants owned by NTMWD			11	
<b>INTERCEPTOR SYSTEMS</b>			<u>Pipeline Length</u>	
Upper East Fork Interceptor System			194.2	Miles
Lakeside Interceptor (Rockwall)			4.3	
Muddy Creek Interceptor			4.1	
Forney Interceptor			14.4	
Sabine Creek Interceptor			3.2	
Parker Creek Interceptor			6.6	
Buffalo Creek Interceptor			16.2	
Lower East Fork Interceptor System			9.2	
Total			<u>252.2</u>	Miles
<b>SOLID WASTE SYSTEM</b>			<u>Permitted Capacity</u>	
<b>TRANSFER STATIONS (3):</b>				
Lookout Drive Transfer Station			625	Tons/day
Parkway Transfer Station			770	
Custer Road Transfer Station			1,900	
Total transfer capacity			<u>3,295</u>	Tons/day
<b>LANDFILLS (3):</b>				
121 Regional Disposal Facility				
Permit Boundary			673	Acres
Landfillable			433	Acres
Permitted Airspace			135	M yd3
Maxwell Creek Landfill*				
Permit Boundary			193	Acres
Landfillable			139	Acres
Permitted Airspace			6	M yd3
McKinney Landfill**				
Permit Boundary			169	Acres
Landfillable			94	Acres
Permitted Airspace			13	M yd3

\* Closed in 2006.

\*\*Ceased waste acceptance on December 31, 2008 and closed in 2014

(Concluded)

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SCHEDULE 22  
OPERATING AND CAPITAL INDICATORS (UNAUDITED)  
LAST TEN FISCAL YEARS**

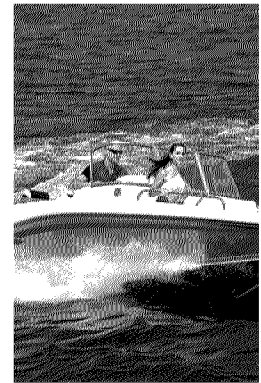
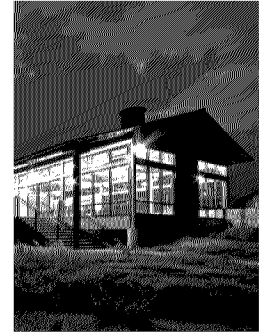
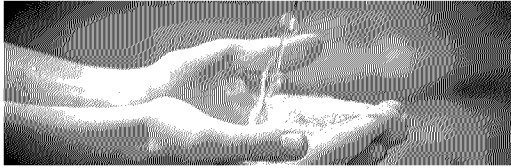
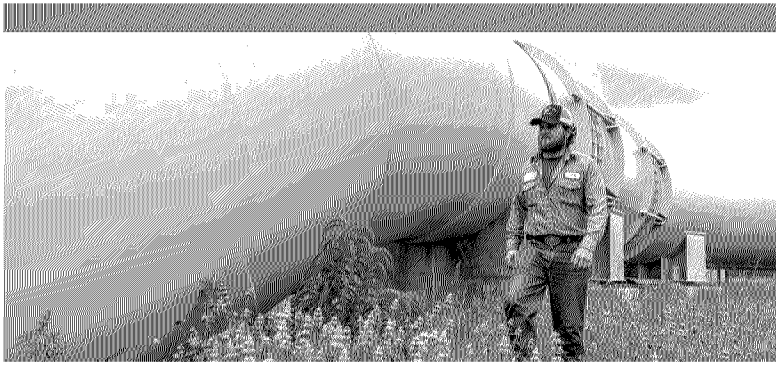
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Water:</b>										
Size of Service Area (square miles)	1,985	1,985	1,985	1,985	2,200	2,200	2,200	2,200	2,200	2,200
Water Supply (MGD)	298	333	369	369	369	370	370	370	370	370
Treatment Capacity (MGD)	777	777	777	777	807	807	807	807	807	807
Miles of Transmission Pipelines	482	482	482	487	518	518	566	573	573	576
Water Storage Capacity (MG)	443	314	400	400	400	403	403	410	410	410
City Delivery Points	59	78	78	78	78	77	77	77	82	82
Total Rainfall (Inches)	35	39	41	31	35	29	29	45	54	32
Annual Consumption (BG)	90	93	88	102	97	93	84	80	97	95
<b>Wastewater:</b>										
Miles of Interceptor Lines	188	210	210	226	243	243	250	250	251	252
Number of Treatment Plants	16	18	18	18	18	17	17	17	17	17
Treatment Capacity (MGD)	121	132	132	137	145	152	152	152	152	152
Annual Volume Treated (BG)	32	31	36	31	33	33	33	39	43	38
<b>Solid Waste:</b>										
Number of Transfer Stations	3	3	3	3	3	3	3	3	3	3
Number of Landfills	3	3	3	3	3	3	3	3	3	3
Annual Volume (thousand tons)	817	750	743	752	723	786	835	877	950	1,009

**Source:** Based on information provided in NTMWD Operation Report.

**NORTH TEXAS MUNICIPAL WATER DISTRICT, TEXAS  
SCHEDULE 23  
INSURANCE IN FORCE (UNAUDITED)**

Carrier	Policy No	Coverage	Policy Limits	Term	Approximate Annual Premium
Texas Water Conservation Association Risk Management Fund	7	Workers' compensation	Statutory up to \$100,000 (each accident)	7-01-17 to 7-01-18	\$ 623,340
Texas Water Conservation Association Risk Management Fund	7	General liability	\$10,000,000 per occurrence \$10,000,000 annual aggregate	7-01-17 to 7-01-18	\$ 124,665
Texas Water Conservation Association Risk Management Fund	7	Automobile liability	\$10,000,000 per occurrence \$10,000,000 annual aggregate	7-01-17 to 7-01-18	\$ 177,128
Texas Water Conservation Association Risk Management Fund	7	Directors' and officers' liability	\$10,000,000 per occurrence \$10,000,000 annual aggregate	7-01-17 to 7-01-18	\$ 106,852
Texas Water Conservation Association Risk Management Fund	7	Automobile physical damage	Actual cash value	7-01-17 to 7-01-18	\$ 170,120
USI Insurance Services	GN610	Fire and extended coverage	\$457,355,133 scheduled property	12-31-16 to 12-31-17	\$ 409,477
Chubb & Son Insurance	6615026	Commercial floater	\$27,708,309 scheduled & \$400,000 unscheduled property	5-01-17 to 5-01-18	\$ 73,585
USI Insurance Services	105874034	Fidelity bond	\$1,000,000 per occurrence	1-01-17 to 1-01-18	\$ 9,587
Anco Insurance B/CS	04T061309	General liability Pollution storage tanks	\$1,000,000 per occurrence \$1,000,000 annual aggregate	12-01-16 to 12-01-17	\$ 819

**Source:** Based on information provided in NTMWD Insurance Policies.



**NORTH  
TEXAS  
MUNICIPAL  
WATER  
DISTRICT**

**NORTH TEXAS MUNICIPAL WATER DISTRICT**

501 East Brown Street  
P.O. Box 2408, Wylie, TX 75098  
Phone: 972.442.5405  
[www.NTMWD.com](http://www.NTMWD.com)

**NORTH TEXAS MUNICIPAL WATER DISTRICT  
WATER SYSTEM  
COMPARATIVE STATEMENT OF NET POSITION  
FEBRUARY 28, 2018**

	February 28 2018	September 30 2017	Increase (Decrease)
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Unrestricted Assets:			
Cash and cash equivalents	\$ 61,374,858	\$ 78,913,780	\$ (17,538,922)
Investments	102,467,640	68,937,490	33,530,150
Interest receivable	-	-	-
Accounts receivable	24,978,180	23,300,807	1,677,373
Due from other funds	218,493	210,344	8,149
Prepaid expenses	2,333,708	2,493,343	(159,635)
Unbilled receivables	207,019	207,019	-
Total unrestricted assets	<u>191,579,898</u>	<u>174,062,783</u>	<u>17,517,115</u>
Restricted Assets:			
Cash and cash equivalents	208,515,754	144,927,151	63,588,603
Investments	233,431,021	272,830,418	(39,399,397)
Contracts receivable	26,400	26,400	-
Interest receivable	905,642	778,382	127,260
Accounts receivable	-	-	-
Due from other funds	214,810	125,890	88,920
Total restricted assets	<u>443,093,627</u>	<u>418,688,241</u>	<u>24,405,386</u>
<b>LONG-TERM ASSETS:</b>			
Net capital assets	<u>2,016,218,794</u>	<u>1,956,271,968</u>	<u>59,946,826</u>
<b>TOTAL ASSETS</b>	<u>2,650,892,319</u>	<u>2,549,022,992</u>	<u>101,869,327</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension outflow	7,778,993	7,778,993	-
Deferred loss on refunding	20,952,167	21,576,312	(624,145)
Deferred OPEB outflow	58,865	58,865	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>28,790,025</u>	<u>29,414,170</u>	<u>(624,145)</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>2,679,682,344</u>	<u>2,578,437,162</u>	<u>101,245,182</u>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Payable from Unrestricted Assets:			
Accounts payable and other liabilities	8,412,256	19,783,380	(11,371,124)
Due to other funds	4,988	58,232	(53,244)
Customer advance payments	-	61,768	(61,768)
Accrued interest - notes	298,338	779,984	(481,646)
Accrued interest capital lease	-	-	-
Current portion of notes	1,545,994	1,499,187	46,807
Current portion of capital lease obligation	-	-	-
Total payable from unrestricted assets	<u>10,261,576</u>	<u>22,182,551</u>	<u>(11,920,975)</u>
Payable from Restricted Assets:			
Accounts payable	10,732,287	20,705,685	(9,973,398)
Due to other funds	-	75,818	(75,818)
Accrued interest - revenue bonds	32,190,883	5,311,408	26,879,475
Current portion of revenue bonds	48,675,000	48,025,000	650,000
Total payable from restricted assets	<u>91,598,170</u>	<u>74,117,911</u>	<u>17,480,259</u>
<b>LONG-TERM LIABILITIES</b>			
Accrued vacation and sick - less current portion	2,170,459	2,170,459	-
Net pension liability	14,169,581	14,169,581	-
Net OPEB liability	2,413,854	2,413,854	-
Deferred compensation	305,000	317,500	(12,500)
Capital lease obligation - less current portion	-	-	-
Long-term debt - less current portion	<u>1,493,537,405</u>	<u>1,456,009,857</u>	<u>37,527,548</u>
Total long-term liabilities	<u>1,512,596,299</u>	<u>1,475,081,251</u>	<u>37,515,048</u>
<b>TOTAL LIABILITIES</b>	<u>1,614,456,045</u>	<u>1,571,381,713</u>	<u>43,074,332</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension inflow	6,105,500	6,105,500	-
Deferred OPEB inflow	786,362	786,362	-
Deferred insurance proceeds	-	1,012,296	(1,012,296)
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>6,891,862</u>	<u>7,904,158</u>	<u>(1,012,296)</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>1,621,347,907</u>	<u>1,579,285,871</u>	<u>42,062,036</u>
<b>NET POSITION:</b>			
Net investment in capital assets	775,912,206	779,684,378	(3,772,172)
Restricted for debt service	117,683,833	87,555,916	30,127,917
Unrestricted	164,738,398	131,910,997	32,827,401
<b>TOTAL NET POSITION</b>	<u>\$ 1,058,334,437</u>	<u>\$ 999,151,291</u>	<u>\$ 59,183,146</u>



**NORTH TEXAS MUNICIPAL WATER DISTRICT  
WATER SYSTEM  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE FIVE MONTHS ENDED FEBRUARY 28, 2018**

	Current Month	Year to Date
	<u>                    </u>	<u>                    </u>
OPERATING REVENUES:		
Water sales	\$ 26,617,547	\$ 133,089,796
Deferred charges for services	-	-
Other operating revenues	(45,575)	142,429
Total operating revenues	<u>26,571,972</u>	<u>133,232,225</u>
OPERATING EXPENSES:		
Personnel	3,365,554	19,257,226
Electric power	1,294,043	5,380,231
Chemicals	1,008,257	6,645,265
Other operating supplies and services	733,542	4,582,977
Total operating expenses excluding depreciation	<u>6,401,396</u>	<u>35,865,699</u>
EXCESS OF REVENUES OVER EXPENSES BEFORE DEPRECIATION	20,170,576	97,366,526
Depreciation expense	3,627,775	18,141,241
Total depreciation	<u>3,627,775</u>	<u>18,141,241</u>
OPERATING INCOME (LOSS)	<u>16,542,801</u>	<u>79,225,285</u>
NONOPERATING REVENUES (EXPENSES):		
Investment income	427,425	1,824,931
Miscellaneous revenue/expense	(68,948)	(707,587)
Federal programs revenues	1,967,424	1,967,424
Gain (loss) on sale of capital assets	42,314	42,314
Interest expenses - long term debt	(4,648,277)	(23,169,221)
Total nonoperating revenues (expenses)	<u>(2,280,062)</u>	<u>(20,042,139)</u>
CHANGE IN NET POSITION	14,262,739	59,183,146
NET POSITION, BEGINNING BALANCE	<u>1,044,071,698</u>	<u>999,151,291</u>
NET POSITION, ENDING BALANCE	<u>\$ 1,058,334,437</u>	<u>\$ 1,058,334,437</u>

**NORTH TEXAS MUNICIPAL WATER DISTRICT  
WATER SYSTEM  
STATEMENT OF CASH FLOWS  
FOR THE FIVE MONTHS ENDED FEBRUARY 28, 2018**

	Current Month	Year to Date
	<u>          </u>	<u>          </u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 26,489,727	\$ 131,837,503
Cash received from other funds	801,620	4,026,159
Cash received from (paid to) others	162,579	1,037,918
Cash paid to suppliers for goods and services	(5,234,841)	(35,698,472)
Cash paid for employees for services	(2,539,569)	(14,090,156)
Cash paid to other funds	(2,997)	(14,835)
Net cash provided by operating activities	<u>19,676,519</u>	<u>87,098,117</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from (for) the issuance of bonds	-	44,898,000
Cash paid for capital assets	(19,812,705)	(93,041,636)
Interest paid on long-term debt	-	-
Interest paid on U.S. government contracts	-	(870,336)
Principal payments on long-term debt	-	-
Payments on U.S. government contracts	-	(1,449,294)
Payments from (for) bond issue costs	-	(248,000)
Federal program revenues	1,967,424	1,967,424
Net cash used for capital and related financing activities	<u>(17,845,281)</u>	<u>(48,743,842)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sale and maturity of investments	36,897,580	214,570,537
Purchase of investments	-	(209,972,157)
Interest received	729,900	3,097,026
Net cash provided by (used for) investing activities	<u>37,627,480</u>	<u>7,695,406</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>39,458,718</b>	<b>46,049,681</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>230,431,894</b>	<b>223,840,931</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b><u>\$ 269,890,612</u></b>	<b><u>\$ 269,890,612</u></b>
<b>RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET POSITION</b>		
Unrestricted cash and cash equivalents	61,374,858	61,374,858
Restricted cash and cash equivalents	208,515,754	208,515,754
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	16,542,801	79,225,285
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,627,775	18,141,241
Change in current assets and liabilities:		
Accounts receivable and deferred billings	(18,409)	(1,676,325)
Prepaid expenses	-	159,635
Net pension liability	-	-
Due to/from other funds	(180,962)	(150,316)
Accounts payable, accrued liabilities and developers' deposit	(294,686)	(8,539,635)
Accrued vacation and Accrued sick	-	-
Accrued OPEB	-	-
Customer advance payments	-	(61,768)
Total adjustments	<u>3,133,718</u>	<u>7,872,832</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 19,676,519</u></b>	<b><u>\$ 87,098,117</u></b>
<b>NONCASH TRANSACTION DISCLOSURES</b>		
Gain on disposal of capital assets	-	-
Interest capitalized on construction	-	-
Amortization of bond-related items	(870,441)	(4,352,205)
Change in fair value of investments	296,305	1,409,686
Change in actuarial value of net pension assets	-	-
Refunding bonds issued	-	-
Refunding proceeds deposited in escrow	-	-

## Management's Discussion and Analysis (Unaudited)

As management of the North Texas Municipal Water District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District as of and for the fiscal year ended September 30, 2017.

### **Financial Highlights**

- Total assets at the end of the year were approximately \$3.7 billion and exceeded liabilities by approximately \$1.33 billion.
- The District's total net position increased by approximately \$124 million, or 10 percent.
- During the year, the District's operating revenues increased by approximately \$42 million, or 10 percent, and operating expenses increased by approximately \$29 million, or 13 percent.
- Construction of the Trinity River Main Stem Raw Water Pipeline & Pump Station, Wilson Creek, Sabine Creek and Stewart Creek WWTP expansions, and the Rowlett & Cottonwood Creek Lift Stations led the way in capital expenditures totaling \$174 million.
- The District issued \$473 million in revenue bonds for various projects and to refinance outstanding debt to take advantage of favorable interest rates.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements which are comprised of fund financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Financial Statements.** The financial statements are designed to provide readers with an overview of the District's finances, in a manner similar to private-sector business.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The *Statement of Cash Flows* presents cash receipts, cash payments, and net changes in cash resulting from operating activities, capital and related financing activities, and investing activities for the year presented.

**Enterprise Funds.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are categorized as enterprise funds. The District reports five major enterprise funds: Water, Regional Wastewater, Sewer, Solid Waste and Interceptor.

The basic enterprise fund financial statements can be found on pages 10 through 17 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found starting on page 18 of this report.



**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplemental information can be found beginning on page 53 of this report.

### **Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,334,208,144 at the close of the most recent fiscal year.

### **North Texas Municipal Water District's Net Position**

	<u>As of September 30</u>		<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
	<u>2017</u>	<u>2016</u>		
<b>ASSETS:</b>				
Current and other assets	\$ 968,530,427	\$ 733,122,854	\$ 235,407,573	32.1 %
Capital assets—net	2,732,146,098	2,510,962,344	221,183,754	8.8
Total assets	3,700,676,525	3,244,085,198	456,591,327	14.1
Total deferred outflows of resources	43,468,351	41,081,323	2,387,028	5.8
Total assets and deferred outflows of resources	3,744,144,876	3,285,166,521	458,978,355	14.0
<b>LIABILITIES:</b>				
Current and other liabilities	193,702,977	173,894,028	19,808,949	11.4
Long-term liabilities outstanding	2,204,019,767	1,891,046,277	312,973,490	16.6
Total liabilities	2,397,722,744	2,064,940,305	332,782,439	16.1
Total deferred inflows of resources	12,213,988	10,064,556	2,149,432	100.0
Total liabilities and deferred inflows of resources	2,409,936,732	2,075,004,861	334,931,871	16.1
<b>NET POSITION:</b>				
Net investment in capital assets	1,055,668,099	942,119,408	113,548,691	12.1
Restricted	147,826,838	141,312,557	6,514,281	4.6
Unrestricted	130,713,207	126,729,695	3,983,512	3.1
Total net position	<u>\$ 1,334,208,144</u>	<u>\$ 1,210,161,660</u>	<u>\$ 124,046,484</u>	<u>10.3 %</u>

The largest portion of the District's net position (79 percent) reflects its investment in capital assets (e.g., land, reservoir facilities, water treatment facilities and wastewater disposal facilities) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its member and customer cities; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves are not intended to be used to liquidate these liabilities.

An additional portion of the District's net position (11 percent) represents resources that are subject to external restrictions on how they may be used. The District's restricted net position consist primarily of the reserve funds required by bond resolutions.

The remaining balance of the District's net position represents unrestricted net position (10 percent) and may be used to meet the District's ongoing obligations. The overall increase in net position of \$124,046,484, or 10.3%, during the current fiscal year indicates an improved financial position.

While the Statement of Net Position provides the components of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at year-end, the Statement of Revenues, Expenses and Changes in Net Position provides information on the source of the change during the year. The primary sources of the increase in net position of \$124,046,484 were operating income of \$186,232,357 offset by interest expense of \$68,257,962.

### North Texas Municipal Water District's Changes in Net Position

	Year Ended September 30		Increase (Decrease)	Percent Change
	2017	2016		
Operating Revenues:				
Water sales	\$ 282,595,391	\$ 252,591,522	\$ 30,003,869	11.9 %
Wastewater service fees	120,803,096	113,132,055	7,671,041	6.8
Solid waste service fees	34,206,532	30,760,383	3,446,149	11.2
Other operating revenues	2,318,426	1,584,262	734,164	46.3
Total Operating Revenues	<u>439,923,445</u>	<u>398,068,222</u>	<u>41,855,223</u>	<u>10.5</u>
Operating Expenses:				
Personnel	70,226,647	65,389,176	4,837,471	7.4
Operating Supplies:				
Chemicals	27,629,538	28,283,012	(653,474)	(2.3)
Other supplies	15,493,153	14,560,209	932,944	6.4
Operating Services:				
Electric power	19,894,130	19,187,942	706,188	3.7
Wholesale water purchases	3,195,449	2,662,651	532,798	20.0
Other services	53,665,478	40,506,216	13,159,262	32.5
Depreciation and amortization	63,586,693	54,099,332	9,487,361	17.5
Total Operating Expenses	<u>253,691,088</u>	<u>224,688,538</u>	<u>29,002,550</u>	<u>12.9</u>
Operating Income	<u>186,232,357</u>	<u>173,379,684</u>	<u>12,852,673</u>	<u>7.4</u>
Investment Income	7,981,554	3,059,347	4,922,207	160.9
Miscellaneous Revenue (Expense)	(1,072,982)	(432,253)	(640,729)	148.2
Federal Program Revenues	3,983,278	4,005,982	(22,704)	(0.6)
Gain on Sale of Capital Assets	274,474	875,624	(601,150)	100.0
Interest Expense	<u>(68,257,962)</u>	<u>(54,997,252)</u>	<u>(13,260,710)</u>	<u>24.1</u>
Net Nonoperating Expense	<u>(57,091,638)</u>	<u>(47,488,552)</u>	<u>(9,603,086)</u>	<u>20.2</u>
Change in Net Position	<u>129,140,719</u>	<u>125,891,132</u>	<u>3,249,587</u>	<u>2.6</u>
Net Position, Beginning of Year (As Previously Stated)	<u>1,210,161,660</u>	<u>1,084,270,528</u>	<u>125,891,132</u>	<u>11.6</u>
Change in Reporting	<u>(5,094,235)</u>	<u>-</u>	<u>(5,094,235)</u>	
Net Position, Beginning of Year (As Restated)	<u>1,205,067,425</u>	<u>1,084,270,528</u>	<u>120,796,897</u>	<u>11.1</u>
Net Position, End of Year	<u>\$ 1,334,208,144</u>	<u>\$ 1,210,161,660</u>	<u>\$ 124,046,484</u>	<u>10.3 %</u>



Total operating revenues for the District for the years ended September 30, 2017 and 2016 were \$439,923,445 and \$398,068,222, respectively. The \$41,855,223 increase in total operating revenues was primarily due to a 10% increase in the member cities water rate, an 8% increase in wastewater member city revenues, a 19.8% increase in the interceptor system member city revenues and a 5.8% increase in solid waste system member city service fees to fund capital projects and operating costs. Other operating revenues increased 46.3% due to additional miscellaneous operating revenues, including miscellaneous rebates such as Master Card rebates.

Total operating expenses for the District for the years ended September 30, 2017 and 2016 were \$253,691,088 and \$224,688,538, respectively. Several key factors account for the \$29,002,550 increase in total operating expenses including increased staffing levels (a total increase of 22 employees across all funds) and salary adjustments resulting in increased personnel expenses of \$4.8 million, increased operating supplies and services expenses of \$15 million primarily as a result of increased maintenance expenses, vehicle supplies and equipment and legal expenses, and an increase in depreciation of \$9.5 million. These increases were offset by a decrease in chemical expenses of \$653 thousand.

Net non-operating expense increased by \$9,603,086 primarily due to an approximate \$13.3 million increase in interest expense offset by an increase in investment income of \$4.9 million.

As a result of the implementation of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", a change in accounting principle adjustment of \$5,094,235 has been made to record the District's net OPEB liability as of October 1, 2016.

### ***Capital Asset and Debt Administration***

#### **Capital Assets**

The District's capital assets as of September 30, 2017, amounted to \$2,732,146,098 (net of accumulated depreciation). These capital assets include land and land improvements, reservoir facilities, water treatment and transmission facilities, wastewater treatment and disposal facilities, buildings and other equipment and water rights. The total increase in the District's investment in capital assets for the current year was 8.8%.

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

- Development of the Lower Bois D'Arc Creek Reservoir Project continued; land acquisitions totaled \$54,547,503.
- Construction of the Wylie Water Treatment Plant Ozonation Project continued. Phases of this project were capitalized during the fiscal year for a total of \$143,004,696.
- Lake Texoma to Wylie Water Treatment Plant Raw Water Pipeline continued. Phases of this project were capitalized during the fiscal year for a total of \$6,256,161.
- North McKinney Pipeline phases 1 and 2 completed for a total of \$17,042,570.
- Capitalized improvements at the Solid Waste facilities including the expansion of the buildings at Lookout Transfer Station, Custer Transfer Station and 121 Compost Facility totaled \$18,502,870.
- Wilson Creek Interceptor improvements totaled \$5,501,414.

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

	As of September 30		Increase (Decrease)	Percent Change
	2017	2016		
Land	\$ 71,692,412	\$ 71,771,379	\$ (78,967)	(0.1)%
Easements	62,394,914	58,131,259	4,263,655	7.3 %
Land improvements	3,113,113	3,257,883	(144,770)	(4.4)%
Water treatment, storage and transmission facilities	1,187,166,255	1,009,252,966	177,913,289	17.6 %
Wastewater treatment and disposal facilities	497,682,652	487,099,005	10,583,647	2.2 %
Solid waste transfer and disposal facilities	33,989,781	34,282,199	(292,418)	(0.9)%
Reservoir facilities and water rights	280,845,659	288,385,014	(7,539,355)	(2.6)%
Buildings	56,477,942	36,927,728	19,550,214	52.9 %
Automobiles and trucks	4,508,107	4,531,603	(23,496)	(0.5)%
Office furniture and fixtures	603,991	679,314	(75,323)	(11.1)%
Other equipment	23,437,641	22,027,970	1,409,671	6.4 %
Construction in progress	510,233,631	494,616,024	15,617,607	3.2 %
<b>Total</b>	<b>\$ 2,732,146,098</b>	<b>\$ 2,510,962,344</b>	<b>\$ 221,183,754</b>	<b>8.8 %</b>

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

**Debt Administration**

At the end of the current fiscal year, the District had total outstanding debt of \$2,065,757,110. Of this amount 66% is reflected in the Water System and 14% is reflected in the Regional Wastewater System.

**North Texas Municipal Water District's Outstanding Debt**

	As of September 30		Increase (Decrease)	Percent Change
	2017	2016		
U.S. government contracts payable	\$ 29,597,110	\$ 31,049,381	\$ (1,452,271)	(4.7)%
Revenue bonds	2,036,160,000	1,756,760,000	279,400,000	15.9
<b>Total</b>	<b>\$ 2,065,757,110</b>	<b>\$ 1,787,809,381</b>	<b>\$ 277,947,729</b>	<b>15.5 %</b>

During the current fiscal year, the District refinanced a portion of the existing debt in order to take advantage of favorable interest rates. The result is expected to decrease future debt service payments by \$17,670,502 in the Water System and \$959,017 in the Solid Waste System.

The District's revenue bonds have been rated as follows:

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

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



## **Economic Factors and Next Year's Budgets and Rates**

The Annual Budget outlines the District's plans to continue to provide high quality, cost-effective service to its member and customer cities. As a result of the continued growth in the District's service area, the need for the development of raw water resources and capital expenditures to fund system expansions and improvements continues to increase. Such growth has been considered in developing the District's budget for the 2018 fiscal year.

The 2018 Water System budget provides funding for debt service for \$45 million of SWIFT funds and \$787 million of bonds to be issued for the development of the Lower Bois d'Ark Creek Reservoir, construction of the Leonard Water Treatment Plant 70 MGD site, Wylie WTP IV repair and other system improvements. In order to fund these debt service requirements and the additional operations and maintenance costs, the budget requires a \$.25 per 1,000 gallons rate adjustment. Additional rate adjustments can be expected in the future as the District continues to develop raw water supplies and operational costs continue to increase.

## **Requests for Information**

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



<u>Dated Date</u>	<u>Issue Amount</u>	<u>Outstanding Bonds <sup>(1)</sup></u>	<u>Issue Description</u>	<u>Debt Holder</u>
6/15/2008	\$ 111,780,000	\$ 2,585,000	Water System Revenue Bonds, Series 2008	Publically Offered
3/1/2009	9,930,000	9,930,000	Water System Revenue Bonds, Series 2009A	TWDB
7/15/2009	43,980,000	23,590,000	Water System Revenue Bonds, Series 2009B	TWDB
11/15/2009	34,330,000	11,095,000	Water System Revenue Refunding & Improvement Bonds, Series 2009C	Publically Offered
11/15/2009	109,520,000	100,750,000	Water System Revenue Bonds, Taxable Series 2009D-Build America Bonds	Publically Offered
10/15/2010	31,720,000	10,880,000	Water System Revenue Bonds, Series 2010	Publically Offered
10/15/2010	108,345,000	108,345,000	Water System Revenue Bonds Taxable, Series 2010A-Build America Bonds	Publically Offered
6/15/2012	358,835,000	297,285,000	Water System Revenue Refunding & Improvement Bonds, Series 2012	Publically Offered
6/15/2014	171,430,000	164,880,000	Water System Revenue Refunding & Improvement Bonds, Series 2014	Publically Offered
4/15/2015	302,125,000	285,160,000	Water System Revenue Refunding & Improvement Bonds, Series 2015	Publically Offered
10/15/2016	330,560,000	232,375,000	Water System Revenue Refunding & Improvement Bonds, Series 2016	Publically Offered
10/1/2017	44,650,000	44,650,000	Water System Revenue Bonds, Series 2017	TWDB
		<u>\$ 1,291,525,000</u>		

(1) As of September 30, 2017

Fiscal Year Ending 9/30	Outstanding Debt		
	Principal	Interest	Total
2018	\$ 48,675,000	\$ 64,601,745	\$ 113,276,745
2019	51,940,000	62,684,547	114,624,547
2020	54,150,000	60,368,587	114,518,587
2021	55,635,000	57,804,922	113,439,922
2022	55,065,000	55,138,771	110,203,771
2023	58,465,000	52,483,793	110,948,793
2024	61,135,000	49,640,634	110,775,634
2025	59,195,000	46,680,298	105,875,298
2026	61,935,000	43,805,340	105,740,340
2027	64,890,000	40,770,705	105,660,705
2028	65,245,000	37,943,812	103,188,812
2029	67,220,000	34,775,828	101,995,828
2030	69,475,000	31,443,671	100,918,671
2031	73,805,000	28,541,636	102,346,636
2032	77,385,000	25,075,572	102,460,572
2033	55,005,000	21,564,555	76,569,555
2034	57,535,000	18,798,634	76,333,634
2035	54,925,000	15,904,181	70,829,181
2036	40,490,000	13,066,572	53,556,572
2037	35,505,000	10,946,146	46,451,146
2038	37,125,000	9,120,298	46,245,298
2039	32,140,000	7,378,465	39,518,465
2040	26,535,000	5,823,530	32,358,530
2041	19,795,000	4,628,495	24,423,495
2042	20,625,000	3,855,158	24,480,158
2043	21,500,000	3,049,166	24,549,166
2044	22,405,000	2,207,184	24,612,184
2045	15,945,000	1,329,548	17,274,548
2046	16,555,000	710,858	17,265,858
2047	2,225,000	68,530	2,293,530
	<u>\$ 1,382,525,000</u>	<u>\$ 810,211,182</u>	<u>\$ 2,192,736,182</u>

**COLLIN COUNTY, TEXAS****Table 4.2 - Principal Employers****Current Year and Ten Years Ago**

(amounts expressed in thousands)

<b>Employer</b>	<b>2017</b>		<b>2008</b>	
	<b>Employees</b>	<b>Percentage of Total County Employees</b>	<b>Employees</b>	<b>Percentage of Total County Employees</b>
Hp Enterprise Svc Llc	10,000	1.99%	-	-
JP Morgan Chase & Co.	6,000	1.19%	-	-
Bank of America Home Loans	4,646	0.93%	-	-
Liberty Mutual Insurance	4,000	0.80%	-	-
Toyota	4,000	0.80%	-	-
JC Penney Corporate	3,800	0.76%	5,200	1.34%
Capital One	3,683	0.73%	-	-
University of Texas at Dallas	3,500	0.70%	2,064	0.53%
Blue Cross and Blue Shield of Texas	3,100	0.62%	-	-
Medical Center of Plano	3,000	0.60%	-	-
No longer eligible for listing	6,600	1.31%	33,773	8.71%
<b>Total</b>	<b>52,329</b>	<b>10.42%</b>	<b>41,037</b>	<b>10.59%</b>
Total Employed in the County <sup>(1)</sup>	502,181		387,584	

Source: North Central Texas Council of Governments

(1) Texas A&amp;M University

North Texas Municipal  
Water District

Part C 52

NORTH TEXAS MUNICIPAL WATER DISTRICT  
REGIONAL WATER SUPPLY FACILITIES AMENDATORY CONTRACT

THE STATE OF TEXAS :

NORTH TEXAS MUNICIPAL WATER DISTRICT :

THIS AMENDATORY CONTRACT (the "Contract") made and entered into as of the 1st day of AUGUST, 1988 (the "Contract Date"), by and between NORTH TEXAS MUNICIPAL WATER DISTRICT (the "District"), a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Article 16, Section 59, of the Texas Constitution, pursuant to Chapter 62, Acts of the 52nd Legislature, Regular Session, 1951, as amended (the "District Act"), and the following:

CITY OF FARMERSVILLE, IN COLLIN COUNTY, TEXAS,  
CITY OF FORNEY, IN KAUFMAN COUNTY, TEXAS,  
CITY OF GARLAND, IN DALLAS COUNTY, TEXAS  
CITY OF MCKINNEY, IN COLLIN COUNTY, TEXAS,  
CITY OF MESQUITE, IN DALLAS COUNTY, TEXAS,  
CITY OF PLANO, IN COLLIN AND DENTON COUNTIES, TEXAS,  
CITY OF PRINCETON, IN COLLIN COUNTY, TEXAS,  
CITY OF RICHARDSON, IN DALLAS AND COLLIN COUNTIES, TEXAS,  
CITY OF ROCKWALL, IN ROCKWALL COUNTY, TEXAS,  
CITY OF ROYSE CITY, IN ROCKWALL AND COLLIN COUNTIES, TEXAS, and  
CITY OF WYLIE, IN COLLIN COUNTY, TEXAS

(collectively the "Initial Contracting Parties").

W I T N E S S E T H

WHEREAS, each of the Initial Contracting Parties is a duly incorporated city and political subdivision of the State of Texas operating under the Constitution and laws of the State of Texas; and

WHEREAS, the District and the Initial Contracting Parties are authorized to enter into this Contract pursuant to the District Act, Vernon's Ann. Tex. Civ. St. Article 4413(32c) (the "Interlocal Cooperation Act"), and other applicable laws; and

WHEREAS, the District presently owns water rights in Lavon Reservoir on the East Fork of the Trinity River in Collin County, Texas, and owns and operates other water supply and treatment facilities which serve the Initial Contracting Parties (the "Existing System"); and

WHEREAS, the District has duly issued and delivered the following described bonds (the "Outstanding Bonds") which were issued to acquire and construct, and to refund bonds issued to acquire and construct, the Existing System:

North Texas Municipal Water District Water System Revenue Bonds, Series 1985, dated August 1, 1985, now outstanding in the aggregate principal amount of \$78,967,321.45; and

North Texas Municipal Water District Water System Revenue Bonds, Series 1987, dated March 1, 1987, now outstanding in the aggregate principal amount of \$24,565,000; and

WHEREAS, the District presently supplies and sells treated water from the Existing System to the Initial Contracting Parties under eleven separate treated water supply contracts, including various amendments thereto, now in effect; and it is acknowledged and agreed that the Existing System is inadequate to provide known future treated water requirements of the Initial Contracting Parties, thus making this Contract

necessary to enable the District to acquire and construct additional treated water supply and treatment facilities and make it possible for the District to supply such requirements; and

WHEREAS, the existing treated water supply contracts recognize that the District has assumed the responsibility for supplying all treated water needs of the Initial Contracting Parties; and

WHEREAS, each of said existing treated water supply contracts originally was dated as of December 12, 1953, except for the City of Richardson contract originally dated as of April 7, 1965, and each is similar in form and substance, and such contracts, including all amendments thereto, collectively presently provide the principal source and security for the payment of the District's Outstanding Bonds; and

WHEREAS the District proposes to acquire, construct, and complete additional surface water supply and treatment facilities from the following additional sources: Lake Texoma on the Red River, Cooper Dam and Reservoir in Hopkins and Delta Counties, Texas, a proposed new Bonham Dam and Reservoir in Fannin County, Texas, and other facilities wherever located to enable the District to supply treated water as needed to Contracting Parties and others (the "Projects"); and

WHEREAS, it is deemed necessary and advisable by the parties hereto that each of the eleven separate existing

treated water supply contracts, and amendments thereto, between the District and each Initial Contracting Party be amended and completely replaced with this single Contract so that the entire relationship between the District and all of the Initial Contracting Parties with respect to the System and the Bonds (as such terms are hereinafter defined) will be set forth in this Contract; and

WHEREAS, it is specifically represented, certified, and covenanted by the District that none of the amendments or modifications to the aforesaid existing treated water supply contracts with the Initial Contracting Parties which will occur as a result of entering into this Contract will in any way have an adverse affect on the operation of the System or the rights of the owners of any Bonds; and that this Contract will provide security for the owners of all Bonds and obligate the Initial Contracting Parties to make and assume unconditional specific payments with respect to the System and the Bonds; and

WHEREAS, the provisions of this Contract are similar in concept, essence, and intent to the provisions of the aforesaid existing treated water supply contracts and basically restate, reorganize, and expand same, including certain clarifications and updating, and establishing certain billing procedures and adjustments between the parties with respect to the use of, and payments with respect to, treated water from the System, which billing procedures and adjustments are solely between the

Initial Contracting Parties and do not affect the unconditional obligations of such parties with respect to the System and Bonds; and

WHEREAS, it is expected by the parties hereto that after the execution of this Contract, Bonds for parts of the Projects will be issued as soon as deemed advisable and necessary by the District.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the District agrees to use its best efforts to acquire, construct, and complete the Projects and other System facilities, when and as the District deems it advisable, and to supply treated water to Contracting Parties and others from the System, upon and subject to the terms and conditions hereinafter set forth, and, subject to the provisions of Section 13(b) and (c) hereof, the District and the Initial Contracting Parties agree that each of the eleven presently existing treated water supply contracts described above between the District and the Initial Contracting Parties are hereby amended, modified, combined, and consolidated so as henceforth to be in their entirety and for all purposes as follows, to-wit:

Section 1. DEFINITION OF TERMS. The following terms and expressions as used in this Contract, unless the context clearly shows otherwise, shall have the following meanings:



(a) "Additional Contracting Party" means any party not defined as one of the Initial Contracting Parties with which the District makes a contract similar to this Contract for supplying treated water from the System, provided that after execution of any such contract such party shall become one of the Contracting Parties for all purposes of this Contract.

(b) "Annual Payment" means the amount of money to be paid to the District by each of the Contracting Parties during each Annual Payment Period as its proportionate share of the Annual Requirement.

(c) "Annual Payment Period" means the District's fiscal year, which currently begins on October 1 of each calendar year and ends on September 30 of the next following calendar year, but which may be any twelve consecutive month period fixed by the District; and the first Annual Payment Period under this Contract shall be the period of October 1, 1988, through September 30, 1989.

(d) "Annual Requirement" means the total amount of money required for District to pay all Operation and Maintenance Expenses of the System, and to pay the Bond Service Component of the Annual Requirement as described in Section 9(a) hereof, including debt service on its Bonds, and any sums required to pay or restore any amounts required to be deposited in any special or reserve funds required to be established and/or maintained by the provisions of the Bond Resolutions.

(e) "Bond Resolution" means any resolution of the District which authorizes any Bonds.

(f) "Bonds" means the Outstanding Bonds listed in the preamble to this Contract, and all bonds hereafter issued by the District, whether in one or more series or issues, and the interest thereon, to acquire, construct, complete, improve, and/or extend the System or any System facilities, including the Projects, and/or otherwise to improve or extend the System, and any bonds issued to refund any Bonds or to refund any such refunding bonds.

(g) "Contracting Parties" means the "Initial Contracting Parties", as defined in the first paragraph of this Contract, together with any other party or parties which hereafter becomes one of the Contracting Parties by becoming an Additional Contracting Party.

(h) "Contracting Party" means any one of the Contracting Parties.

(i) "District" means the "District" as defined in the preamble to this Contract.

(j) "Existing System" means the "Existing System" as defined in the preamble to this Contract.

(k) "MGD" is an abbreviation for "million gallons of water per day" and means a quantity of water during a period of time expressed for convenience in terms of an average annual daily quantity during an Annual Payment Period. The value of 2

MGD, for example, is calculated as follows: two million gallons multiplied by the number of days in an Annual Payment Period.

(l) "Operation and Maintenance Expenses" means all reasonable costs and expenses of operation and maintenance of the System, including (for greater certainty but without limiting the generality of the foregoing) repairs and replacements, operating personnel, the cost of utilities, the amounts required to pay the U.S. Army Corps of Engineers or any other federal, state, or local agency for water storage rights or other interests in water in any reservoir, or for the purchase of water, or for the use or operation of any property or facilities, the costs of supervision, engineering, accounting, auditing, legal services, insurance premiums, supplies, services, administration of the System, and equipment necessary for proper operation and maintenance of the System, and payments made by District in satisfaction of judgments resulting from claims not covered by District's insurance arising in connection with the acquisition, construction, operation, and maintenance of the System. The term also includes the charges of the bank or banks acting as paying agents and/or registrars for any Bonds. The term does not include depreciation.

(m) "Outstanding Bonds" means the Outstanding Bonds, as defined in the preamble to this Contract.

(n) "Projects" means the "Projects" as defined in the preamble to this Contract.

(o) "System" means collectively the Existing System and the Projects, and all of the District's existing water rights, and water storage, treatment, transportation, distribution, and supply facilities, including all dams, reservoirs, and other properties or interests therein wherever located, which heretofore have been acquired or constructed with the proceeds from the sale of the Outstanding Bonds, or the bonds refunded by same, or with any other bonds or other obligations of the District payable from and secured by a lien on and pledge of any part of the 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 and/or water rights, which are acquired or constructed with the proceeds from the sale of any Bonds or revenues from the System, and any water supply or treatment facilities which are deliberately and specifically, at the option of the District, made a part of the System by resolution of the Board of Directors of the District, and all repairs to or replacements of the System. Said terms do not include any District facilities which provide wastewater treatment or disposal services, or solid waste disposal services, of any kind. Said terms do 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 Bonds (as hereinbefore defined), and which are payable from any source, contract, or revenues whatsoever other than revenues from the System.

(p) "treated water" means potable water treated to the standards of quality specified in Section 5 of this Contract. Such term does not include non-potable water such as wastewater or other non-potable water derived, treated, or produced from any source by any Contracting Party.

(q) "Water Year" means the period of August 1 of each calendar year through July 31 of the next following calendar year.

Section 2. CONSTRUCTION OF PROJECTS. The District agrees to use its best efforts to issue its Bonds, payable from Annual Payments under this Contract, to acquire and construct the Projects and other System facilities when and as needed, as determined by the District, to supply treated water to all Contracting Parties. It is anticipated that such acquisition and construction will be in phases and that each phase will be financed by the District through the issuance of one or more series or issues of its Bonds; and the District agrees to use its best efforts to issue its Bonds for such purpose. Bonds also may, at the discretion of the District, be issued to refund any Bonds, and be issued to improve and/or extend

any System facilities. The proceeds from the sale and delivery of the Bonds may be used to fund debt service reserve funds or contingency funds and interest during construction to the extent deemed advisable by the District, and for the payment of all of the District's expenses and costs in connection with any Projects or other System facilities and the Bonds, including, without limitation, all financing, legal, printing, and other expenses and costs related to the Bonds and the Projects and other System facilities.

Section 3. QUANTITY. (a) The District agrees to sell and to deliver treated water under this Contract to each Initial Contracting Party, respectively, at its Point or Points of Delivery as described in Section 6 hereof, and each Initial Contracting Party agrees to take at its Point or Points of Delivery all treated water required for use by such Initial Contracting Party during the term of this Contract, including all treated water for such Initial Contracting Party's own use and for distribution to all customers served by such Initial Contracting Party's treated water distribution system, whether inside or outside its boundaries. It is specifically provided, however, that after the Contract Date, no Contracting Party shall enter into, renew, or amend with regard to volume of water to be supplied, any agreement to supply any such treated water for use outside its boundaries or the area of its statutory extraterritorial jurisdiction unless each such agreement

is approved by the Board of Directors of the District (which approval shall not be unreasonably withheld) and made subject and subordinate in all respects to the water requirements of all of the Contracting Parties collectively. No Contracting Party shall become a party to any contract for the sale of treated water which would violate or be inconsistent with the provisions of this Contract, and all such contracts shall recognize the priority of treated water use as provided in this Contract. It is the intention of the parties hereto that the System shall be the sole and exclusive source of all treated water supply for each of the Contracting Parties. However, notwithstanding the foregoing provisions of this subsection (a), if, after the Contract Date, any Contracting Party should legally and finally annex or consolidate with any territory which has a source of treated water supply other than from such Contracting Party, then the District and such Contracting Party are authorized to, and may, negotiate and enter into agreements which would allow the continued use of such other source within such annexed territory upon such terms and conditions as are mutually agreeable to the District and such Contracting Party, and as an exception to the foregoing requirements with respect to exclusivity. The District will use its best efforts to furnish and remain in position to furnish treated water sufficient for all reasonable treated water requirements of each Contracting Party, but its obligation shall be limited to the

amount of treated water available to it from the System; and provided that the maximum rate of delivery shall be consistent with the capacities and abilities of System facilities, and shall not exceed the amounts fixed on an equitable and uniform basis by the Board of Directors of the District. The District agrees to use its best efforts to issue its Bonds in amounts necessary to acquire, construct, maintain, improve, and extend the entire System, including the Projects and other System facilities, so as to enable the District to furnish such treated water. As between the Contracting Parties, if treated water from the System must be rationed 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 treated water from the entire System taken by each such Contracting Party, respectively, during the last preceding Annual Payment Period in which rationing among said parties was not necessary.

(b) If the District is at any time during the term of this Contract unable to supply all the treated 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 water requirements, and any Contracting Party determines that it is necessary to procure treated water from sources other than the District, then such Contracting Party shall give written notice to the District of its intention and desire to procure treated water



from sources other than the District, and its reasons therefor. Unless, within sixty (60) days from the receipt by the District of such written notice, the District shall object to such procurement (such objection to be evidenced by a resolution adopted by a vote of a majority of all members of the District's Board of Directors), then such Contracting Party may proceed to procure such treated 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. However, such Contracting Party shall nevertheless continue to be obligated to take from the District and pay for all treated water at any time available to such Contracting Party from the District's System up to the full treated water requirements of such Contracting Party. In no event shall the taking of treated water from a source other than the District relieve any Contracting Party from making all payments due the District under this Contract. Further, all Contracting Parties shall at all times have the right to secure treated water from any possible source (i) in any emergency when the District is unable to deliver treated water from the System because of any "Force Majeure" as defined in this Contract, or (ii) in any other emergency situation, as determined by a Contracting Party for a period not to exceed thirty days, or for any longer period approved in writing by the District. Notwithstanding the foregoing provisions of this Contract, any Contracting

Party also may purchase treated water from a source other than the System, if the District determines that such purchase is in the best interests of the District and the Contracting Parties and gives written approval to such purchase; and in such case, for the purposes of this Contract, the District shall be deemed to be the constructive purchaser of such water and such water shall be deemed to be System water, and the District shall either pay for said water on behalf of such Contracting Party or reimburse such Contracting Party for the cost of such water, and such Contracting Party shall pay the District for such water the same as if it were regular System water.

Section 4. OTHER CONTRACTS. (a) The District reserves the right to supply treated water from the System to Additional Contracting Parties under contracts similar to this Contract, subject to the requirements concerning "minimums" as provided in Section 9(c) hereof. Each contract with any Additional Contracting Party shall comply with the requirements of this Contract, shall substantially restate the essential provisions of this Contract, and shall be structured to be similar hereto to the fullest extent applicable and practicable, with such additions or changes as are necessary to meet the actual circumstances, with the effect that each Additional Contracting Party will in effect adopt the provisions of this Contract, as supplemented and necessarily changed by its contract.

(b) It is recognized and agreed that the District now has many System water supply contracts with entities other than the Initial Contracting Parties, which contracts will remain in full force and effect, in accordance with their terms and provisions, after the Contract Date. The District shall enforce the aforesaid existing water supply contracts during the entire terms thereof, unless any such contract is replaced by a contract with an Additional Contracting Party hereunder. Upon the expiration of each such contract with any party the District thereafter may sell water to such party only on the basis that it is a new customer with respect to System water.

(c) It is further recognized and agreed that in the future the District may sell any water from the System to parties which are not Additional Contracting Parties, provided that all such future sales of water from the System to parties which are not Additional Contracting Parties shall, within the limits permitted by law, in all respects be subordinate to the prior rights of the Contracting Parties to water from the System, and all such sales and contracts relating thereto shall recognize, and be made subordinate to, such prior rights.

(d) It is recognized and agreed that concurrently with the execution of this Contract the District and the City of Garland will execute a separate agreement with respect to raw industrial water to be taken directly by Garland from Lavon Reservoir for use as cooling water for its steam electric

generating plant. Such agreement will substantially restate and completely replace the rights and obligations of the parties with respect to raw industrial water from Lavon Reservoir under the presently existing additions and modifications dated November 6, 1964, and August 7, 1973, respectively, to the original treated water contract dated December 12, 1953, between the District and Garland. After the execution of said separate agreement, it will constitute the sole agreement between said parties with respect to raw industrial water in Lavon Reservoir, and this Contract will constitute the sole agreement between said parties with respect to treated water from the System.

Section 5. QUALITY. The water to be delivered by the District and received by each Contracting Party shall be treated water from the System. Each Initial Contracting Party has satisfied itself that such water will be suitable for its needs, but the District is obligated to treat such water so as to meet the standards of all State and Federal agencies having jurisdiction over water quality. The District and the Contracting Parties shall cooperate, each within its legal powers, in preventing, to the extent practicable, the pollution and contamination of the reservoirs and watersheds from which System water is obtained.

Section 6. POINTS OF DELIVERY. The Point or Points of Delivery for each Initial Contracting Party shall be the Point

or Points of Delivery applicable to it under its present treated water supply contract with the District, or at any other Point or Points of Delivery mutually agreed upon between the District and such Initial Contracting Party. Each Contracting Party shall construct, maintain, and operate, at its own cost and expense, all facilities and equipment necessary to receive and take all treated water delivered to it under this Contract.

Section 7. MEASURING EQUIPMENT.

(a) District shall furnish, install, operate, and maintain at its own expense at each Point of Delivery of each Contracting Party the necessary equipment and devices of standard type for measuring properly the quantity of treated water delivered under this agreement. Such meter or meters and other equipment so installed shall remain the property of District. Each Contracting Party shall have access to such metering equipment at all reasonable times, but the reading, calibration, and adjustment thereof shall be done only by the employees or agents of the District. For the purpose of this agreement the original record or reading of the meter or meters shall be the journal or other record book of District in its office in which the records of the employees or agents of District who take the reading are or may be transcribed. Upon written request of any Contracting Party, District will send it a copy of such journal or record book, or permit it to have

access to the same in the office of District during reasonable business hours.

Not more than once in each calendar month, on a date as near the end of such calendar month as practical, District shall calibrate its meters if requested in writing by a Contracting Party to do so, in the presence of a representative of the Contracting Party, and the parties shall jointly observe any adjustments which are made to the meters in case any adjustments shall be necessary, and if the check meters hereinafter provided for have been installed, the same shall also be calibrated by Contracting Party in the presence of a representative of District and the parties shall jointly observe any adjustment in case any adjustment is necessary. If any Contracting Party shall in writing request District to calibrate its meters and District shall give the Contracting Party notice of the time when any such calibration is to be made and a representative of the Contracting Party is not present at the time set, District may proceed with calibration and adjustment in the absence of any representative of the Contracting Party.

If a Contracting Party or the District at any time observes a variation between the delivery meter or meters and the check meter or meters at that Contracting Party's Point or Points of Delivery, if any such check meter or meters shall be installed, such party will promptly notify the other party, and the District and such Contracting Party shall then cooperate to

procure an immediate calibration test and joint observation of any adjustment and the same meter or meters shall then be adjusted to accuracy. The party performing the test shall give the other party forty-eight (48) hours' notice of the time of all tests of meters so that the other party may conveniently have a representative present.

If upon any test, the percentage of inaccuracy of any metering equipment is found to be in excess of two per cent (2%), registration thereof shall be corrected for a period extending back to the time when such inaccuracy began, if such time is ascertainable, and if such time is not ascertainable, then for a period extending back one-half ( $\frac{1}{2}$ ) of the time elapsed since the last date of calibration, but in no event further back than a period of six (6) months. If for any reason any meters are out of repair so that the amount of water delivered to a Contracting Party cannot be ascertained or computed from the reading thereof, the water delivered through the period such meters are out of service or out of repair shall be estimated and agreed upon by the District and such Contracting Party upon the basis of the best data available. For such purpose, the best data available shall be deemed to be the registration of any check meter or meters if the same have been installed and are accurately registering. Otherwise, the amount of water delivered during such period may be estimated (i) by correcting the error if the percentage of the error is

ascertainable by calibration tests or mathematical calculation, or (ii) estimating the quantity of delivery by deliveries during the preceding periods under similar conditions when the meter or meters were registering accurately.

Any Contracting Party may, at its option and its own expense, install and operate a check meter to check each meter installed by District, but the measurement of water for the purpose of this agreement shall be solely by District's meters, except in the cases hereinabove specifically provided to the contrary. All such check meters shall be of standard make and shall be subject at all reasonable times to inspection and examination by any employee or agent of District, but the reading, calibration and adjustment thereof shall be made only by the Contracting Party, except during any period when a check meter may be used under the provisions hereof for measuring the amount of water delivered, in which case the reading, calibration, and adjustment thereof shall be made by District with like effect as if such check meter or meters had been furnished or installed by District.

Section 8. UNIT OF MEASUREMENT. The unit of measurement for treated water delivered under this Contract shall be 1,000 gallons of water, U.S. Standard Liquid Measure.

Section 9. PRICES AND TERMS; PAYMENTS BY CONTRACTING PARTIES. (a) Annual Requirement and Proportionate Payment.



It is acknowledged and agreed that payments to be made under this Contract and any similar contracts with Additional Contracting Parties will be the primary source available to the District to provide the Annual Requirement, and that, in compliance with the District's duty to fix and from time to time revise the rates of compensation or charges for water sold and services rendered and made available by the District, the Annual Requirement will change from time to time, and that each such Annual Requirement shall be allocated among the Contracting Parties as hereinafter provided, and that the Annual Requirement for each Annual Payment Period 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:
  - (1) the principal of, redemption premium, if any, and interest on, its Bonds, as such principal, redemption premium, if any, and interest become due, less interest to be paid out of Bond proceeds 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; and
- (2) the proportionate amount of any special, reserve, or contingency funds required to be accumulated and maintained by the provisions of any Bond Resolution; and
  - (3) 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.

It is agreed that for the treated water supply to be provided to Contracting Parties under this Contract and similar contracts, each of the Contracting Parties shall pay, at the time and in the manner hereinafter provided, its proportionate share of the Annual Requirement, which shall be determined as hereafter described and shall constitute a Contracting Party's Annual Payment. Each of the Contracting Parties shall pay its proportionate share of the Annual Requirement for each Annual Payment Period directly to the District, in approximately equal monthly installments, or before the 10th day of each month.

(b) Calculation of Proportionate Payments; Rates. For each Annual Payment Period each Contracting Party's proportionate share of the Annual Requirement shall be a percentage obtained by dividing the minimum amount specified and calculated for it for such period, in accordance with sub-section (c)

of this Section 9, by the aggregate minimum amounts specified and calculated for all Contracting Parties for such period in accordance with said sub-section (c). Thus the base "rate" per 1,000 gallons of treated water which each Contracting Party must pay for treated water during any Annual Payment Period may be calculated and expressed by dividing the dollar amount of such Contracting Party's proportionate share of the Annual Requirement by the number of 1,000 gallons contained within its specified minimum amount for such Annual Payment Period. All such payments for each Annual Payment Period shall be made in accordance with a schedule of payments for the appropriate Annual Payment Period which will be supplied to each of the Contracting Parties by the District.

(c) Minimums. For the purpose of calculating the minimum amount of each Annual Requirement for which each Initial Contracting Party is unconditionally liable, without offset or deduction (also see Section 10(g)), each Initial Contracting Party, during each Annual Payment Period, shall be deemed to have taken and used the minimum annual average daily amount of System treated water (regardless of whether or not such amount is or was actually taken or used) specified for such Initial Contracting Party as follows:

for each of the Initial Contracting Parties, respectively, a minimum amount, expressed in MGD, during each Annual Payment Period, equal to the greater of:

- (1) .898 MGD for the City of Farmersville  
1.159 MGD for the City of Forney  
32.476 MGD for the City of Garland  
4.433 MGD for the City of McKinney  
15.806 MGD for the City of Mesquite  
28.688 MGD for the City of Plano  
.634 MGD for the City of Princeton  
19.760 MGD for the City of Richardson  
2.633 MGD for the City of Rockwall  
.523 MGD for the City of Royse City  
1.186 MGD for the City of Wylie, or
- (2) the maximum number of MGD actually taken from the System by such Initial Contracting Party during any previous Water Year (as hereinbefore defined) during the term of this Contract; it being agreed and understood that any use of System water in any Water Year by any Initial Contracting Party in excess of (i) the minimum amount specified for it in clause (1), above, or (ii) as determined in accordance with this clause (2), will establish a new minimum amount to be effective for the next following Annual Payment Period and thereafter until any previously increased minimum amount is further

exceeded in any subsequent Water Year, with each such increase in minimums to be effective for the next following Annual Payment Period and thereafter until further increased in accordance with this clause (2) .

Notwithstanding the foregoing provisions of this subsection (c), if any portion of an Initial Contracting Party's minimum amount is attributable to treated water sold or delivered to an entity outside of its boundaries, pursuant to a treated water supply contract, and (i) if such entity should become an Additional Contracting Party and such treated water supply contract be terminated, or (ii) if such treated water supply contract with such Initial Contracting Party otherwise should be terminated and in lieu thereof such entity should enter into a treated water supply contract with the District as permitted in Section 4 hereof, then such Initial Contracting Party's minimum amount for the next Annual Payment Period and thereafter shall be reduced by the maximum MGD previously taken by said entity from such Initial Contracting Party during any previous Water Year pursuant to such terminated treated water supply contract with such Initial Contracting Party.

All contracts with Additional Contracting Parties shall provide for equitable minimums similar to those provided for above. Such minimums shall be fixed in amounts at least sufficient, as determined by the District, to assure an initial

Annual Payment by each Additional Contracting Party for not less than the amount of its estimated use of treated water during the first year of service under such contract.

(d) Excess Water Charges. It is further agreed that, in addition to the amounts required to be paid by Contracting Parties pursuant to sub-sections (a), (b), (c), and (e) of this Section 9, if any Contracting Party during any Water Year uses System treated water in excess of the minimum amount applicable to it for the Annual Payment Period which commenced during such Water Year, then such Contracting Party shall pay an "Excess Water Charge" equal to that part of the Operation and Maintenance Expenses (electric power, chemicals, and other similar costs) directly attributable to supplying such excess treated water to such Contracting Party, all as determined by the District. Such Excess Water Charge shall be billed by the District to such Contracting Party as soon as practicable after the end of such Water Year and shall be paid to the District as soon as practicable thereafter, and in all events prior to the beginning of the next Annual Payment Period. Such Excess Water Charges shall be credited to and be used for paying part of the Operation and Maintenance Expenses for the then current Annual Payment Period and reduce to the extent of such credits the amounts which otherwise would be payable by the Contracting Parties during such then current Annual Payment Period.

(e) Redetermination of Annual Requirement. Each Contracting Party's share of the Annual Requirement shall be redetermined, after consultation with each of the Contracting Parties, at any time during any Annual Payment Period, to the extent deemed necessary or advisable by the District, if:

- (i) The District commences supplying System treated water to an Additional Contracting Party or Parties;
- (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.

(f) Other Revenues. During each Annual Payment Period the revenues derived from sales of System water, other than sales of treated water to Contracting Parties, shall be credited to and be used for paying part of the Annual Requirement in the manner determined by the District, with the result that

such credits shall reduce, to the extent of such credits, the amounts which otherwise would be payable by the Contracting Parties pursuant to the methods prescribed in sub-sections (a) (b), (c), and (e), above. The District shall estimate all such credits which it expects to make during each Annual Payment Period in calculating each Annual Payment.

(g) Annual Budget. On or before the first day of the fourth calendar month prior to the beginning of each Annual Payment Period hereafter the District shall furnish each Contracting Party with a tentative or preliminary estimated schedule of the monthly payments to be made by such party to the District for the ensuing Annual Payment Period. On or before the first day of the second calendar month prior to the beginning of each Annual Payment Period hereafter the District shall furnish each Contracting Party with an updated estimated schedule of the monthly payments to be made by such Party to the District for the next ensuing Annual Payment Period. Prior to the first day of each Annual Payment Period hereafter the District shall furnish each Contracting Party with a final estimated schedule of the monthly payments to be made by such Party to the District for the next ensuing Annual Payment Period, together with the supporting budgetary data showing the basis for arriving at such schedule. Any surplus budgeted funds remaining on hand at the end of any Annual Payment Period shall be used during the following Annual Payment Period and



reduce in the manner determined by the District, to the extent of any such surplus funds, the amounts which otherwise would be payable by the Contracting Parties under sub-sections (a), (b), (c), and (e), above. Each Contracting Party hereby agrees that it will make such payments to the District on or before the 10th day of each month of such Annual Payment Period. If any Contracting Party at any time disputes the amount to be paid by it to the District, such complaining party shall nevertheless promptly make such payment or payments, but if it is subsequently determined by agreement or court decision that such disputed payments made by such complaining party should have been less, or more, the District shall promptly revise and reallocate the charges among all Contracting Parties in such manner that such complaining party will recover its overpayment or the District will recover the amount due it.

(h) Delinquencies. All amounts due and owing to the District by each Contracting Party or due and owing to any Contracting Party by the District shall, if not paid when due, bear interest at the rate of ten (10) percent per annum from the date when due until paid. The District shall, to the extent permitted by law, suspend delivery of water from the System to any Contracting Party which remains delinquent in any payments due hereunder for a period of sixty days, and shall not resume delivery of water while such Contracting Party is so delinquent. It is further provided and agreed that if any

Contracting Party should remain delinquent in any payments due hereunder for a period of one hundred twenty days, and if such delinquency continues during any period thereafter, such Contracting Party's minimum amount of MGD as described in sub-section (c), above, shall be deemed to have been zero MGD during all periods of such delinquency, for the purpose of calculating and redetermining the percentage of each Annual Payment to be paid by the non-delinquent Contracting Parties. However, the District shall promptly pursue all legal remedies against any such delinquent Contracting Party to enforce and protect the rights of the District, the other Contracting Parties, and the owners of the Bonds, and such delinquent Contracting Party shall not be relieved of the liability to the District for the payment of all amounts which would have been due hereunder, in the absence of the next preceding sentence. It is understood that the foregoing provisions are for the benefit of the owners of the Bonds so as to insure that all of each Annual Requirement will be paid by the non-delinquent Contracting Parties during each Annual Payment Period regardless of the delinquency of a Contracting Party. If any amount due and owing by any Contracting Party to the District is placed with an attorney for collection, such Contracting Party shall pay to the District all attorneys fees, in addition to all other payments provided for herein, including interest.

(i) Updated Schedules of Payment. If, during any Annual Payment Period, any Contracting Party's Annual Payment is redetermined as provided in this Section, the District will promptly furnish such Contracting Party with an updated schedule of monthly payments reflecting such redetermination.

Section 10. SPECIAL CONDITIONS AND PROVISIONS. (a) Operation and Maintenance of System. The District will continuously operate and maintain the System in an efficient manner and in accordance with good business and engineering practices, and at reasonable cost and expense. By executing this Contract the Initial Contracting Parties waive any and all claims, as against each other, to any preferential right or entitlement to the capacity or use of specific water sources of the District. The District recognizes its right and duty to operate the various facilities of the System in the most prudent and economical manner for the benefit of all the Contracting Parties. The District shall exercise loyalty, good faith, and fair dealing relating to all System activities undertaken by the District as between the District and the Contracting Parties.

(b) Permits, Financing, and Applicable Laws. It is understood that any obligations on the part of the District to acquire, construct, and complete the Projects and other System facilities and to provide treated water from the Projects and other System facilities to the Contracting Parties shall be (i) conditioned upon the District's ability to obtain all necessary

permits, material, labor, and equipment, and upon the ability of the District to finance the cost of the Projects and other System facilities through the actual sale of the District's Bonds and (ii) subject to all present and future valid laws, orders, rules, and regulations of the United States of America, the State of Texas, and any regulatory body having jurisdiction.

(c) Title to Water; Indemnification. Title to all treated water supplied to each Contracting Party shall be in the District up to each Point of Delivery, at which point title shall pass to the receiving Contracting Party. The District and each of the Contracting Parties shall save and hold each other party harmless from all claims, demands, and causes of action which may be asserted by anyone on account of the transportation and delivery of said water while title remains in such party. Notwithstanding any other provision of this Contract, it is specifically provided that water obtained or resulting from the wastewater treatment operations of any Contracting Party shall be under the sole and exclusive dominion, control, and ownership of such Contracting Party and the District shall have no right, title, or interest in or claim against such water of any nature whatsoever.

(d) Payments Solely From Revenues. The District shall never have the right to demand payment by any Initial Contracting Party of any obligations assumed by it or imposed on it under and by virtue of this Contract from funds raised or to be raised by taxes, and the obligations under this Contract shall

never be construed to be a debt of such kind as to require any of the Initial Contracting Parties to levy and collect a tax to discharge such obligation.

(e) Operating Expenses of Initial Contracting Parties.

Each of the Initial Contracting Parties represents and covenants that all payments to be made by it under this Contract shall constitute reasonable and necessary "operating expenses" of its waterworks system, in accordance with Vernon's Ann. Tex. Civ. St. Articles 1113 and 4413(32c). It is further recognized that the waterworks system of each Initial Contracting Party is presently combined with its sewer system in accordance with law for operating and financing purposes. Each of the Initial Contracting Parties, respectively, represents and has determined that the treated water supply to be obtained from the System, including the Projects and other System facilities, is absolutely necessary and essential to the present and future operation of its waterworks system and is the only available and adequate source of supply of treated water therefor. Accordingly, the payments required by this Contract to be made by each Initial Contracting Party shall constitute reasonable and necessary operating expenses of its waterworks system and shall be made as provided by law, including the aforesaid Articles 1113 and 4413(32c). In accordance with said Article 1113, such payments shall have priority over the payment of principal of and interest on all bonds and other

similar obligations heretofore or hereafter issued by any Initial Contracting Party.

(f) Initial Contracting Parties' Rates For Water and Sewer System Services. Each of the Initial Contracting Parties agrees throughout the term of this Contract to continuously operate and maintain its combined waterworks and sewer system, and to fix and collect such rates and charges for water and sewer services to be supplied by its combined waterworks and sewer system as aforesaid as will produce revenues in an amount equal to at least (i) all of its payments under this Contract and (ii) all other amounts required to be paid from said revenues by law and the provisions of the ordinances or resolutions authorizing its revenue bonds or other obligations now or hereafter outstanding.

(g) Initial Contracting Parties' Unconditional Obligations. Recognizing the fact that the Initial Contracting Parties urgently require the facilities and services of the System, and that such facilities and services are essential and necessary for actual use and for standby purposes, and recognizing the fact that the District will use payments received from the Initial Contracting Parties to pay and secure the Bonds, it is hereby agreed that each of the Initial Contracting Parties shall be unconditionally obligated to pay, without

offset or deduction, its proportionate share of each Annual Requirement, as provided and determined by this Contract (including the obligations for paying for "minimums" as described in Section 9 (c) hereof), regardless of whether or not the District actually acquires, constructs, or completes the Projects or other System facilities or is actually delivering water from the System to any Contracting Party, or whether or not any Contracting Party actually receives or uses water from the System whether due to Force Majeure or otherwise, and regardless of any other provisions of this or any other contract or agreement between any of the parties hereto. This covenant by the Initial Contracting Parties shall be for the benefit of, and enforceable by, the owners of the Bonds as well as the District.

Section 11. FORCE MAJEURE. If by reason of force majeure any party hereto shall be rendered unable wholly or in part to carry out its obligations under this Contract, other than the obligation of each Contracting Party to make the payments required under Section 9 of this Contract, then if such party shall give notice and full particulars of such force majeure in writing to the other parties within a reasonable time after occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such

party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas, or any Civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, or on account of any other causes not reasonably within the control of the party claiming such inability.

Section 12. INSURANCE. The District agrees to carry and arrange for fire, casualty, public liability, and/or other insurance, including self insurance, on the System for purposes and in amounts which, as determined by the District, ordinarily would be carried by a privately owned utility company owning and operating such facilities, except that the District shall not be required to provide liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of the District's legal counsel, be liable under the Texas Tort Claims Act or any similar law or judicial decision. Such insurance will provide, to the extent feasible and practicable, for the restoration of damaged or destroyed



properties and equipment, to minimize the interruption of the services of such facilities. All premiums for such insurance shall constitute an Operation and Maintenance Expense of the System.

Section 13. TERM AND EFFECT OF CONTRACT. (a) This Contract shall, upon execution by the District and all of the Initial Contracting Parties, be effective as of the Contract Date, and this Contract shall continue in force and effect until all Bonds and all interest thereon shall have been paid or provided for, and thereafter shall continue in force and effect during the entire useful life of the System. The requirement for making the Annual Payments as prescribed in Section 9 of this Contract shall commence as of October 1, 1988. Until October 1, 1988, payments for treated water shall continue to be made to the District by the Initial Contracting Parties in accordance with the eleven separate existing treated water supply contracts, and amendments thereto, between the District and the Initial Contracting Parties.

(b) It is specifically agreed and understood that this Contract, as of the Contract Date, will supersede all of the contracts, agreements, and arrangements between each of the parties hereto with respect to the System and treated water from the System and the Bonds, and that this Contract, as of the Contract Date, will completely amend and supersede all such contracts, agreements, and arrangements with respect to the

System and treated water from the System and the Bonds, and will constitute the sole agreement between the parties hereto or any of them with respect to the System and treated water from the System and the Bonds; and all such previous contracts, agreements, and arrangements shall be void and shall be of no force or effect, except for payments due and liabilities accrued thereunder prior to October 1, 1988, and except as provided in subsections (a) and (c), of this Section 13, and except that the "AGREEMENT BETWEEN THE NORTH TEXAS MUNICIPAL WATER DISTRICT AND THE CITY OF MCKINNEY FOR AN ADDITIONAL POINT OF DELIVERY", authorized by said City's resolution adopted September 2, 1986, and the District's resolution adopted December 18, 1986, shall be and remain in full force and effect until its expiration, and said City shall make payments to the District thereunder in addition to those required under this Contract, with such additional payments to be treated and applied as "other revenues" in accordance with Section 9(b) of this Contract.

(c) It is recognized by the parties to this Contract that the eleven previous treated water supply contracts, and amendments thereto, between the District and the Initial Contracting Parties, respectively, which are being amended hereby, together with the proceedings relating thereto, previously have been submitted to an Attorney General of Texas, along with bonds of the District heretofore issued, as provided in the District

Act, and that an Attorney General, in his certificates and opinions relating to such bonds, found that such contracts were made in accordance with the Constitution and laws of the State of Texas, and that they are valid and enforceable in accordance with their terms and provisions. Further, an Attorney General approved each of such contracts, with the effect that pursuant to the provisions of the District Act such contracts "shall be valid and binding and shall be incontestable for any cause". In order to protect the rights of the owners of the Bonds and the parties to this Contract, it is specifically agreed and understood by the parties to this Contract that, any provisions of this Contract to the contrary notwithstanding, if for any reason whatsoever this Contract, or any part of this Contract significantly affecting the rights of the owners of the Bonds, should be held to be invalid or unconstitutional, or in contravention of any law or any constitutional provisions, then the foregoing contracts shall be construed and deemed to be and to have been in full force and effect at all times to the extent required to protect the rights of the owners of the Bonds and the parties to such contracts. It is further agreed and understood by the parties to this Contract that this Contract is amendatory in nature and is not intended to, and does not, abrogate the rights of the owners of any Bonds, and is not intended to, and does not, affect adversely in any way the security therefor, but is intended to and does confirm the

security therefor, substantially restate, clarify, carry forward, update, improve, and extend the provisions of the previous contracts.

Section 14. MODIFICATION. No change or modification of this Contract shall be made which will affect adversely the prompt payment when due of all moneys required to be paid by any Contracting Party under the terms of this Contract or any similar contract, and no such change shall be effective which would cause a violation of any provisions of any Bond Resolution. No change or modification of this Contract shall be made without the written consent of all parties hereto.

Section 15. REGULATORY BODIES AND LAWS. This Contract is subject to all applicable Federal and State laws and any applicable permits, ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having or asserting jurisdiction, but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule, or regulation in any forum having jurisdiction.

Section 16. NOTICES. Unless otherwise provided herein, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made, or accepted by any party to any other party must be in writing and may be

given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties shall, until changed as hereinafter provided, be as follows:

If to the District, to:

North Texas Municipal Water District  
P. O. Drawer C  
Wylie, Texas 75098

If to the Initial Contracting Parties, as follows:

City of Farmersville  
303 S. Main  
Farmersville, Texas 75031

City of Forney  
101 E. Main Street  
Forney, Texas 75126

City of Garland  
200 N. Fifth Street  
P. O. Box 469002  
Garland, Texas 75040

City of McKinney  
P. O. Box 517  
McKinney, Texas 75069

City of Mesquite  
711 N. Galloway  
Mesquite, Texas 75149

City of Plano  
P. O. Box 860358  
Plano, Texas 75086-0358

City of Princeton  
306 N. Front Street  
Princeton, Texas 75077

City of Richardson  
411 W. Arapaho Road  
Richardson, Texas 75080

City of Rockwall  
205 W. Rusk  
Rockwall, Texas 75087

City of Royse City  
P. O. Drawer A  
Royse City, Texas 75089

City of Wylie  
P. O. Box 428  
Wylie, Texas 75098

The parties hereto shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days' written notice to the other parties hereto.

Section 17. SEVERABILITY. The parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional,

under the laws or constitutions of the State of Texas or the United States of America, or in contravention of any such laws or constitutions, such invalidity, unconstitutionality, or contravention shall not affect any other sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any other situation or circumstance, and it is intended that this Contract shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause, or word had not been included herein, and the rights and obligations of the parties hereto shall be construed and remain in force accordingly.

Section 18. REMEDIES UPON DEFAULT. It is not intended hereby to specify (and this Contract shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any party hereto and shall be cumulative. Recognizing however, that the District's undertaking to provide and maintain a supply of water hereunder is an obligation, failure in the performance of which cannot be adequately compensated in money damages alone, the District agrees, in the event of any default on its part, that each Contracting Party shall have available to it the equitable remedy of mandamus and specific performance in addition to any

other legal or equitable remedies (other than termination) which may also be available. Recognizing that failure in the performance of any Initial Contracting Party's obligations hereunder could not be adequately compensated in money damages alone, each Initial Contracting Party agrees in the event of any default on its part that the District shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to the District. No waiver or waivers of any breach or default (or any breaches or defaults) by any party hereto or of performance by any other party of any duty or obligation hereunder shall be deemed a waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be waiver of subsequent breaches or defaults of any kind, character, or description, under any circumstances.

Section 19. VENUE. All amounts due under this Contract, including, but not limited to, payments due under this Contract or damages for the breach of this Contract, shall be paid and be due in Collin County, Texas, which is the County in which the principal administrative offices of the District are located. It is specifically agreed among the parties to this Contract that Collin County, Texas, is a principal place of performance of this Contract; and in the event that any legal



proceeding is brought to enforce this Contract or any provision hereof, the same shall be brought in Collin County, Texas.

IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Contract to be duly executed in several counterparts, each of which shall constitute an original, all as of the day and year first above written, which is the date of this Contract.

NORTH TEXAS MUNICIPAL WATER DISTRICT

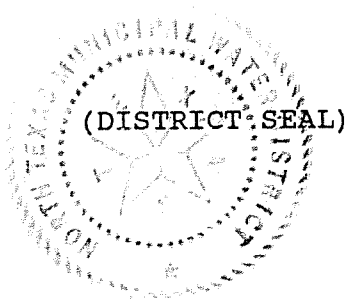
BY *James W. White*  
President, Board of Directors.

ATTEST:

*B. D. [Signature]*  
Secretary, Board of Directors

APPROVED AS TO FORM AND LEGALITY:

*McCall, Parkhurst + Horton*  
Attorneys for the District



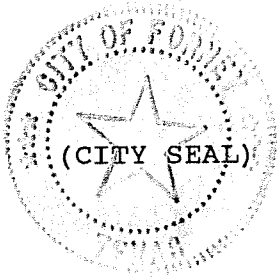
CITY OF FARMERSVILLE, TEXAS

BY *R. L. Zedford*  
Mayor

ATTEST:

*Ann Bridges*  
City Secretary





APPROVED AS TO FORM AND LEGALITY:

*Joe Acosta*  
City Attorney

CITY OF FORNEY, TEXAS

*W. T. Cates*  
Mayor

ATTEST:

*Shelly Green*  
City Secretary

APPROVED AS TO FORM AND LEGALITY:

*Robert L. Dillard*  
City Attorney

(CITY SEAL)

CITY OF GARLAND, TEXAS

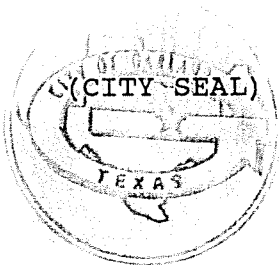
*Ruth Nicholson*  
Mayor

ATTEST:

*Mica Church*  
City Secretary

APPROVED AS TO FORM AND LEGALITY:

*Clark H. [Signature]*  
City Attorney



CITY OF MCKINNEY, TEXAS

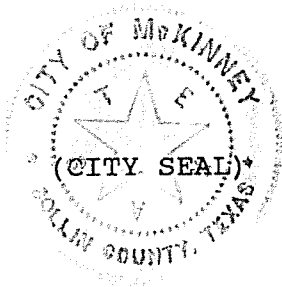
BY *[Signature]*  
Mayor

ATTEST:

*Jennifer B. Smith*  
City Secretary

APPROVED AS TO FORM AND LEGALITY:

*[Signature]*  
City Attorney



CITY OF MESQUITE, TEXAS

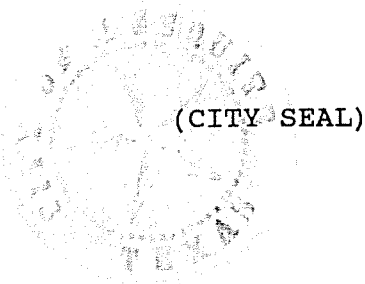
BY *George L. Penner, Sr.*  
Mayor

ATTEST:

*Lynne Krueger*  
City Secretary

APPROVED AS TO FORM AND LEGALITY:

*[Signature]*  
City Attorney

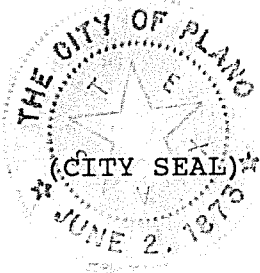


CITY OF PLANO, TEXAS

BY *Jack Hawman*  
Mayor

ATTEST:

Jackie Blakely  
City Secretary



APPROVED AS TO FORM AND LEGALITY:

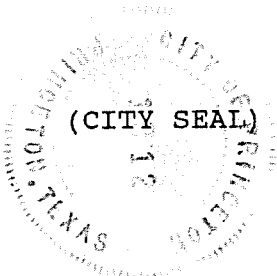
Larry Chatham  
City Attorney

CITY OF PRINCETON, TEXAS

BY Mary K. Edwards  
Mayor

ATTEST:

Ann Marie Price  
City Secretary



APPROVED AS TO FORM AND LEGALITY:

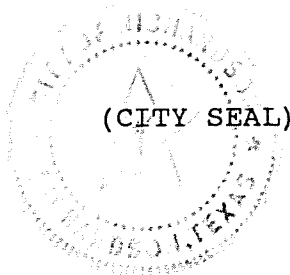
Mark S. [Signature]  
City Attorney

CITY OF RICHARDSON, TEXAS

BY Charles Spann  
Mayor

ATTEST:

Paula Miller  
City Secretary

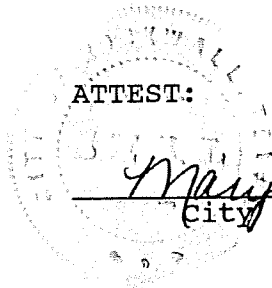


APPROVED AS TO FORM AND LEGALITY

Peter D. Smith  
City Attorney

CITY OF ROCKWALL, TEXAS

BY *John R. Mollen*  
Mayor



ATTEST:

*Mary A. Nichols*  
City Secretary

APPROVED AS TO FORM AND LEGALITY

*[Signature]*  
City Attorney

(CITY SEAL)

CITY OF ROYSE CITY, TEXAS

*Andy Buchner*  
Mayor

ATTEST:

*Donna Williams*  
City Secretary

APPROVED AS TO FORM AND LEGALITY:

*[Signature]*  
City Attorney



(CITY SEAL)

CITY OF WYLIE, TEXAS

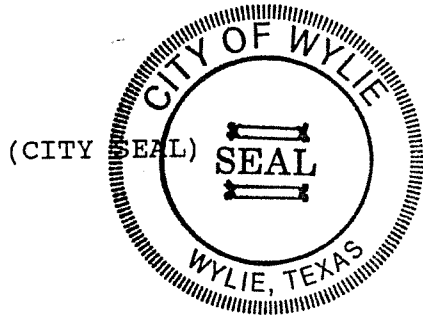
*[Signature]*  
Mayor

ATTEST:

Carolyn Jones  
City Secretary

APPROVED AS TO FORM AND LEGALITY

Robert L. Dillard III  
City Attorney *RD*



North Texas Municipal Water District

Part D. 59-  
Population and Flows  
Lower Bois D'Arc Creek Reservoir  
&  
Treatment and Treated Water Distribution

<b>Planning Year</b>	<b>2020</b>	<b>2025</b>	<b>2030</b>	<b>2035</b>	<b>2040</b>
<b>Population (Million)</b>	<b>1.86</b>	<b>2.01</b>	<b>2.15</b>	<b>2.33</b>	<b>2.5</b>
<b>Water Use (MGD)</b>	<b>379</b>	<b>411</b>	<b>443</b>	<b>470</b>	<b>497</b>

**Beneficiaries of Lower Bois d'Arc Creek Reservoir and Leonard WTP, HS  
Pump Station, and Transmission lines**

From Appendix H, Table H.23\*, *2016 Region C Water Plan*

\* Removed any NTWMD customers that were not allocated supply from Lower Bois d'Arc Creek Reservoir in DB17

**Current Customers**

Ables Springs WSC  
Allen  
Anna  
Blackland WSC  
Bonham  
BHP WSC (Hunt Co portion)  
Caddo Basin SUD  
Cash SUD  
College Mound WSC  
Collin Co. Other  
Copeville SUD  
Crandall  
Culleoka WSC  
Denton County Other  
East Fork SUD  
Fairview  
Farmersville  
Fate  
Forney  
Forney Lake WSC  
Frisco  
Garland  
Gastonia-Scurry SUD  
Hackberry  
Heath  
High Point WSC  
Howe  
Hunt County Other  
Josephine  
Kaufman  
Kaufman County Other  
Lavon  
Lavon WSC  
Little Elm  
Lowry Crossing  
Lucas  
McKinney  
McLendon-Chisolm  
Melissa  
Mesquite

**Potential Future Customers**

Blue Ridge  
Celina  
Ector  
Fannin County Other  
Honey Grove  
Leonard  
Savoy  
Southwest Fannin Co SUD  
Trenton  
Weston  
Kaufman County Mining  
Fannin County Mining



# **Beneficiaries of Lower Bois d'Arc Creek Reservoir and Leonard WTP, HS Pump Station, and Transmission lines**

From Appendix H, Table H.23\*, *2016 Region C Water Plan*

\* Removed any NTWMD customers that were not allocated supply from Lower Bois d'Arc Creek Reservoir in DB17

## **Current Customers**

Milligan WSC  
Mt. Zion WSC  
Murphy  
Nevada  
North Collin WSC  
New Hope  
Oak Grove  
Parker  
Plano  
Post Oak Bend City  
Princeton  
Prosper  
RCH WSC  
Richardson  
Rockwall  
Rockwall Co. Other  
Rose Hill SUD  
Rowlett  
Royse City  
Sachse  
Saint Paul  
Scurry  
Seis Lagos UD  
Sunnyvale  
Talty  
Talty WSC  
Terrell  
The Colony  
Van Alstyne  
Wylie  
Wylie Northeast SUD  
Non-Municipal Customers  
Collin County Manufacturing  
Dallas County Manufacturing  
Denton County Manufacturing  
Fannin County Manufacturing  
Grayson County Manufacturing  
Kaufman County Manufacturing  
Kaufman County Steam Electric  
Rockwall County Manufacturing

## **Potential Future Customers**

PROJECT BUDGET - <u>North Texas Municipal Water District</u>							Part D.60
PROJECT - Treatment and Treated Water Distribution							
Uses	TWDB Funds Series 1 SWIFT I (11/2017)	TWDB Funds Series 2 SWIFT I (04/2018)	TWDB Funds Series 3 SWIFT I (11/2018)	TWDB Funds Series 4 SWIFT II (11/2018)	Total TWDB Cost	Other Funds	Total Cost
<b>Construction</b>							
Construction	\$ -	\$ 20.400	\$ 182.200	\$ 275.000	\$ 477.600	\$ 1.691	\$ 479.291
<b>Subtotal Construction</b>	<b>\$ -</b>	<b>\$ 20.400</b>	<b>\$ 182.200</b>	<b>\$ 275.000</b>	<b>\$ 477.600</b>	<b>\$ 1.691</b>	<b>\$ 479.291</b>
<b>Basic Engineering Fees</b>							
Planning +	\$ 0.677	\$ -	\$ -	\$ -	\$ 0.677	\$ -	\$ 0.677
Design	\$ 19.493	\$ 7.350	\$ -	\$ -	\$ 26.843	\$ 4.342	\$ 31.185
Construction Engineering	\$ 0.113	\$ -	\$ -	\$ -	\$ 0.113	\$ -	\$ 0.113
<b>Basic Engineering Other</b> <b>**</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Subtotal Basic Engineering Fees</b>	<b>\$ 20.283</b>	<b>\$ 7.350</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 27.633</b>	<b>\$ 4.342</b>	<b>\$ 31.976</b>
<b>Special Services</b>							
Application	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Environmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water Conservation Plan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
I/I Studies/Sewer Evaluation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Surveying	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Geotechnical	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Testing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inspection	\$ -	\$ 0.402	\$ 0.040	\$ -	\$ 0.442	\$ -	\$ 0.442
O&M Manual	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Project Management (by engineer)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pilot Testing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water Distribution Modeling	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Special Services Other</b> <b>**</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Subtotal Special Services</b>	<b>\$ -</b>	<b>\$ 0.402</b>	<b>\$ 0.040</b>	<b>\$ -</b>	<b>\$ 0.442</b>	<b>\$ -</b>	<b>\$ 0.442</b>
<b>Other</b>							
Administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Land/Easements Acquisition	\$ -	\$ 4.810	\$ -	\$ -	\$ 4.810	\$ 4.265	\$ 9.075
Water Rights Purchase (If Applicable)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capacity Buy-In (If Applicable)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Project Legal Expenses	\$ 0.020	\$ -	\$ -	\$ -	\$ 0.020	\$ -	\$ 0.020
<b>Other ** ATTACHED</b>	<b>\$ 0.060</b>	<b>\$ 0.378</b>	<b>\$ 11.801</b>	<b>\$ 7.820</b>	<b>\$ 20.058</b>	<b>\$ -</b>	<b>\$ 20.058</b>
<b>Subtotal Other Services</b>	<b>\$ 0.080</b>	<b>\$ 5.188</b>	<b>\$ 11.801</b>	<b>\$ 7.820</b>	<b>\$ 24.888</b>	<b>\$ 4.265</b>	<b>\$ 29.154</b>
<b>Fiscal Services</b>							
Financial Advisor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond Counsel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Issuance Cost	\$ 0.114	\$ 0.078	\$ 0.546	\$ 0.815	\$ 1.553	\$ -	\$ 1.553
Bond Insurance/Surety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fiscal/Legal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capitalized Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond Reserve Fund	\$ -	\$ 1.826	\$ 7.108	\$ 16.365	\$ 25.299	\$ -	\$ 25.299
Loan Origination Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Other **</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Subtotal Fiscal Services</b>	<b>\$ 0.114</b>	<b>\$ 1.904</b>	<b>\$ 7.654</b>	<b>\$ 17.180</b>	<b>\$ 26.852</b>	<b>\$ -</b>	<b>\$ 26.852</b>
<b>Contingency</b>							
Contingency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Subtotal Contingency</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL COSTS</b>	<b>\$ 20.477</b>	<b>\$ 35.244</b>	<b>\$ 201.695</b>	<b>\$ 300.000</b>	<b>\$ 557.416</b>	<b>\$ 10.299</b>	<b>\$ 567.715</b>
<b>Other ** description must be entered</b>							
+ For Planning applications under the EDAP Program, please break down Planning costs as follows:							
Category A							0
Category B							0
Category C							0
Category D							0
<b>Total Planning Costs</b>						0	0

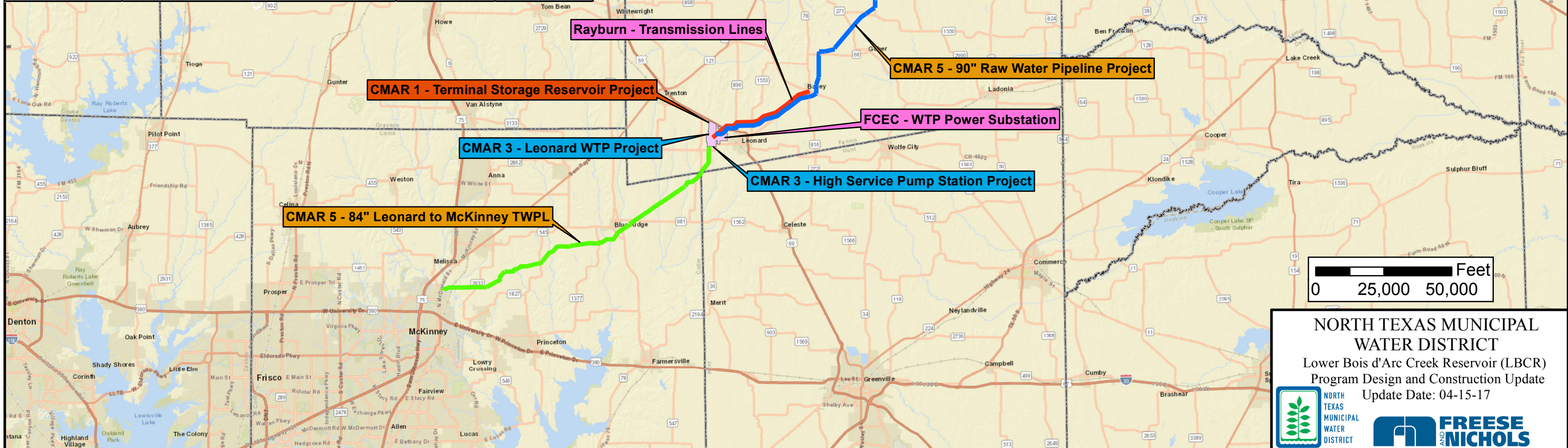
<b>Sum of Current Cost \$M</b>			
SWIFT 2018 full	TWDB BUDGET Fund Category	Contracts	Total
SWIFT I (11/2017)	Escalated Cost	Escalated Cost	\$ 60,004
	<b>Escalated Cost Total</b>		<b>\$ 60,004</b>
<b>SWIFT I (11/2017) Total</b>			<b>\$ 60,004</b>
SWIFT I (04/2018)	Escalated Cost	Escalated Cost	\$ 377,600
	<b>Escalated Cost Total</b>		<b>\$ 377,600</b>
<b>SWIFT I (04/2018) Total</b>			<b>\$ 377,600</b>
SWIFT I (11/2018)	Escalated Cost	Escalated Cost	\$ 11,800,960
	<b>Escalated Cost Total</b>		<b>\$ 11,800,960</b>
<b>SWIFT I (11/2018) Total</b>			<b>\$ 11,800,960</b>
SWIFT II (11/2018)	Escalated Cost	Escalated Cost	\$ 7,819,907
	<b>Escalated Cost Total</b>		<b>\$ 7,819,907</b>
<b>SWIFT II (11/2018) Total</b>			<b>\$ 7,819,907</b>
<b>Grand Total</b>			<b>\$ 20,058,472</b>

Texas Water Development Board Water Project Information							
A. Project Name Treatment and Treated Water Distribution		B. Project No. NTMWD has multiple projects under this program.		C. County <b>Fannin</b>			
D. Program(s) Lower Bois d'Arc Creek Reservoir Program		E. Date <b>05/2018</b>		F. Regional Planning Group (A-P) <b>C</b>			
G. Water Project Description: (Multiphase project, new or expansion; plant, well, storage, pump station, distribution system, etc) <b>Multiphase project consisting of a conventional water treatment plant, high service pump station, and treated water pipeline.</b>  <b>Attach map of service area affected by Project or other documentation.</b>							
H. Is an Inter Basin Transfer potentially involved? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>			I. Is project located in a Groundwater District (If yes, identify District by name)? Yes <input checked="" type="checkbox"/> <u>Red River and North</u> No <input type="checkbox"/>				
J. Service Area Projected Population for at least a 20 year period: (if different from Planning Area, discuss in separate attachment)	Current Population		Projected Population				
	Year:	2018	2020	2025	2030	2035	2040
	Population:	1.7M	1.86M	2.01M	2.15M	2.33M	2.5M
Project Design Year: (Year for which project will be sized)		<b>see attached</b>		Design Population: (Population served by project on the design year)		<b>see attached</b>	
K. Is the proposed project included in a current Regional Water Plan? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Don't Know <input type="checkbox"/> (If Yes, please specify on what page in the Regional Water Plan - Regional Water Plan Page Number: <u>5C.26</u> )							
L. What type of water source is associated directly with the proposed project? Surface Water <input checked="" type="checkbox"/> Groundwater <input type="checkbox"/> Reuse <input type="checkbox"/>							
M. Will the project increase the volume of water supply? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>							
N. What volume of water is the project anticipated to deliver/ treat per year? <u>120,665</u> Acre-Feet/Year							
O. Current Water Supply Information							
Surface Water Supply Source / Provider Names <b>North Texas Municipal Water District</b>		Certificate No. <b>see attached</b>		Source County <b>see attached</b>		Annual Volume and Unit <b>see attached</b>	
Groundwater Supply Aquifer <b>N/A</b>		Well Field location <b>N/A</b>		Source County <b>N/A</b>		Annual Volume and Unit <b>N/A</b>	
Reuse Water <b>N/A</b>		Certificate No. <b>N/A</b>		Annual Amount Used and Unit <b>N/A</b>			
P. Proposed Water Supply Associated Directly with the Proposed Project							
Surface Water Supply Source / Provider Names <small>Lower Bois d'Arc Creek Reservoir/North Texas Municipal Water District</small>		Certificate No. <b>12151</b>		Source County <b>Fannin</b>		Annual Volume and Unit <b>120,665 AF/y</b>	
Groundwater Supply Aquifer <b>N/A</b>		Well Field location <b>N/A</b>		Source County <b>N/A</b>		Annual Volume and Unit <b>N/A</b>	
Reuse Water <b>N/A</b>		Certificate No. <b>N/A</b>		Annual Amount Used and Unit <b>N/A</b>			
Q. Consulting Engineer Name <b>Freese and Nichols, Inc.</b>			Telephone No. <b>972-624-9216</b>		E-mail address <b>jp@freese.com</b>		
R. Applicant Contact Name, Title <b>Steve Long - Reservoir Project Manager</b>			Telephone No. <b>469-626-4713</b>		E-mail address <b>slong@ntmwd.com</b>		

All boxes on this form must be filled out for the application to be administratively complete. Items may be marked as N/A if appropriate.



North Texas Municipal Water District Lower Bois d'Arc Reservoir Program Program Component Start/End Dates			
CMAR	Program Summary Schedule	Start Date	End Date
CMAR 1	Dam Engineering (344)	Q1, 2015	Q1, 2017
	Dam Construction (344)	Q2, 2018	Q1, 2021
	Reservoir Filling	Q4, 2020	Q4, 2022
	Reservoir Clearing - Engineering (TBD)	Q2, 2016	Q3, 2017
	Reservoir Clearing - Construction (TBD)	Q2, 2018	Q2, 2020
	Terminal Storage Reservoir - Engineering (317)	Q4, 2017	Q2, 2019
CMAR 2	Mitigation - Engineering (366)	Q1, 2015	Q4, 2018
	Mitigation - Construction (366)	Q2, 2018	Q1, 2022
	Mitigation - Maintenance (366)	Q2, 2022	TBD
CMAR 3	Leonard Water Treatment Plant - Engineering (317)	Q1, 2017	Q4, 2018
	Leonard Water Treatment Plant - Construction (TBD)	Q4, 2018	Q2, 2022
	Leonard Water Treatment Plant - Power (317)	Q2, 2015	Q4, 2020
	HS Pump Station - Engineering (TBD)	Q2, 2016	Q1, 2019
	HS Pump Station - Construction (TBD)	Q1, 2019	Q3, 2021
	Raw Water Pump Station - Engineering (317, 358)	Q4, 2016	Q3, 2018
CMAR 4	Raw Water Pump Station - Construction (TBD)	Q4, 2018	Q3, 2021
	Raw Water Pump Station - Power (317)	Q1, 2015	Q4, 2020
	FM 897 - Engineering (383)	Q2, 2015	Q4, 2016
	FM 897 - Construction (TBD)	Q2, 2018	Q2, 2020
	County Roads - Engineering (TBD)	Q2, 2016	Q4, 2017
	County Roads - Construction (TBD)	Q2, 2018	Q2, 2019
CMAR 5	Boat Ramps and Recreation - Engineering (TBD)	Q3, 2018	Q3, 2019
	Boat Ramps and Recreation - Construction (TBD)	Q3, 2019	Q3, 2020
	RW Pipeline - Engineering (317)	Q2, 2017	Q4, 2018
	RW Pipeline - Construction (Sections A, B, C) (TBD)	Q1, 2019	Q3, 2020
	Leonard to McKinney TW Pipeline - Prelim. Engineering (TBD)	Q1, 2016	Q2, 2017
Leonard to McKinney TW Pipeline - Final Engineering (TBD)	Q2, 2018	Q3, 2019	
Leonard to McKinney TWPL - Construction (Section D, E) (TBD)	Q3, 2019	Q1, 2021	



NORTH TEXAS MUNICIPAL WATER DISTRICT  
 Lower Bois d'Arc Creek Reservoir (LBCR)  
 Program Design and Construction Update  
 Update Date: 04-15-17



The design year for the ultimate capacity of Leonard WTP, HSPS and treated water pipeline matches the design year of the LBCR. However, only the initial phase of these projects are included in this SWIFT application. The next expansion of Leonard WTP and HSPS is currently scheduled for 2026 and a parallel treated water pipeline is scheduled for 2032.

NTMWD Surface Water Rights/Contracts

CA 2410 G – Lavon Lake – Collin County, Texas; NTMWD water right: 118,840 ac-ft/yr plus return flows from Wilson Creek Wastewater Treatment Plant and return flows from 16 wastewater treatment plants in the East Fork of the Trinity River

P-5003 – Lake Texoma – Grayson County, Texas; NTMWD water right: 77,300 ac-ft/yr

P-4301A – Lake Texoma – Grayson County, Texas; Purchase from Greater Texoma Utility Authority: 10,000 ac-ft/yr

P-4797 – Lake Chapman – Hopkins & Delta Counties, Texas; NTMWD water right: 54,000 ac-ft/yr

P-4798 – Lake Chapman – Hopkins & Delta Counties, Texas; Purchase from City of Cooper, Texas:  
3,214 ac-ft/yr

CA – 4669C & 4670A – Lake Tawakoni & Lake Fork - Hunt, Rains, & Van Zandt Counties, Texas; Purchase from Sabine River Authority:

47,620 ac-ft/yr

Fannin County  
Tammy Biggar Fannin County Clerk  
101 E. Sam Rayburn Dr., #102  
Bonham, Texas 75418



70 2015 00003437

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Instrument Number: 2015-3437

As

Recorded On: August 03, 2015

Recordings Real Property

Parties: NORTH TEXAS MUNICIPAL WATER DISTRICT

Billable Pages: 9

To PUBLIC

Number of Pages: 11

Comment: WATER USE PERMIT

( Parties listed above are for Clerks reference only )

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**\*\* Examined and Charged as Follows: \*\***

Recordings Real Property	58.00
<b>Total Recording:</b>	<b>58.00</b>

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\*\*\*\*\* DO NOT REMOVE. THIS PAGE IS PART OF THE INSTRUMENT \*\*\*\*\*

Any provision herein which restricts the Sale, Rental or use of the described REAL PROPERTY  
because of color or race is invalid and unenforceable under federal law.

**File Information:**

**Record and Return To:**

Document Number: 2015-3437

Receipt Number: 248095

Recorded Date/Time: August 03, 2015 11:53:04A

Book-Vol/Pg: BK-OR VL-1817 PG-135

User / Station: V Vandeventer - Cash Station #1

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## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



## WATER USE PERMIT

THE STATE OF TEXAS  
COUNTY OF TRAVIS  
I HEREBY CERTIFY THAT THIS IS A TRUE AND CORRECT COPY  
OF A TEXAS COMMISSION ON ENVIRONMENTAL QUALITY  
DOCUMENT, WHICH IS FILED IN THE PERMANENT RECORDS

JUN 29 2015

OF THE COMMISSION, GIVEN UNDER MY HAND AND THE  
SEAL OF OFFICE ON

*Bridget C. Bohac*

BRIDGET C. BOHAC, CHIEF CLERK

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

PERMIT NO. 12151

TYPE §§ 11.121, 11.085, 11.046

Permittee: North Texas Municipal Water District

Address: P.O. Box 2408  
Wylie, TX 75098

Filed: June 26, 2007

Granted: June 26, 2015

Purposes: Municipal, Industrial,  
Agricultural, and RecreationCounties: Collin, Dallas, Denton,  
Fannin, Hopkins, Hunt,  
Kaufman, Rains and  
Rockwall CountiesWatercourse: Lower Bois d'Arc Creek,  
tributary of the Red RiverWatershed: Red, Trinity, and  
Sulphur River Basins

WHEREAS, North Texas Municipal Water District (NTMWD, Applicant or Permittee) seeks a Water Use Permit to construct and maintain a dam and reservoir (Lower Bois d'Arc Creek Reservoir) with a maximum normal operating capacity of 367,609 acre-feet of water and a surface area of 16,526 acres on Bois d'Arc Creek, tributary of the Red River, Red River Basin in Fannin County for recreation purposes; and

WHEREAS, Applicant also seeks authorization to divert and use not to exceed 175,000 acre-feet of water per year from any point on the perimeter of the proposed reservoir at a maximum combined diversion rate of 365.15 cfs (163,889 gpm) for municipal, industrial and agricultural purposes; and

WHEREAS, Applicant seeks authorization to reuse the return flows generated from the diversion and use of water from the proposed reservoir and until facilities are developed to reuse diverted water, such water will be returned to the Red, Sulphur, and Trinity River Basins; and

WHEREAS, Applicant also seeks an interbasin transfer authorization to use the water within the Trinity River Basin, and within that portion of Fannin County located in the Sulphur River Basin. NTMWD's service area is currently located within Collin, Dallas, Denton, Fannin, Hopkins, Hunt, Kaufman, Rains and Rockwall Counties; and

WHEREAS, Applicant indicates the proposed Lower Bois d'Arc Creek Reservoir will be located 15.2 miles in a northeast direction from City of Bonham and 9.7 miles in a north-northwest direction from the Town of Honey Grove. Station 42+33 on the centerline of the proposed dam will be S 23.2677° E, 514 feet from the southeast corner of O.H.P. Wood Survey, Abstract No. 1177, in Fannin County, Texas, also being at 33.7180° N Latitude, 95.9822° W

Longitude. The proposed dam will be located in the George W. King Original Survey, Abstract No. 604; the James Kerr Original Survey, Abstract No. 614; and the John Reynolds Original Survey, Abstract 931 in Fannin County, Texas. The proposed dam and reservoir will be located on the land of the Applicant, which will be acquired prior to construction; and

WHEREAS, Applicant indicates that diversions may overdraft the firm yield of the reservoir as part of a system operation with existing NTMWD supplies to achieve maximum conservation of limited water resources; and

WHEREAS, this application is subject to the obligations of the state of Texas pursuant to the terms of the Red River Compact; and

WHEREAS, the Texas Commission on Environmental Quality (TCEQ) finds that jurisdiction over the application is established; and

WHEREAS, Applicant submitted the *Proposed Lower Bois d'Arc Creek Reservoir Mitigation Plan*, which was accepted and approved by the Executive Director; and

WHEREAS, Applicant submitted the *North Texas Municipal Water District Reservoir Accounting Plan*, which was accepted and approved by the Executive Director; and

WHEREAS, Applicant submitted the *North Texas Municipal Water District Monitoring Plan for Proposed Lower Bois d'Arc Creek Reservoir*, which was accepted and approved by the Executive Director; and

WHEREAS, the Executive Director recommends that special conditions be included in the permit; and

WHEREAS, multiple requests for a contested case hearing on the application were granted; and

WHEREAS, as a result of negotiations with all parties, all hearing requests were withdrawn; and

WHEREAS, the Commission has complied with the requirements of the Texas Water Code and Rules of the Texas Commission on Environmental Quality in issuing this water use permit;

NOW, THEREFORE, this Water Use Permit No. 12151 is issued to North Texas Municipal Water District subject to the following terms and conditions:

1. IMPOUNDMENT

Permittee is authorized to construct and maintain a dam and reservoir (Lower Bois d'Arc Creek Reservoir) with a maximum normal operating capacity of 367,609 acre-feet of water on Bois d'Arc Creek, tributary of the Red River, Red River Basin in Fannin County located 15.2 miles in a northeast direction from City of Bonham and 9.7 miles in a north-northwest direction from the Town of Honey Grove. Station 42+33 on the centerline of the proposed dam will be S 23.2677° E, 514 feet from the southeast corner of O.H.P. Wood Survey, Abstract No. 1177, in Fannin County, Texas, also being at 33.7180° N Latitude, 95.9822° W Longitude. The proposed dam will be located in the George W. King Original Survey, Abstract No. 604 the James Kerr Original Survey, Abstract No. 614; and the John Reynolds Original Survey, Abstract 931 in Fannin County, Texas.

## 2. USE

- A. Permittee is authorized to use the impounded water for recreation purposes.
- B. Permittee is authorized to divert and use not to exceed 175,000 acre-feet of water per year for municipal, industrial and agricultural purposes within its service area in Collin, Dallas, Denton, Fannin, Hopkins, Hunt, Kaufman, Rains and Rockwall Counties.
- C. Permittee is authorized an interbasin transfer to use the water appropriated hereunder within the Trinity River Basin, and within that portion of Fannin County located in the Sulphur River Basin.
- D. Permittee is authorized to divert and reuse the return flows resulting from the diversion and use of water from the Lower Bois d'Arc Creek Reservoir as authorized under this permit, subject to the Permittee's compliance with Special Condition 6.Y.

## 3. DIVERSION

- A. Permittee is authorized to divert the water authorized herein from any point on the perimeter of Lower Bois d'Arc Creek Reservoir.
- B. Permittee is authorized to divert the water authorized herein at a maximum combined diversion rate of 365.15 cfs (163,889 gpm).

## 4. TIME PRIORITY

The time priority for this right is June 26, 2007.

## 5. CONSERVATION

Permittee shall fully implement water conservation plans, developed in accordance with this provision, that provide for the utilization of those reasonably available practices, techniques, and technologies that reduce the consumption of water for municipal use on a gallons per-capita per day basis within NTMWD's service area and that, for each category of use authorized by this permit not including recreation use, prevent the waste of water, prevent or reduce the loss of water, improve the efficiency in the use of water, increase the recycling and reuse of water, and prevent the pollution of water, so that a water supply is made available for future or alternative uses. Permittee shall develop, submit and implement water conservation plans as required by law. Each water conservation plan submitted to the Executive Director shall be designed to comply with relevant state conservation standards then in effect, and, at the time of submission, shall be designed to achieve, for each category of authorized uses, the highest practicable levels of water conservation and efficiency achievable within the jurisdiction of the Permittee. Permittee shall report annually to the Executive Director on the implementation of its water conservation plans and shall make both its most current water conservation plan and the annual reports on the implementation of its conservation plans easily accessible to the public through electronic and other means.

Such plans shall ensure that every water supply contract entered into, on or after the effective date of this permit, including any contract extension or renewal, requires that each successive wholesale customer shall develop and implement conservation measures

that will result in the highest practicable levels of water conservation and efficiency in order to comply with TWC § 11.085 (1)(2), and that each wholesale customer will report, no less frequently than once every year, to Permittee on the implementation of those conservation measures. If Permittee enters into a water supply contract on or after the effective date of this permit that authorizes the resale of water, such contract shall require that each successive customer in the resale of the authorized water implement water conservation measures at least as stringent as those included in Permittee's approved water conservation plan.

## 6. SPECIAL CONDITIONS

- A. Permittee shall only impound and divert water authorized by this permit in accordance with the most recently approved *North Texas Municipal Water District Reservoir Accounting Plan*. Permittee shall maintain said plan in electronic format and make the data available to the Executive Director upon request. Any modifications to the *North Texas Municipal Water District Reservoir Accounting Plan* shall be approved by the Executive Director. Only modifications that would result in a change to a permit term must be in the form of an amendment to the permit. Should Permittee fail to maintain the accounting plan or timely notify the Executive Director of any modifications to the plan, Permittee shall immediately cease impoundments and diversions authorized in Paragraph 1. IMPOUNDMENT and Paragraph 2. USE, and either apply to amend the permit, or voluntarily forfeit the permit. Permittee shall provide prior notice to the Executive Director of any proposed modifications to the accounting plan and provide copies of the appropriate documents effectuating such changes.
- B. All mitigation plans and monitoring required herein shall comply with requirements set forth in 33 United States Code §1341, commonly known as the federal Clean Water Act (CWA), §401 and 30 TAC Chapter 279. Mitigation and monitoring plans shall also comply with the requirements in §404 of the CWA as implemented through the U.S. Army Corps of Engineers permit for the Lower Bois d'Arc Creek Reservoir.
- C. Impoundment of water and diversion under this permit is contingent upon the initiation of implementation of the approved *Mitigation Plan for the Proposed Lower Bois d'Arc Creek Reservoir*. Permittee's continued authorization of impoundment and diversion of water under this permit is contingent on timely completion of implementation in accordance with the terms of that plan. Modifications or changes to the plan must be approved by the Executive Director. Only modifications that would result in a change to a permit term must be in the form of an amendment to the permit.
- D. Permittee shall document compliance with the terms and conditions of this permit relating to environmental flow requirements, as set out in Special Conditions 6.E. through 6.R., in the most recently approved *North Texas Municipal Water District Reservoir Accounting Plan*.
- E. Permittee shall determine compliance with pulse flow conditions and subsistence period freshet conditions using measured flows at USGS Gage 07332622, Bois d'Arc Creek at FM 409 near Honey Grove, TX or, in the case of deliberate releases to pass qualifying pulse flow events or qualifying subsistence period freshets, measurements of the releases from the reservoir as documented in the most

recently approved *North Texas Municipal Water District Reservoir Accounting Plan*.

- F. If calculated reservoir inflows, as determined in the most recently approved *North Texas Municipal Water District Reservoir Accounting Plan*, constitute a qualifying pulse flow event as defined in Special Condition 6.L., the pulse flow requirement for the season has not been met, and the flows at USGS gage 07332622 for the same time period do not exceed the pulse flow trigger requirement, the pulse shall be passed through the reservoir in a manner as close as practicable to the applicable seasonal release pattern identified in the most recently approved *North Texas Municipal Water District Reservoir Accounting Plan*. Permittee may release water to augment naturally occurring high flow events so that flows at the USGS Gage 07332622 meet or exceed the pulse flow trigger requirement, subject to the requirements of Special Condition 6.J.
- G. Consistent with Special Condition 6.F., when calculated reservoir inflows, as determined in the most recently approved *North Texas Municipal Water District Reservoir Accounting Plan*, equal or exceed the pulse flow trigger requirements of Special Condition 6.R. and the pulse flow requirement for the season has not been met, inflows to the reservoir in excess of applicable base flow requirements may be temporarily impounded. Consistent with Special Condition 6.F, if the calculated volume or duration criterion for an applicable qualifying pulse flow event, as specified in Special Condition 6.L., is met, Permittee shall promptly release the temporarily impounded water in a manner as close as practicable to the applicable seasonal release pattern identified in the most recently approved *North Texas Municipal Water District Reservoir Accounting Plan*.
- H. Permittee is not required to release stored water, except temporarily impounded water as described in Special Condition 6.G. or a qualifying subsistence period freshet required to be released pursuant to Special Condition 6.Q., to meet the environmental flow requirements in this permit. All requirements for pass-throughs of inflows or releases of temporarily impounded water pursuant to Special Conditions 6.E. through 6.R. are limited to the volume of calculated inflows to the reservoir.
- I. Subject to compliance with the subsistence and base flow requirements of Special Conditions 6.Q and 6.R, inflows may be stored if either: (i) the pulse flow requirement for a season has been met; or (ii) inflows to the reservoir are below the applicable pulse flow trigger; or (iii) inflows equal or exceed the applicable pulse flow trigger but the calculated volume and duration criteria for a qualifying pulse flow event are both not met. If Permittee has stored water, other than temporarily stored water pursuant to Special Condition 6.G. that is part of a qualifying pulse flow event or water that is part of a qualifying subsistence period freshet required to be passed pursuant to Special Condition 6.Q., then in accordance with the terms and conditions of this permit, including any applicable environmental flow requirements in effect at the time the water was stored, Permittee may divert and use that stored water, even if the applicable environmental flow requirement is not met at the time of the subsequent diversion and use of that stored water.
- J. If a naturally occurring qualifying pulse flow event is recorded at USGS gage 07332622, such pulse flow event shall satisfy a pulse flow requirement for that event within the respective season. In addition, a pulse flow requirement for an event within a season may be satisfied by a naturally occurring high flow event

which has been augmented by reservoir releases as authorized in Special Condition 6.F., but only if the applicable trigger, duration and volume criteria are all met as measured at that gage.

- K. Each season is independent of the preceding and subsequent seasons with respect to the pulse flow requirements of Special Condition 6.R.
- L. Except as otherwise provided in Special Condition 6.J., a pulse flow is considered to be a qualifying pulse flow event if the pulse flow trigger requirement is met and either the pulse flow volume or duration requirement is met, as specified in Special Condition 6.R.
- M. Permittee shall determine compliance with the requirement to pass reservoir inflows up to the applicable subsistence or base flow values of Special Condition 6.R. based on measured flows at the outlet works of the dam.
- N. Seasons are defined as Fall-Winter (November - February), Spring (March - June), and Summer (July - October).
- O. Reservoir storage is the trigger for determining the applicable instream flow requirements in Special Conditions 6.E. through 6.R. Subsistence flow requirements apply when storage is less than 40% of the authorized conservation storage. Base flow and pulse flow requirements apply when conservation storage is equal to or greater than 40%.
- P. Pulse flow requirements are not applicable under subsistence flow conditions.
- Q. When subsistence flow requirements are in effect, as provided in Special Condition 6.O., inflows into the reservoir up to 1 cfs shall be passed downstream and a subsistence period freshet pass-through requirement shall be in effect.

A qualifying subsistence period freshet is characterized by a trigger flow of at least 20 cfs and either a volume of at least 69 acre-feet or a duration of at least three days. Volume will be determined based on cumulative flows occurring over a three-day period, beginning with the day during which the trigger flow occurs. Duration will be determined based on the number of days of inflow greater than 1 cfs, beginning with the day on which the trigger flow occurs. During the time that subsistence flow requirements are in effect pursuant to Special Condition 6.O., Permittee shall track flows at USGS gage 07332622, Bois d'Arc Creek at FM 409, and inflows to the reservoir, to determine if a qualifying subsistence period freshet has occurred at either location.

If, while subsistence flow requirements are in effect pursuant to Special Condition 6.O., a 60-day period occurs without a qualifying subsistence period freshet at USGS gage 07332622, Bois d'Arc Creek at FM 409, but, during which, a qualifying subsistence period freshet has occurred as reservoir inflow, the subsistence period freshet shall be promptly passed through the dam. If a qualifying subsistence period freshet has not occurred as reservoir inflow during such 60-day period, flows will continue to be monitored to determine when a qualifying subsistence period freshet occurs at the FM 409 gage or a qualifying subsistence period freshet has occurred as inflow to the reservoir. During that period of continued monitoring, a qualifying subsistence period freshet will be passed as soon as such an event occurs as inflow into the reservoir unless a qualifying subsistence period

freshet has occurred at the FM 409 gage.

As closely as practicable, the subsistence period freshet pass-through shall average 20 cfs the first day, 10 cfs the second day, and 5 cfs the third day. As long as subsistence flow requirements are in effect, once a qualifying subsistence period freshet has occurred at USGS gage 07332622, Bois d'Arc Creek at FM 409, or such flow has been passed through the dam, a new 60-day period will be started for the purpose of determining when a qualifying subsistence flow event must be passed through the dam. In passing an individual subsistence period freshet through the dam, Permittee shall never be required to pass a volume of more than 69 acre-feet.

- R. Impoundment or diversion of reservoir inflows when flows are at or below the following values, at the applicable measurement points described in Special Conditions 6.E. and 6.M., is authorized only in compliance with Special Conditions 6.A. and 6.D. through 6.Q., above:

Season	Subsistence	Base	Pulse
Fall-Winter	1 cfs*	3 cfs	2 per season Trigger: 150 cfs Volume: 1,000 af Duration: 7 days
Spring	1 cfs*	10 cfs	2 per season Trigger: 500 cfs Volume: 3,540 af Duration: 10 days
Summer	1 cfs*	3 cfs	1 per season Trigger: 100 cfs Volume: 500 af Duration: 5 days

cfs = cubic feet per second

af = acre-feet

\*A subsistence period freshet requirement with a trigger level of 20 cfs, a volume of 69 af, and a duration of 3 days, as further defined in Special Condition 6.Q., also applies.

This special condition is subject to adjustment by the commission if the commission determines, through an expedited public review process, that such adjustment is appropriate to achieve compliance with applicable environmental flow standards adopted pursuant to Texas Water Code § 11.1471. Any adjustment shall be made in accordance with the provisions of Texas Water Code § 11.147(e-1).

- S. Permittee shall implement measures to minimize impacts to aquatic resources due to entrainment or impingement including, but not limited to, the installation of screens at the diversion facilities. Such measures shall include intake diversion facilities designed and operated to result in a velocity of water into the diversion facility of no greater than 1 foot-per-second. At all times that diversions are occurring, the intake diversion facilities shall be equipped with screens resulting in individual openings no larger than 1 square inch in size.

- T. After commencing deliberate impoundment in the reservoir, Permittee shall conduct hydrologic and water quality monitoring in accordance with the approved North Texas Municipal Water District Monitoring Plan. Permittee shall submit a summary of hydrologic and water quality monitoring data to the Executive Director on an annual basis. Permittee shall submit to the Executive Director a summary report of hydrologic and water quality data in the fifth and tenth years following deliberate impoundment in the reservoir and every five years thereafter for as long as monitoring under Special Condition 6.U. continues. Hydrologic and water quality monitoring for all sites and parameters, other than daily flows at USGS Gage 07332622, Bois d'Arc Creek at FM 409 near Honey Grove, TX, and water quality monitoring associated with reservoir releases undertaken pursuant to Special Condition 6.W., may cease after ten years, or when instream monitoring specified in Special Condition 6.U. ceases, whichever is later.
- U. Permittee shall conduct instream monitoring of Bois d'Arc Creek at the FM 409 Site and, at a minimum, one additional site within the non-channelized portion of the Creek farther downstream, in the first, third, fifth and tenth years following deliberate impoundment of water in the reservoir. In addition, if diversions from the reservoir, as calculated on an annualized basis, have not reached 100,000 acre-feet prior to the fifth year following deliberate impoundment, instream monitoring shall continue every fifth year thereafter until instream monitoring has been undertaken during two years following the year that diversions reach 100,000 acre-feet per year. Instream monitoring during any year in which it is required shall include a twice per year assessment of fish and macroinvertebrate communities and physical habitat assessment at each site, plus a twice per year analysis of water quality data collected at the USGS Gage 07332622, Bois d'Arc Creek at FM 409 near Honey Grove, TX. All aquatic biological monitoring and physical habitat assessments shall take place in the index period (March 15 – October 15) with at least one of the twice per year monitoring events taking place in the critical period (July 1 – September 15). Aquatic biological monitoring and habitat characterization shall follow TCEQ protocols set forth in the most recently approved *Surface Water Quality Monitoring Procedures, Volume 2: Methods for Collecting and Analyzing Biological Community and Habitat Data*.
- V. Permittee shall submit a report to the Executive Director summarizing the twice per year monitoring activities in Special Condition 6.U. within six months after the second monitoring event in any year is completed. The report shall detail all monitoring efforts and shall include an assessment of the fish and macroinvertebrate communities and the biological metric scoring criteria used to assess aquatic life uses. Should aquatic life use not meet the water quality standards for Segment 0202A or future segment designation, Permittee shall develop and implement remedial management strategies, subject to Executive Director approval, to meet the designated aquatic life use. Permittee shall also submit summary reports to the Executive Director no later than six months after the end of the fifth and tenth year monitoring events, and any subsequent year's monitoring events, that compare all monitoring data to baseline conditions.
- W. Permittee shall construct and operate a multilevel outlet tower and regulate releases to ensure that water released from the reservoir maintains DO and temperature levels that meet the surface water quality standards for Segment 0202A or future segment designation. Permittee shall monitor water quality near the outlet tower in accordance with the approved Monitoring Plan during the life of the permit.



- X. Permittee shall install and maintain measuring devices which account for, within 5% accuracy, the quantity of water diverted from the points authorized above in Paragraph 3. DIVERSION. Permittee shall allow representatives of the TCEQ reasonable access to the property to inspect the measuring device.
- Y. Prior to the diversion and reuse of the return flows authorized pursuant to Paragraph 2.D. USE, resulting from the diversion and use of water from the Lower Bois d'Arc Creek Reservoir as authorized under this permit, Permittee shall apply for and be granted an amendment to identify all specific points of discharge and diversion, and secure the appropriate authorizations to transfer such return flows through state watercourses pursuant to TWC §11.042, except to the extent such points of discharge, diversion, and transfer may be authorized by separate grant of authority from the Commission.

7. TIME LIMITATIONS

- A. Construction of the dam for Lower Bois d'Arc Creek Reservoir must be in accordance with plans approved by the Executive Director. Construction of the dam without final approval of the construction plans is a violation of this authorization.
- B. Construction shall begin within two years of issuance of this permit and be completed within seven years of the issuance of this permit, unless Permittee applies for and is subsequently granted an extension of time before the expiration of these time limitations.

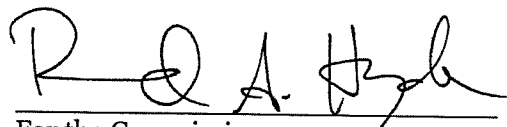
This water use permit is issued subject to all superior and senior water rights in the Red River Basin.

This permit is issued subject to the obligations of the State of Texas pursuant to the terms of the Red River Compact.

Permittee agrees to be bound by the terms, conditions, and provisions contained herein and such agreement is a condition precedent to the granting of this permit.

All other matters requested in the application which are not specifically granted by this water use permit are denied.

This water use permit is issued subject to the Rules of the Texas Commission on Environmental Quality and to the right of continuing supervision of State resources exercised by the Commission.

  
 For the Commission

ISSUED: **June 26, 2015**

0957 BK 1817 125

Filed for Record in:  
FANNIN COUNTY  
HARRIS TOWNSHIP  
COUNTY CLERK  
On: 08/05/2015 at 11:52A

As to  
Recording Real Property

Document Number: 2437

Amount: 58.00

Receipt Number: 243095

By: Vickie Vandewater, Deputy

ANY PROVISION HEREIN WHICH RESTRICTS THE  
SALE, REFINANCE OR USE OF THE DESCRIBED  
REAL PROPERTY BECAUSE OF COLOR OR RACE IS  
INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

STATE OF TEXAS COUNTY OF FANNIN

I hereby certify that this instrument was  
filed on the date and time stamped herein by me  
and was duly recorded in the volume and page  
of the same records of Fannin County  
as stamped herein by me.

Aug 03 2015

By: *Vickie Vandewater* Deputy

TOWNSHIP CLERK, FANNIN COUNTY CLERK  
FANNIN COUNTY

Bryan W. Shaw, Ph.D., P.E., *Chairman*  
Toby Baker, *Commissioner*  
Richard A. Hyde, P.E., *Executive Director*



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

June 29, 2015

Mr. Martin C. Rochelle  
Lloyd Gosselink, Attorneys at Law  
816 Congress Avenue, Suite 1900  
Austin, Texas 78701

**CERTIFIED MAIL**

RE: North Texas Municipal Water District  
WRPERM 12151, CN601365448, RN105156137, RN105156145, RN105156152  
Water Use Permit No. 12151  
TWC §§11.121, 11.085, 11.042, and 11.046, Requiring Mailed and Published Notice  
Lower Bois d'Arc Creek, Red, Sabine, Sulphur, and Trinity River Basins  
Fannin County

Dear Mr. Rochelle:

Enclosed are certified copies of the above referenced document.

The applicant, North Texas Municipal Water District, is instructed to ensure that the official record of this water right is filed with the County Clerk of the county in which the appropriation is to be made.

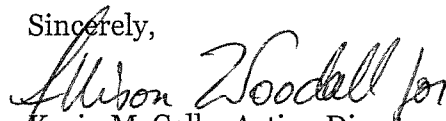
The applicant is responsible for making payment arrangements with the **Fannin** County Clerk's Office for filing of the documents in the official records. An additional certified copy is enclosed for the purpose of filing with the appropriate County Clerk.

As proof of filing, please ensure that the enclosed card is completed by the Fannin County Clerk's Office and returned to the Water Rights Permitting & Availability Section (MC 160), Texas Commission on Environmental Quality, P.O. Box 13087, Austin, Texas 78711-3087.

This action is taken under the authority delegated by the Executive Director of the Texas Commission on Environmental Quality.

Should you have questions, please contact Mr. Chris Kozlowski of the Texas Commission on Environmental Quality's Water Rights Permitting & Availability Section at (512) 239-1801, or if by correspondence, include MC 160 in the letterhead address below.

Sincerely,

  
Kevin McCalla, Acting Director  
Water Availability Division

KM/ck

Enclosures

Mr. Rochelle's Direct Line: (512) 322-5810  
[mrochelle@lglawfirm.com](mailto:mrochelle@lglawfirm.com)

July 28, 2015

Mr. Mike Rickman  
Deputy Executive Director  
North Texas Municipal Water District  
P.O. Box 2408  
Wylie, Texas 75098

**VIA OVERNIGHT MAIL**

Re: Lower Bois d'Arc Creek Reservoir Water Use Permit No. 12151 (446-29)

Dear Mike:

Enclosed please find an original certified copy of the above-referenced water use permit along with a recordation card. Now that the permit is final and non-appealable, please arrange for the permit to be recorded with the Fannin County Clerk and have the Clerk fill out the recordation card. Once the card is filled out, please have it forwarded to the TCEQ--the card is already addressed to the proper group at the agency.

We appreciate the opportunity to assist the District in obtaining this important permit for the Lower Bois d'Arc Creek Reservoir project. If you have any questions regarding the enclosed materials, please feel free to contact me, at your convenience.

Sincerely,



Martin C. Rochelle

ENCLOSURES

cc: Mr. Robert McCarthy  
Mr. Jason Hill  
Ms. Sara Thornton

4862243.1

JUL 29 2015

PERMIT NO./CERTIFICATE NO.: 12151

NAME: North Texas Municipal Water District

Date Recorded: \_\_\_\_\_

Volume \_\_\_\_\_ Page No. \_\_\_\_\_

of the \_\_\_\_\_ records of the

\_\_\_\_\_ County, Texas.

By \_\_\_\_\_

County Clerk and/or Deputy

STATE OF TEXAS

§  
§  
§COUNTY OF Collin

**SITE  
CERTIFICATE**

Before me, the undersigned notary, on this day personally appeared Thomas W. Kula, a person whose identity is known to me or who has presented to me a satisfactory proof of identity. After I administered an oath, this person swore to the following:

- (1) My name is Thomas W. Kula. I am over 18 years of age and I am of sound mind, and capable of swearing to the facts contained in this Site Certificate. The facts stated in this certificate are within my personal knowledge and are true and correct.
- (2) I am an authorized representative of North Texas Municipal Water District, an entity that has filed an application for financial assistance with the Texas Water Development Board for a (water) (wastewater) project.

Please complete only those sections that apply to your project:

**LEGAL CERTIFICATION – LEASE/CONTRACT**

I certify that: \_\_\_\_\_  
(Legal Name of Applicant, i.e., City, District, etc.)

has executed a written lease or other contractual agreement to use the property needed for this (water)(wastewater) project that extends through \_\_\_\_\_ (date), the life of the Texas Water Development Board loan or grant that will be used to finance this project, either in whole or in part. A copy of this lease or agreement is attached hereto.

**LEGAL CERTIFICATION – PROPERTY EASEMENT**

I certify that: \_\_\_\_\_  
(Legal Name of Applicant, i.e., City, District, etc.)

has executed an express easement to use the property needed for this (water) (wastewater) project that extends through the life of the Texas Water Development Board loan or grant that will be used to finance this project, either in whole or in part. The express easement to use the property needed for this (water) (wastewater) project extends through \_\_\_\_\_ (date). A copy of the express easement agreement is attached hereto.

**LEGAL CERTIFICATION – OWNERSHIP INTEREST**

I certify that North Texas Municipal Water District

(Legal Name of Applicant, e.g. City, District, etc.)

Option A: has acquired the necessary real property interest, as evidenced by fee simple purchase, deed, fully executed earnest money contracts, or completion of eminent domain proceedings; that such acquisition will guarantee access and egress; and such interest will contain the necessary easements, rights of way, or unrestricted use as is required for the project being financed by the Texas Water Development Board. The legal description is referenced below.

Option B: is in the process of acquiring the necessary real property interest, as evidenced by earnest money contracts, contracts for sale, firm option agreements to purchase the subject property, or the initiation of eminent domain procedures; that such acquisition will guarantee access and egress; and such interest will contain the necessary easements, rights of way, or unrestricted use as is required for the project being financed by the Texas Water Development Board. The legal description is referenced below. The anticipated date of acquisition is: August 2018.

The property has been/will be acquired with the use of eminent domain:  True  False

Location and Description of Property Interests acquired for Project:  
Leonard Water Treatment Plant

Any deeds or other instruments required to be recorded to protect the title(s) held by North Texas Municipal Water District (Legal Name of Applicant) have been recorded or filed for the record in the County deed records or other required location. The following documents are attached hereto:

Exhibit of purchased parcels  
Spreadsheet of parcels purchased by NTMWD

Description of documents that were used or will be used to acquire the property:  
Warranty Deeds

EXECUTED this 7<sup>th</sup> day of March, 2018.

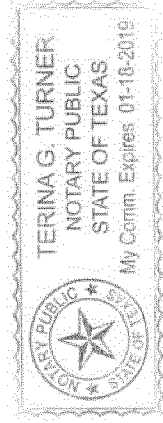
Thomas W. Kula (Signature)

Thomas W. Kula (Print Name)

Executive Director (Title)

Sworn to and subscribed before me by Thomas Kula on this 7<sup>th</sup> day of March, 2018.

Terina G. Turner (Notary Public in and for the State of Texas)

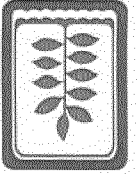


[SEAL]





# Leonard Water Treatment Plant



Leonard Water Treatment Plant

Property Purchases

Tax ID #	Current Ownership	Previous Ownership
99600	NTMWD	Jerry & Annie Palmer
99967	Cody Hancock	-----
110992	NTMWD	Josh & Nechia Nowlin
82309	NTMWD	Josh & Nechia Nowlin
82323	NTMWD	Mike & Donna McCoy
82322	Billy Key	-----
82323	NTMWD	North Texas Aggregate
79106	NTMWD	North Texas Aggregate

# Environmental Data Form

## North Texas Municipal Water District Leonard Water Treatment Plant Phase 1 Project

*Prepared by:*

Freese and Nichols, Inc.  
4055 International Plaza, Suite 200  
Fort Worth, TX 76109

*On behalf of:*

North Texas Municipal Water District  
505 E. Brown Street  
Wylie, TX 75098

TWDB-0800  
April 2018

# **ENVIRONMENTAL DATA FORM**

## **REQUIRED FOR THE:**

**Water Development Fund, Rural  
Water Assistance Fund, Water  
Infrastructure Fund, State  
Participation Program,  
Economically Distressed Areas Program,  
Agricultural Loan Program,  
State Water Implementation Fund for Texas**

## **Mid-level Environmental Review: Environmental Data Form**

A mid-level environmental review is required by 31 Texas Administrative Code §363.14 of the Texas Water Development Board's (TWDB) rules for most projects receiving state funding. The purpose of a mid-level review is to ensure the proposed project has been adequately reviewed by regulatory agencies and determine, within a reasonable level of certainty, if the project is expected to have adverse environmental impacts. The attached form applies to projects which appear to cause environmental impacts that are limited in number or scope or which may be readily avoided, minimized, or mitigated. If however, based upon the information provided in this form and recommendations from regulatory agencies, this is not the case, the preparation of a full Environmental Assessment may be required.

### **Preliminary Review Available and Encouraged**

As a service to our clients, preliminary review of the Environmental Data Form by TWDB staff prior to agency coordination is available and encouraged. Preliminary review ensures that the appropriate agency coordination requirements are identified in advance.

### **Timing**

The Environmental Data Form may be submitted with the application or prepared during the planning phase of the project after a loan commitment has been secured. Please note that issuance of an Environmental Determination by TWDB environmental staff is required prior to TWDB approval of the Engineering Feasibility Report and release of design and/or construction funds.

### **Levels of Environmental Review in State Programs**

1. **Categorical Exclusion (CE)**: Generally applies to infrastructure rehabilitation or functional replacement, minor expansion of facilities, construction of adjoining facilities on existing sites, etc. If you believe the proposed project will qualify for a CE, consult with TWDB environmental review staff before proceeding with this form.
2. **Mid-level Review**: The majority of projects financed by the TWDB will qualify for a mid-level environmental review and will use this form.
3. **Full Environmental Review**: For projects that may have numerous environmental impacts that cannot be readily avoided, minimized or mitigated, consult with TWDB environmental review staff prior to submitting this form regarding the potential need to prepare an Environmental Assessment.

A full explanation of TWDB environmental requirements is provided in 31 Texas Administrative Code §363.14. Draft and final versions of the Environmental Data Form, as well as any questions regarding the preparation of the document or review process, should be submitted to:

**Environmental Reviewer Regional Water Planning & Development  
Water Supply & Infrastructure  
Texas Water Development Board  
P.O. Box 13231 Austin, Texas 78711-3231  
Telephone: (512) 936-0938**

## General Information

**Authority: North Texas Municipal Water District**

**TWDB Project No: 51050**

**Project Name: Leonard Water Treatment Plant Phase 1**

**County: Fannin**

Funding Source/ Loan Number:	State Water Implementation Fund for Texas (SWIFT)	
Total Estimated Project Costs:	\$415,000,000	
TWDB Funded Phases:	<input checked="" type="checkbox"/> Planning	<input checked="" type="checkbox"/> Acquisition
	<input checked="" type="checkbox"/> Design	<input checked="" type="checkbox"/> Construction
Other Funding Source(s):	N/A	
Consultant Project Name/Number (if applicable):	70 MGD Leonard Water Treatment Plant Site Phase 1 (CH2MHill/Jacobs); Leonard High Service Pump Station (Freese and Nichols); and Leonard Terminal Storage Reservoir (Freese and Nichols)	
Authority:	<i>Legal Name:</i>	North Texas Municipal Water District
	<i>Contact Person:</i>	Steve Long, P.E.
	<i>Mailing Address:</i>	505 E. Brown Street Wylie, TX 75098
	<i>Phone:</i>	(972) 442-5405
	<i>Email:</i>	slong@ntmwd.com
Project Engineer (Water Treatment Plan Site):	<i>Company:</i>	CH2MHill Engineers, Inc.
	<i>Contact Person:</i>	Edward Motley, P.E.
	<i>Mailing Address:</i>	12750 Merit, Suite 1100 Dallas, TX 75251
	<i>Phone:</i>	(972) 663-2237
	<i>Email:</i>	Edward.Motley@CH2M.com
Project Engineer (Terminal Storage Reservoir):	<i>Company:</i>	Freese and Nichols, Inc.
	<i>Contact Person:</i>	Janis Murphy, P.E.
	<i>Mailing Address:</i>	4055 International Plaza Suite 200 Fort Worth, TX 76109
	<i>Phone:</i>	(817) 735-7345
	<i>Email:</i>	jcm@freese.com
Project Engineer: (High Service Pump Station):	<i>Company:</i>	Freese and Nichols, Inc.
	<i>Contact Person:</i>	Carleton Sherrer, P.E.
	<i>Mailing Address:</i>	125 Townpark Drive, Suite 300 Kennesaw, Georgia 30144
	<i>Phone:</i>	(770) 799-6432
	<i>Email:</i>	Carleton.Sherrer@freese.com
Environmental Consultant (if different):	<i>Company:</i>	Freese and Nichols, Inc.
	<i>Contact Person:</i>	Ben Hagood
	<i>Mailing Address:</i>	4055 International Plaza, Suite 200 Fort Worth, TX 76109
	<i>Phone:</i>	(817) 735-7368
	<i>Email:</i>	bsh@freese.com

**Proposed Project**

Does the proposed project involve a probable or known public controversy relating to environmental or social impacts (e.g. substantial rate increase, displacement of persons, etc.)?

Yes  No *If Yes, a public meeting or hearing may be required.*

**Attach additional sheets if the space provided is not adequate.**

Purpose and need for the proposed project:

North Texas Municipal Water District (NTMWD) provides wholesale, treated water to approximately 80 cities, towns, communities, special utility districts, and water districts within the North Texas region. The NTMWD service area spans across multiple counties in one of the fastest growing regions in Texas. NTMWD needs additional treated water in the 2020-2021 timeframe to meet projected demands in the rapidly growing northern portion of NTMWD's service area. An existing NTMWD Water Treatment Plant (WTP) in Wylie does not have capacity to meet the projected demands in the northern portion of NTMWD's service area. Expanding the treatment capacity of the Wylie WTP to meet these projected demands is not a viable option due, in part, to the infeasibility of constructing new large water transmission pipelines through previously developed, densely populated areas.

The proposed Leonard Water Treatment Plant (WTP), also called the North WTP, would treat raw water from multiple NTMWD sources to be distributed to the growing northern portion of NTMWD's service area. Likely raw water sources treated by the proposed Leonard WTP would be Lake Texoma, Lake Jim Chapman, and the proposed Lower Bois d'Arc Creek Reservoir. The proposed Leonard WTP would likely be a conventional, modular arrangement treatment facility similar to NTMWD's WTP in Wylie.

The proposed Leonard WTP has independent utility from a separate NTMWD project in Fannin County named the Lower Bois d'Arc Creek Reservoir project because the WTP would be built even if the proposed reservoir is not built. The Leonard WTP does not depend on the proposed reservoir for its justification and vice versa. If the proposed Lower Bois d'Arc Creek Reservoir project is not constructed, initial estimations of the volume of water treated at the Leonard WTP include up to about 44,000 acre feet per year (AFY) of Lake Chapman water and about 14,000 AFY of Lake Texoma water.



## General Information

*Provide a concise description of the proposed project:*

The proposed project is Phase 1 of the Leonard WTP and includes the construction of a new 70 million gallons per day (MGD) capacity water treatment plant and associated facilities near the City of Leonard in Fannin County, Texas (Figure 1). Plant expansions to meet future growth in NTMWD's service area could potentially be built in later phases as separate projects.

The proposed project would be located on approximately 430 acres of uplands within the Northern Blackland Praire ecoregion. The project site is rural and can be characterized as cropland and grassland/old field (Figures 2 and 3). Major project components would include the 70 MGD capacity treatment plant, high service pump station, sludge lagoons, electrical substation, overhead high voltage electrical lines, terminal storage reservoir with associated pipeline/outfall structure, and maintenance facility (Figure 3). The terminal storage reservoir drainage pipeline is designed to be used during overflow events and during maintenance of the reservoir, and it would discharge on uplands near the headwaters of Valley Creek (Figure 2). The proposed treatment facilities would likely use conventional treatment with intermediate ozonation for primary disinfection and taste and odor control. Major treatment processes would include flow metering and distribution, rapid mix chambers, flocculation basins, sedimentation basins, ozone contact basins, biologically-active filters, and a clearwell.

Potential impacts to natural resources resulting from construction of the proposed Leonard WTP project were studied during the planning phases of the proposed project. The results of these studies were included within the Environmental Impact Statement (EIS) prepared by the Tulsa District U.S. Army Corps of Engineers (USACE) for the Proposed Lower Bois d'Arc Creek Reservoir Project. The USACE prepared the Final EIS in accordance with the National Environmental Policy Act (NEPA) as part of their evaluation of a Section 404 permit application for the proposed reservoir. The Final EIS dated November 2017 included the proposed Leonard WTP project as part of the "No Action Alternative" because the proposed Leonard WTP has independent utility from the Proposed Lower Bois d'Arc Creek Reservoir Project. A summary of cooperating and participating resource agencies involved in the review of the EIS are included as **Attachment 1**.

Site visits were conducted by environmental scientists, archeologists, and the USACE to assess potential impacts to natural and cultural resources resulting from the proposed Leonard WTP project. Lee Creek and unnamed tributaries of Lee Creek were identified east of the currently proposed project site, and the proposed project site was selected to avoid these aquatic resources (Figure 2). The proposed project would be located entirely on upland habitat and would not involve the discharge of dredged or fill material into waters of the U.S. An archeological study was completed by professional archeologists within the proposed Leonard WTP site. No historical/archeological resources listed or eligible for listing in the National Register of Historic Places were identified by the study, and no impacts to cultural resources are expected. The potential impact on wildlife habitat was evaluated using Habitat Evaluation Procedures (HEP). The proposed project site's cover types were classified as cropland and grassland/old field, and it was concluded the project would not result in significant loss of wildlife habitat. Additionally, the proposed project is not expected to impact any federally listed threatened or endangered (T/E) species due to the absence of preferred habitat for a T/E species.



**General Information**

*Provide a bulleted list of project components:*

- 70 MGD Water Treatment Plant
- Terminal Storage Reservoir (One approximately 210 million-gallon cell)
- 90 MGD High Service Pump Station
- Discharge pipeline and outfall structure
- Sludge Lagoons
- Electrical Substation
- Overhead High Voltage Electrical Lines
- Maintenance Facility

How many stream crossings intersect the proposed project area?

No waters of the U.S., including streams, would be impacted by the proposed project (Figure 2)

Does the project involve the dewatering of any stream segments?  Yes  No

Proposed construction methods to be used at crossings (e.g. trenching, dewatering, boring, etc.):

N/A

Is coordination with the U.S. Army Corps of Engineers for a jurisdictional determination for permitting requirements required?  Yes  No

If Yes, please describe the status of this coordination:

Although not required for the proposed project, an Approved Jurisdictional Determination Report was completed by the Tulsa District USACE in August 2015 as part of the EIS for areas within and adjacent to the proposed Leonard WTP project footprint. No waters of the U.S. would be impacted by the proposed project. An off-channel stock pond determined to be non-jurisdictional is within the proposed project area (Figure 3).

*Estimated Project Schedule for the Completion of:*

Planning: prior to 2011

Start of Construction: 2018

Acquisition: prior to 2011

Construction Completion: 2022

Permitting: 2018

Design: 2016-2018

## General Information

### Mitigative Measures

*Provide a list of potential adverse impacts of the proposed project and a description of how those impacts will be avoided, minimized, or mitigated. This list will be used to develop conditions for the Environmental Determination issued by the TWDB. Please ensure the information is consistent with what was provided to regulatory agencies and incorporates applicable agency recommendations. When responding to recommendations provided by regulatory agencies, identify which are feasible and which will not be implemented.*

<i>Impact:</i>	<i>Recommended/required by What Entity? (if applicable)</i>	<i>Mitigative Measures Description:</i>
As designed, the construction of the proposed project would not result in adverse impacts to regulated environmental resources. See <b>Attachment 1</b> for a summary of resource agency coordination.	N/A	N/A

### Other Programs and Projects

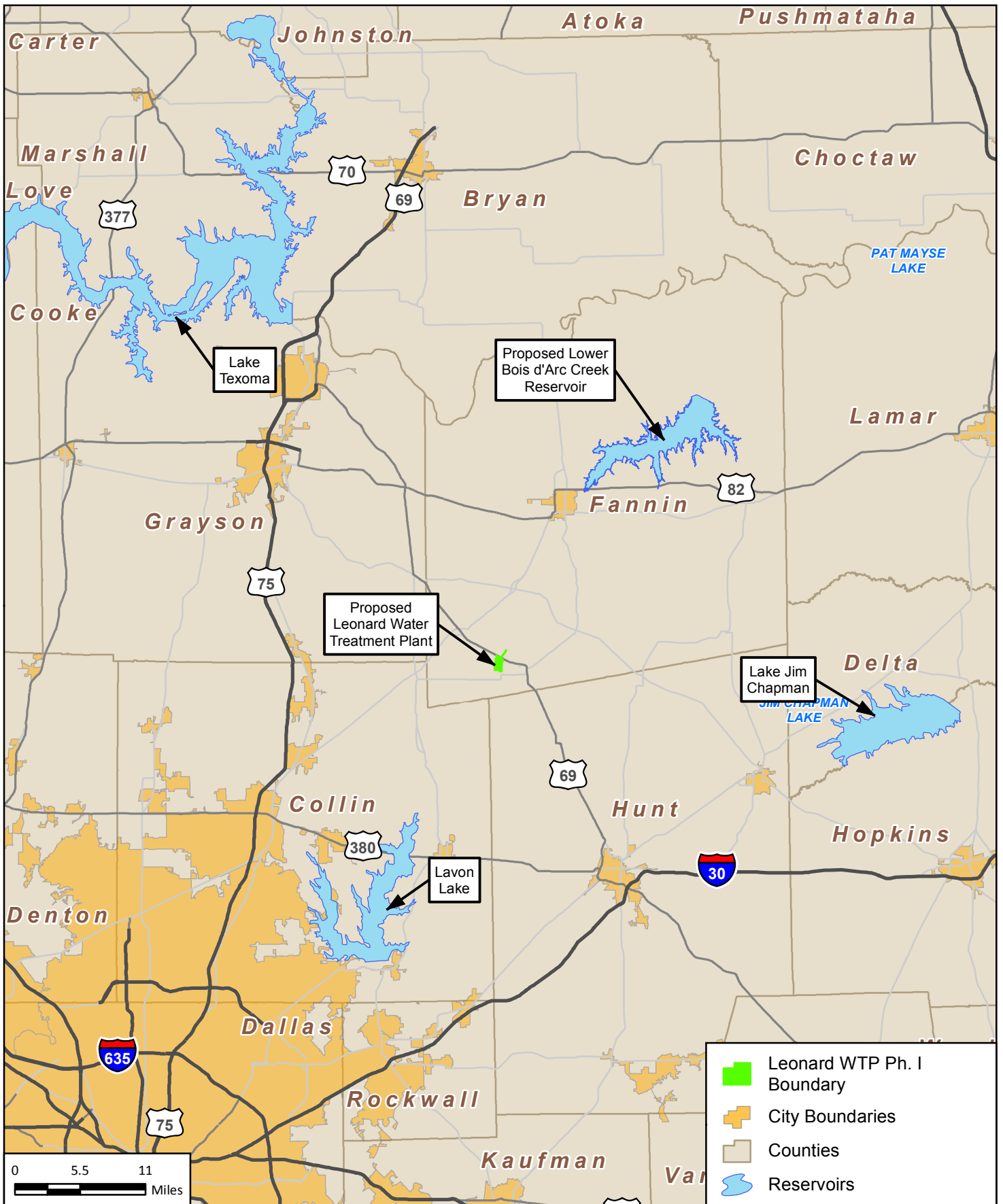
*Provide a description of any other projects in progress that may be affected by the proposed project (e.g. TxDOT plans for Road Construction, etc.).*

TxDOT's Project Tracker was reviewed on 3/29/18 and no proposed TxDOT projects are within the proposed project area. No unrelated projects are known to be in progress that would be affected by the proposed project.

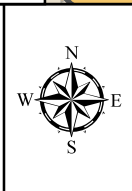
<b>List of Required Attachments</b> <b>Documents lacking required attachments will not be accepted</b>			
<i>Provide the following maps in PDF format when submitted digitally. Identify the project footprint on all maps. Example project maps are provided online at:</i> <a href="http://www.twdb.texas.gov/financial/instructions/doc/TWDB-1800.pdf">http://www.twdb.texas.gov/financial/instructions/doc/TWDB-1800.pdf</a>			
Regional Location Map	Attached?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
USGS Topographic Map(s) for Proposed Project	Attached?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Project footprint or plans/plats	Attached?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
FEMA Floodplain Map(s)	Attached?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

<b>Agency Coordination</b>	
<b>Mandatory Requirements</b>	
Texas Parks and Wildlife Department, Wildlife Habitat Assessment Program	Attached? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <i>see Attachment 1 for summary</i>
Texas Historical Commission	Attached? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <i>see Attachment 1 for summary</i>
United States Army Corps of Engineers	Attached? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <i>see Attachment 1 for summary</i>
United States Fish and Wildlife Service	Attached? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <i>see Attachment 1 for summary</i>
<b>Circumstantial Requirements: Provide coordination materials from the listed entity for each of the circumstances that apply to the proposed project.</b>	
<i>Circumstance:</i>	<i>Coordination Attached?</i>
Will the project involve construction in the floodplain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	National Flood Insurance Program Local Floodplain Administrator <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  TWDB: Flood Mitigation Planning Division <input type="checkbox"/> Yes (Notification, no response required)
Have you contacted TPWD to determine if this project requires a sand, shell, gravel or marl permit? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Public Utility  *Public utilities are exempt from this requirement (Parks and Wildlife Code §86.0191, 31 TAC §69.120).	Texas Parks & Wildlife Department Sand and Gravel Permitting Coordinator  <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <i>see Attachment 1 for summary</i>
Is the project located within the Coastal Management Zone? (See Appendix C) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	General Land Office <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  National Marine Fisheries Service <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the project be on lands within the floodplain or adjacent to the channel of the Rio Grande River? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	International Boundary & Water Commission <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the project impact National Forests or Grasslands? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	U.S. Forest Service <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <i>see Attachment 1 for summary</i>
Will the project impact National Parks? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	U.S. National Park Service <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<p style="text-align: center;">** Additional coordination may be required by the TWDB based on the outcome of the environmental review.</p> <p style="text-align: center;">** Projects on state-owned lands and riverbeds require an easement from the General Land Office. Easements are required prior to the release of construction funds.</p>	

## Figures



**FREASE AND NICHOLS**  
 FREASE AND NICHOLS, INC.  
 4055 International Plaza, Suite 200  
 Fort Worth, TX 76109 - 4895  
 Phone - (817) 735 - 7300

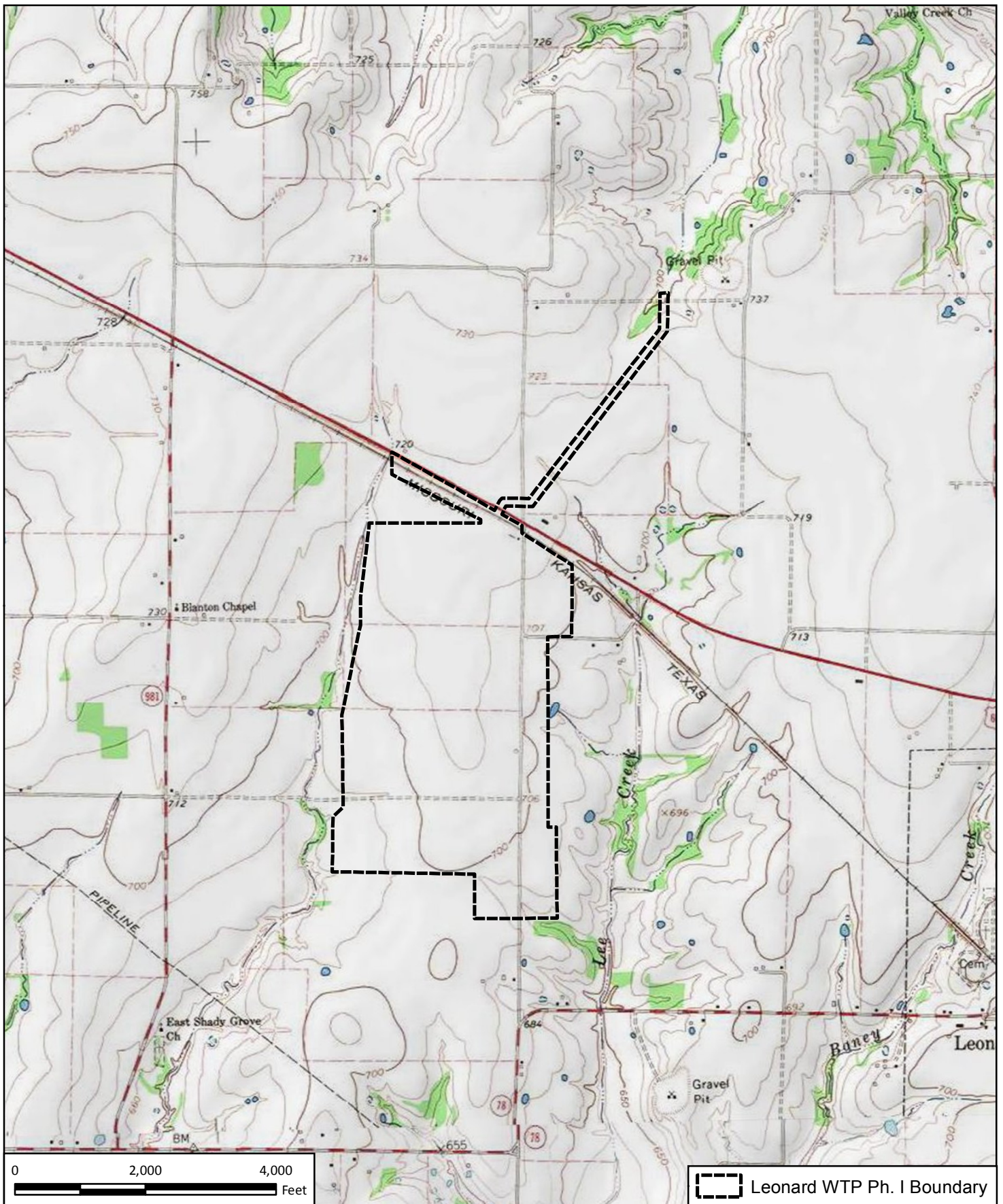


NORTH TEXAS MUNICIPAL WATER DISTRICT  
**Leonard Water Treatment Plant Ph. I**  
**Regional Location Map**

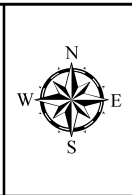
FN JOB NO	NTD14624
FILE NAME	1_LocationMap_8x11.mxd
DATE	3/29/2018
SCALE	1 inch = 11 miles
DESIGNED	HHM
DRAFTED	HHM

**1**  
**FIGURE**





**FREASE AND NICHOLS**  
 FREASE AND NICHOLS, INC  
 4055 International Plaza, Suite 200  
 Fort Worth, TX 76109 - 4895  
 Phone - (817) 735 - 7300

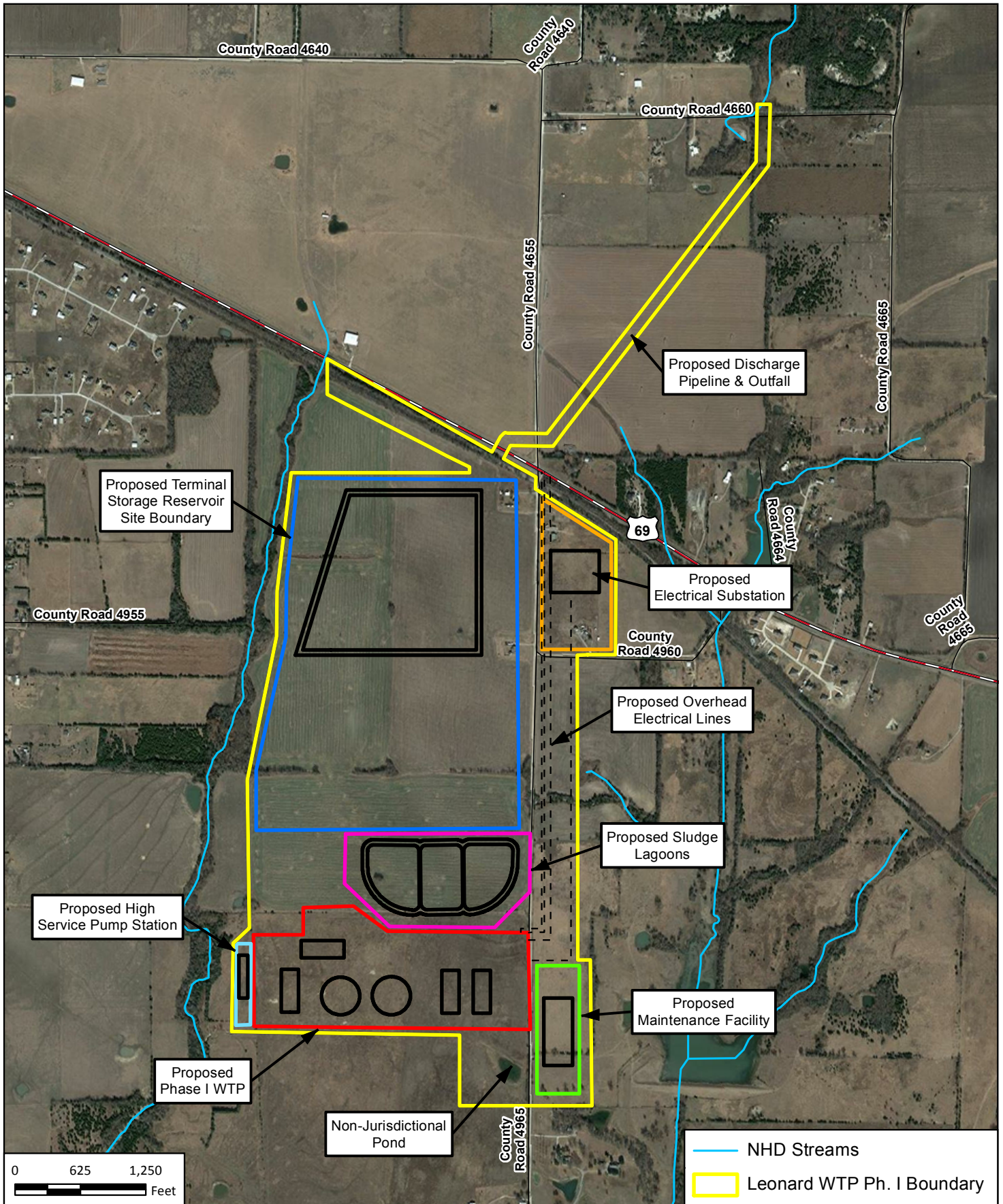


NORTH TEXAS MUNICIPAL WATER DISTRICT  
**Leonard Water Treatment Plant Ph. I**  
**USGS Topographic Map**  
 Quad Name: Trenton

FN JOB NO	NTD14624
FILE NAME	2_TopoMap_8x11.mxd
DATE	4/4/2018
SCALE	1:24,000
DESIGNED	HMM
DRAFTED	HMM

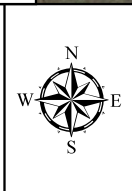
**2**  
**FIGURE**





— NHD Streams  
 □ Leonard WTP Ph. I Boundary

**FREES & NICHOLS**  
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 4055 International Plaza, Suite 200  
 Fort Worth, TX 76109 - 4895  
 Phone - (817) 735 - 7300

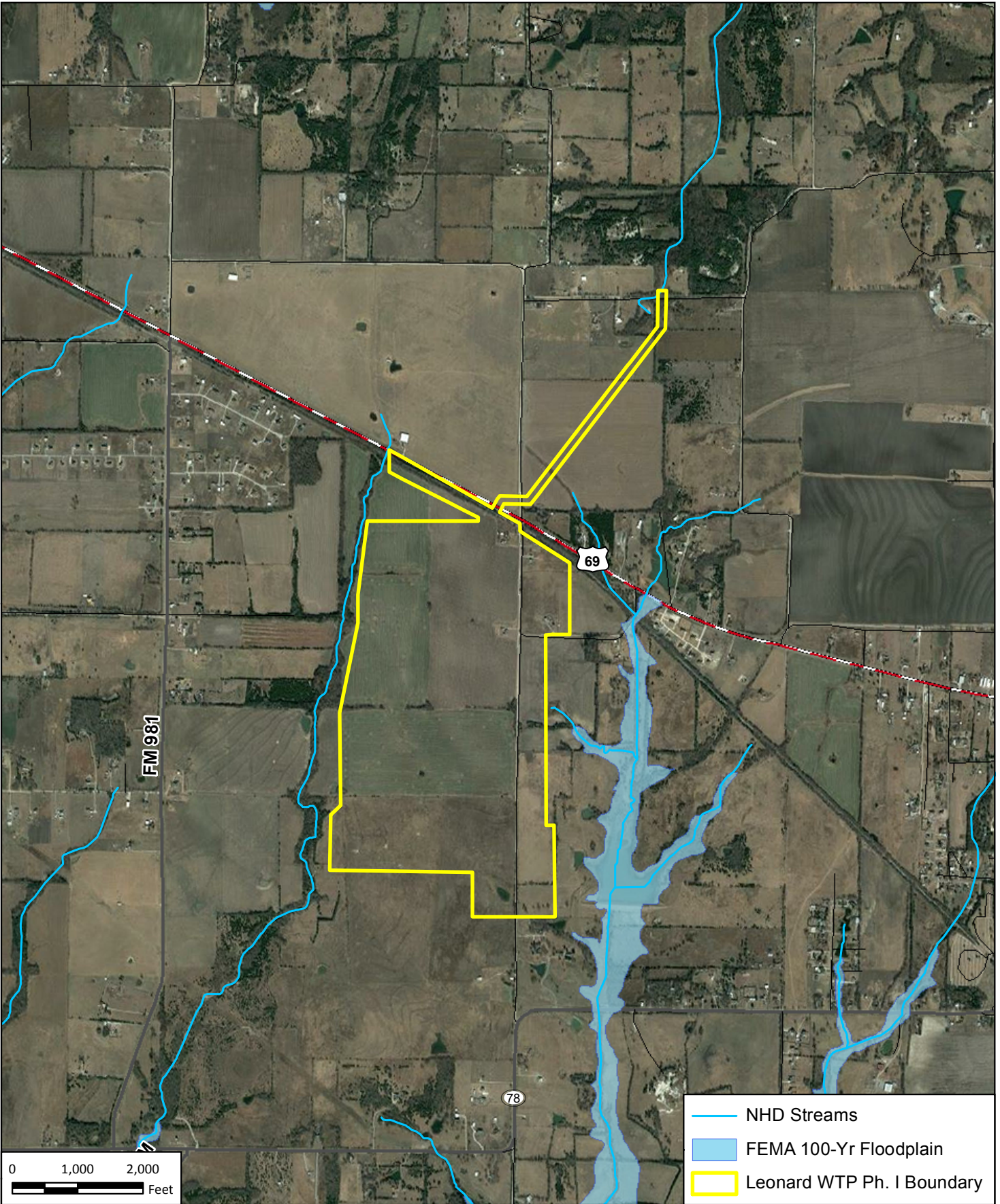


NORTH TEXAS MUNICIPAL WATER DISTRICT  
**Leonard Water Treatment Plant Ph. I**  
**Project Footprint Map**

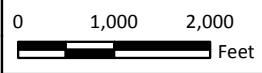
FN JOB NO	NTD14624
FILE NAME	3_AerialMap_8x11.mxd
DATE	4/4/2018
SCALE	1 inch = 1,250 feet
DESIGNED	HHM
DRAFTED	HHM

**3**  
**FIGURE**





- NHD Streams
- FEMA 100-Yr Floodplain
- Leonard WTP Ph. I Boundary



**FRESE AND NICHOLS**  
 FRESE AND NICHOLS, INC  
 4055 International Plaza, Suite 200  
 Fort Worth, TX 76109 - 4895  
 Phone - (817) 735 - 7300



NORTH TEXAS MUNICIPAL WATER DISTRICT  
**Leonard Water Treatment Plant Ph. I**  
**FEMA 100-Yr Floodplain Map**

FN JOB NO	NTD14624
FILE NAME	4_FEMAMap_8x11.mxd
DATE	3/29/2018
SCALE	1 inch = 2,000 feet
DESIGNED	HMM
DRAFTED	HMM

**4**

**FIGURE**

## **Attachment 1**

### **Summary of Agency Coordination for the Leonard WTP Project**

The Tulsa District U.S. Army Corps of Engineers (USACE) prepared an Environmental Impact Statement (EIS) in accordance with the National Environmental Policy Act (NEPA) during the evaluation of a Section 404 of the Clean Water Act (Section 404) permit application for the Proposed Lower Bois d'Arc Creek Reservoir Project. The Final EIS (FEIS) dated November 2017 included descriptions and evaluations of the Proposed Leonard Water Treatment Plant (WTP) project as a "No Action Alternative." The FEIS and related appendices are publicly available on the following Tulsa District USACE website:

<http://www.swt.usace.army.mil/Missions/Regulatory/Tulsa-District-Environmental-Impact-Statements/>

Throughout the NEPA process for the Proposed Lower Bois d'Arc Creek Reservoir Project, multiple agencies were afforded the opportunity to evaluate and comment on the proposed Leonard WTP project. Agency and public scoping meetings were held in 2010, and cooperating and participating agencies attended these meetings. Appendix B of the FEIS is the Scoping Report which lists attendees, including state and federal resource agency staff, in Attachments D and E. While all of the agencies provided comments on the EIS, none opposed or voiced concerns about the construction of the proposed Leonard WTP project during the scoping meetings or during review of the EIS. A list of the cooperating or participating agencies and a summary of their involvement are as follows:

#### **Cooperating Agencies**

##### **Tulsa District U.S. Army Corps of Engineers (USACE)**

The USACE was the lead agency in preparation of the EIS and was involved in numerous studies conducted during the NEPA process. The USACE issued an Approved Jurisdictional Determination (AJD), located in Appendix H of the FEIS, for areas within and adjacent to the proposed Leonard WTP project. No waters of the U.S. were identified within the proposed areas of disturbance for the Leonard WTP project, and therefore, no authorization under Section 404 would be required.

##### **U.S. Environmental Protection Agency (EPA)**

The EPA was a cooperating agency in the NEPA process, assisted with Habitat Evaluation Procedures (HEP) study, and participated in workshops and field data collection.

##### **U.S. Forest Service**

The U.S. Forest Service was a cooperating agency in the NEPA process and assisted with HEP study.

##### **U.S. Fish and Wildlife Service (USFWS)**

The USFWS was a cooperating agency in the NEPA process, assisted with HEP study, and evaluated impacts to federally listed threatened and endangered species. The proposed project is expected to have no effect on federally listed threatened or endangered species.

##### **Texas Parks and Wildlife Department (TPWD)**

The TPWD was a cooperating agency in the NEPA process, assisted with HEP study, provided recommendations to protect fish and wildlife resources, and participated in workshops and field data collection. The proposed Leonard WTP site was characterized as cropland and grassland/old field, and accordingly, no significant loss of wildlife habitat is expected.



## **Participating Agencies**

### **Texas Historical Commission (THC)**

The THC was a participating agency and worked with the USACE to develop a Programmatic Agreement for conducting cultural resources surveys within the reservoir site. The THC reviewed the Archeological Report for the proposed Leonard WTP site. All surveys conducted within the proposed Leonard WTP site were negative for cultural resources, and further archeological surveys at the proposed Leonard WTP were not recommended.

### **Texas Commission on Environmental Quality**

The TCEQ was a participating agency and issued a final Water Right (“Water Use Permit”) to North Texas Municipal Water District (NTMWD) on June 26, 2015. TCEQ staff also assisted in conducting the HEP study and other studies related to the proposed reservoir project.

### **Texas Water Development Board (TWDB)**

The TWDB was a participating agency and their personnel assisted with conducting the HEP study and participated with the instream flow study team.

### **Native American Tribes**

There were thirty-three Native American tribes plus the Bureau of Indian Affairs (BIA) in the Department of the Interior included in the public notice mailings for the proposed reservoir project. The Caddo Nation of Oklahoma was a signatory on the Programmatic Agreement on Archeological Resources with the USACE, NTMWD, and the THC.

### **United States Department of Agriculture Natural Resources Conservation Service (NRCS)**

The NRCS was a participating agency and published the soil survey for Fannin County used in the FEIS.

### **Red River Authority of Texas (RRA)**

The RRA was a participating agency because most of Fannin County is within the Red River Basin and are thus within the RRA’s territorial jurisdiction.

## RESOLUTION NO. 18-14

## RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF NORTH TEXAS MUNICIPAL WATER DISTRICT WATER SYSTEM REVENUE BONDS, SERIES 2018A; AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO

WHEREAS, North Texas Municipal Water District (the "Issuer") is a political subdivision of the State of Texas, being a conservation and reclamation district created and functioning under Article 16, Section 59 of the Texas Constitution, pursuant to Chapter 62, Acts of 1951, 52nd Legislature of Texas, Regular Session, as amended (the "Act"); and

WHEREAS, the Board of Directors of the Issuer is authorized to issue the bonds hereinafter authorized pursuant to the Act, Chapter 791, Texas Government Code, as amended, and other applicable laws.

THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF NORTH TEXAS MUNICIPAL WATER DISTRICT THAT:

Section 1. AMOUNT AND PURPOSE OF THE BONDS. The bond or bonds of North Texas Municipal Water District (the "Issuer") are hereby authorized to be issued and delivered in the aggregate principal amount not to exceed \$700,000,000, FOR THE PURPOSE OF PROVIDING FUNDS (i) FOR CONSTRUCTION OF THE LOWER BOIS D'ARC CREEK RESERVOIR RAW WATER PIPELINES, CONSTRUCTION OF PHASE I OF THE LEONARD WATER TREATMENT PLANT AND HIGH SERVICE PUMP STATION, CONSTRUCTION OF TREATED WATER PIPELINES FROM THE LEONARD WATER TREATMENT PLANT TO THE HIGHWAY 5 PUMP STATION, AND TO FARMERSVILLE, AND ACQUISITION OF NECESSARY PROPERTY, AND OTHER SYSTEM IMPROVEMENTS, (ii) TO FUND A RESERVE FUND FOR THE BONDS, AND (iii) TO PAY COSTS OF ISSUANCE OF THE BONDS. The refunding of any bond anticipation notes issued for any of the foregoing purposes with proceeds of the bonds authorized hereby shall constitute improving the North Texas Municipal Water District Water System.

Section 2. DESIGNATION OF THE BONDS. Each bond issued pursuant to this Resolution shall be designated: "NORTH TEXAS MUNICIPAL WATER DISTRICT WATER SYSTEM REVENUE BOND, SERIES 2018A", and initially there shall be issued, sold, and delivered hereunder a single fully registered bond, without interest coupons, payable in installments of principal (the "Initial Bond"), but the Initial Bond may be assigned and transferred and/or converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, having serial maturities, and in the denomination or denominations of \$5,000 or any integral multiple of \$5,000, all in the manner hereinafter provided. The term "Bonds" as used in this Resolution shall mean and include collectively the Initial Bond and all substitute bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term "Bond" shall mean any of the Bonds.

**PRIVATE PLACEMENT MEMORANDUM DATED [REDACTED] 2018****NEW ISSUE BOOK-ENTRY-ONLY**

*On the date of initial delivery of the Obligations (defined below), Issuer Bond Counsel (defined on page 2) will render its opinion substantially in the form attached in APPENDIX C - FORM OF OPINION OF BOND COUNSEL.*

**\$632,330,000**  
**NORTH TEXAS MUNICIPAL WATER DISTRICT,**  
**WATER SYSTEM REVENUE BONDS, SERIES 2018A**  
**(the "Obligations")**

**Dated: October 15, 2018****Due: September 1**

Interest Date:	Interest on the Obligations will be payable on March 1, 2019, and on each March 1 and September 1 each year thereafter until maturity or prior redemption (each an "Interest Payment Date"). The Obligations will bear interest at the rates per annum set forth in "APPENDIX A - MATURITY SCHEDULE."
Record Date:	The close of business on the fifteenth business day of the calendar month immediately preceding the applicable Interest Payment Date.
Date Interest Accrues:	Each Obligation shall bear interest from the Delivery Date thereof or the most recent Interest Payment Date to which interest has been paid or provided for.
Redemption:	The Obligations are subject to redemption prior to maturity as provided herein. See "THE OBLIGATIONS - Redemption Provisions" herein.
Authorized Denominations:	The Obligations are being issued as fully registered bonds in denominations of \$5,000, or any integral multiple thereof.
Paying Agent/Registrar/Registrar:	The paying agent ("Paying Agent/Registrar/Registrar") for the Obligations is The Bank of New York Mellon Trust Company, National Association, Dallas, Texas.
Book-Entry-Only System	Upon initial issuance, the ownership of the Obligations will be registered in the registration books of North Texas Municipal Water District (the "Issuer") kept by the Paying Agent/Registrar, in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") to which principal, redemption premium, if any, and interest payments on the Obligations will be made. The purchasers of the Obligations will not receive physical delivery of bond certificates. Principal of, interest, and premium if any, on the Obligations will be payable at the designated office of the Paying Agent/Registrar in, Texas as the same become due and payable.
Issuer:	North Texas Municipal Water District, is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Article 16, section 59 of the Texas Constitution, pursuant to Chapter 62, Actos of the 52 <sup>nd</sup> Legislature of Texas, Regular Session, 1951, as amended (the "District Act").
Official Action:	Resolution Authorizing the Issuance, Sale and Delivery of North Texas Municipal Water District, Water System Revenue Bonds, Series 2018A, was adopted March 22, 2018 and the Approval Certificate, approving the terms of sale, will be executed upon receipt of interest rates from the Texas Water Development Board (the "TWDB").
Purpose:	The Obligations are being issued for the purpose of providing funds (i) for improving the District's Water System, including paying construction costs relating to the Lower Bois d'Arc Creek Reservoir; Leonard Water Treatment Plant, and associated pipelines (ii) to fund a debt service reserve fund and (iii) to pay costs of issuance of the 2018 Obligations.
Security for the Obligations:	See Section 9 - "PLEDGE" in "APPENDIX B – FORM OF OFFICIAL ACTION."
Ratings:	See "OTHER INFORMATION - Ratings"
Delivery Date:	[REDACTED], 2018.

See "APPENDIX A - MATURITY SCHEDULE" for Principal Amounts,  
Maturities, Interest Rates, Prices or Yields, and Initial CUSIP Numbers

**NORTH TEXAS MUNICIPAL WATER DISTRICT**

**BOARD OF DIRECTORS**

**Robert Thurmond, Jr., Wylie, President**  
**John F. Sweeden, Richardson, Vice President**  
**Don Gordon, Garland, Secretary**

<b>ALLEN</b> Joe Farmer James Kerr	<b>FARMERSVILLE</b> Wayne May	<b>FORNEY</b> Darrell Grooms Vacant	<b>FRISCO</b> Richard Peasley Lynn Shuyler
<b>GARLAND</b> Jack May	<b>McKINNEY</b> Joe Joplin Charles McKissick	<b>MESQUITE</b> Terry Sam Anderson David Paschall	<b>PLANO</b> Phil Dyer James R. Hogan
<b>PRINCETON</b> Bill Glass Dave Island	<b>RICHARDSON</b> John Murphy	<b>ROCKWALL</b> Bill Lofland Larry Parks	<b>ROYSE CITY</b> David Hollifield Vacant

**WYLIE**  
Marvin Fuller

Executive Director/General Manager . . . . .	Thomas W. Kula
Deputy Director of Engineering & CIP . . . . .	Joseph M. Stankiewicz
Deputy Director of Operations & Maintenance . . . . .	Mike Rickman
Assistant Deputy Director of Engineering . . . . .	Cesar Baptista
Interim Assistant Deputy Director of Finance and Personnel . . . . .	Rodney Rhoades
Assistant Deputy Director of CIP . . . . .	Richard Muraski
Assistant Deputy Director of Water . . . . .	Billy George
Assistant Deputy Director of Wastewater . . . . .	Jennafer Covington
Assistant Deputy Director of Solid Waste . . . . .	Jeff Mayfield
Information Technology Officer . . . . .	Jim Shirley
Environmental Services Officer . . . . .	Elizabeth Turner
Finance Manager . . . . .	Erik Felthous
Human Resources Manager . . . . .	John Montgomery
Accounting Manager . . . . .	Teresa Wigington
Records Manager . . . . .	Kelly O'Brian
Engineering Manager . . . . .	Jeff Ray
Real Estate Manager . . . . .	Jennifer Flippo

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

Hilltop Securities Inc., Financial Advisor

The Bank of New York Mellon Trust Company, National Association, Paying Agent/Registrar

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**Private Placement Memorandum  
relating to**

**\$632,330,000**

**NORTH TEXAS MUNICIPAL WATER DISTRICT  
WATER SYSTEM REVENUE BONDS, SERIES 2018A  
(the "Obligations")**

**INTRODUCTION**

This Private Placement Memorandum, including the cover page and appendices, contains brief descriptions of the Issuer, provides certain information with respect to the issuance by the Issuer, and summaries of certain provisions of the "Obligations" pursuant to the Official Action. Except as otherwise set forth herein, capitalized terms used but not defined in this Private Placement Memorandum have the meanings assigned to them in the Official Action. See "APPENDIX B – "FORM OF OFFICIAL ACTION" attached hereto.

APPENDIX A contains the maturity schedule for the Obligations. APPENDIX B contains the Official Action and a description of the purpose for the proceeds of the Obligations. APPENDIX C contains a copy of the proposed opinion of Bond Counsel with respect to the Obligations. The summaries of the documents contained in the forepart of this Private Placement Memorandum are not complete or definitive, and every statement made in this Private Placement Memorandum concerning any provision of any document is qualified by reference to such document in its entirety.

**THE OBLIGATIONS**

**General Description**

The Obligations are being issued in the aggregate principal amount set forth in APPENDIX A of this Private Placement Memorandum and will mature and be subject to redemption prior to maturity as described therein. The Obligations are being issued as fully registered bonds in denominations of \$5,000, or any integral multiple thereof. The Obligations will be dated as of the stated date of issue and will mature on the dates referenced thereon, and will bear interest at the rates per annum set forth in "APPENDIX A - MATURITY SCHEDULE."

Interest on the Obligations is payable semiannually on each Interest Payment Date, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Principal of and the redemption price with respect to the Obligations will be payable to the Owners upon presentation and surrender at the principal office of the Paying Agent/Registrar.

**Purpose**

See "APPENDIX B - FORM OF OFFICIAL ACTION."

**Authority for Issuance**

The Obligations are special obligations of the North Texas Municipal Water District (the "Issuer" or "District") secured by and payable, both as to principal and interest, solely from and secured by a first lien on and pledge of the "Pledged Revenues" as defined in the Resolution authorizing the issuance of the Obligations.

**Security for the Obligations**

See "APPENDIX B - FORM OF OFFICIAL ACTION."



## **Redemption Provisions**

On March 1, 2030, or on any date thereafter, the Obligations maturing on and after September 1, 2030 may be redeemed prior to their scheduled maturities, upon the written direction of the Issuer, with funds provided by the Issuer, at par plus accrued interest to the date fixed for redemption as a whole, or in part, and if less than all of a maturity is to be redeemed the Paying Agent/Registrar will determine by lot the Obligations, or portions thereof within such maturity to be redeemed (provided that a portion of an Obligation may be redeemed only in Authorized Denominations).

## **Notice of Redemption; Selection of Obligations to Be Redeemed**

See "APPENDIX B - FORM OF OFFICIAL ACTION."

The Paying Agent/Registrar, so long as a Book-Entry-Only System is used for the Obligations, will send any notice of redemption of the Obligations, notice of any proposed amendment to the Official Action or other notices with respect to the Obligations only to DTC. Any failure by DTC to advise any DTC Participant (defined below), or of any DTC participant to notify the beneficial owner, shall not affect the validity of the redemption of the Obligations called for redemption or any other action premised on any such notice. Redemption of portions of the Obligations by the Issuer will reduce the outstanding principal amount of such Obligations held by DTC.

## **Book-Entry-Only System**

*The information in this caption concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book entry system has been obtained from DTC and the Issuer makes no representation or warranty nor takes any responsibility for the accuracy or completeness of such information.*

DTC will act as securities depository for the Obligations. The Obligations 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 certificate will be issued for each maturity of the Obligations and deposited with DTC. See APPENDIX B - "FORM OF OFFICIAL ACTION."

DTC 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, corporate and municipal debt issues, and money market instrument (from over 100 countries) that DTC's participants (the "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 Clearance Corporation, and Fixed Income Clearance 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"). Direct Participants and Indirect Participants are referred to herein collectively as "Participants". DTC has a Standard & Poor's 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) and [www.dtc.org](http://www.dtc.org).

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Obligations representing their ownership interests in Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations 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 Obligations 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 Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations 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 Obligations within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Obligations unless authorized by a Direct Participant in accordance with DTC's Money Market Instrument Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer 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 Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Paying Agent/Registrar, on payable date 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 is the case with Obligations 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/Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the Issuer or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

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

With the consent of the Texas Water Development Board, the Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Obligations will be printed and delivered to DTC or successor securities depository.

## TAX MATTERS

### Opinion

Bond Counsel will deliver its opinion on the date of delivery of the Obligations substantially in the form as attached in "APPENDIX C - FORM OF OPINION OF BOND COUNSEL."

## OTHER INFORMATION

### Forward Looking Statements

The statements contained in this Private Placement Memorandum, including the cover page, appendices, and any other information or documents provided by the Issuer, that are not purely historical, are forward-looking statements, including statements regarding the Issuer's assumptions, expectations, hopes, intentions, or strategies regarding the future. Any of such assumptions, expectations or hopes could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included herein will prove to be accurate. Holders of the Obligations should not place undue reliance on forward-looking statements. All forward-looking statements included in this Private Placement Memorandum are based on information available to the Issuer on the date hereof, and the Issuer assumes no obligation to update any such forward-looking statements. It is important to note that the Issuer's actual results could differ materially from those in such forward-looking statements.

### Ratings

The existing outstanding Water System revenue bonds of the District are rated "AAA" by S&P global Ratings (S&P"), a business unit of Standard & Poor's Financial Services LLC, and "Aa2" by Moody's Investors Service, Inc. The Bonds are rated "[REDACTED]" by S&P. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such rating companies, 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, by either of them, may have an adverse effect on the market price of the Obligations. **No application has been made to any municipal bond insurance company for qualification of the Obligations for municipal bond insurance.**

## LITIGATION

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, except as otherwise noted in the General Certificate and Signature Identification and No-Litigation Certificate of the Issuer.

## CONTINUING DISCLOSURE OF INFORMATION

In the Official Action, the Issuer has made the following agreement for the benefit of the holders and beneficial owners of the Obligations. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Obligations. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data, and timely notice of specified material events, to certain other information vendors. SEE APPENDIX B - "FORM OF OFFICIAL ACTION."

### Compliance with Prior Undertakings

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

In its Water Transmission Facilities Contract Revenue Bonds (City of Terrell Project), Series 2005, the District agreed that it would provide or cause the Significant Obligated Person to provide certain updated financial information and operating data annually to each NRMSIR and any SID, which information would include audited

financial statements, provided an audit is commissioned and the audit is completed in time. The District further agreed that if audited financial statements were not available by the required time, the District would provide or cause to be provided unaudited financial statements within the required time, which is six months after the end of each fiscal year of the Significant Obligated Person (March 31 in each year) and would provide or cause to be provided audited financial statements when and if such audited financial statements became available. For fiscal years ending 2009-2013, the Significant Obligated Person, the City of Terrell, Texas ("Terrell"), filed its audited financial statements between 4 and 10 months after March 31 in each year. Terrell filed certain financial information and statements of the type included in Appendix A and C of the 2014 City of Terrell Project Official Statement through its other filings.

In its Water System Revenue Bonds Series 2010, the District agreed that it would provide or cause Significant Obligated Persons to provide certain updated financial information and operating data annually to the MSRB, which information would include audited financial statements, provided an audit is commissioned and the audit is completed in time. The District further agreed that if audited financial statements were not available by the required time, the District would provide or cause to be provided unaudited financial statements within the required time, which is six months after the end of each fiscal year of the Significant Obligated Person ending in or after 2010, and would provide or cause to be provided audited financial statements when and if such audited financial statements became available. In the fiscal years ending 2011 and 2012, a Significant Obligated Person, the City of Garland ("Garland"), filed its audited financial statements on April 17, 2012 and May 1, 2013, respectively. However, Garland did file certain unaudited financial statements, financial information and quantitative data in the form of certain tables identified for each of the respective debt issuances within six months after the end of its 2011 and 2012 fiscal years (March 31).

Due to an administrative oversight, the current investments table was not included in the 2012-2015 filings for the District's Water Transmission Facilities Contract Revenue Refunding Bonds (City of Plano Project), Series 2009. The investments table due in 2016 was timely filed, but the District believes it is neither reasonably feasible nor material to create such Tables for prior years. The District has implemented procedures to ensure timely filing of all future information.

Due to an administrative oversight, the ten largest wastewater customers was not included in the 2012-2013 filings for the District's City of Rockwall 2007 Sewage Treatment and Disposal Service Contract (Buffalo Creek Plant) Revenue Bonds, Series 2008 (the "2008 Bonds"). The City of Rockwall, through its disclosure filings, had filed this information and the information was publicly available. This information is now linked to the 2008 Bonds 2012-2013 filings.

The ratings on municipal bond insurers have been downgraded with frequency at various times in recent years. Information about the downgrades of municipal bond insurers has been publicly reported. During the previous five years, the District and Significant Obligated Persons have filed notices of downgrades of municipal bond insurers that insured the District or Significant Obligated Person's outstanding obligations, but no assurances can be made that all the filings have been made or made in a timely manner.

On March 18, 2014, Standard and Poor's upgraded Assured Guaranty's rating from "AA-" to "AA", and the District did not timely file a material event notice related to the rating change, by virtue of the insurance policy provided by Assured Guaranty, for the District's Mustang Creek Wastewater Interceptor System Contract Revenue Bonds, Series 2012. The material event notice has now been filed, including a notice of late filing.

On August 4, 2015, Moody's downgraded from "Aa3" to "A1" the District's Water Facilities Installment Sale Contract Revenue Bonds (City of Rockwall Pump Station Project), Series 2006 and the District's City of Rockwall 2007 Sewage Treatment and Disposal Service Contract (Buffalo Creek Plant) Revenue Bonds, Series 2008, and a material event notice was not timely filed. The material event notice has now been filed, including a notice of late filing.

## MISCELLANEOUS

Any statements made in this Private Placement Memorandum involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Private Placement Memorandum nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Obligations.

The information contained above is neither guaranteed as to accuracy or completeness nor to be construed as a representation by the Issuer. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Private Placement Memorandum nor any sale made hereunder is to create, under any circumstances, any implication that there has been no change in the affairs of the Issuer or the Issuer from the date hereof.

The Private Placement Memorandum is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose.

#### **ADDITIONAL INFORMATION**

The Private Placement Memorandum speaks only as of its date and the information contained herein is subject to change. Descriptions of the Obligations and the Official Action and any other agreements and documents contained herein constitute summaries of certain provisions thereof and do not purport to be complete.

**APPENDIX A**

**MATURITY SCHEDULE**  
(Due September 1)

**CUSIP Prefix: 662903 <sup>(1)</sup>**

<u>Amount</u>	<u>Maturity September 1</u>	<u>Rate</u>	<u>Initial Yield</u>	<u>CUSIP Suffix <sup>(1)</sup></u>	<u>Amount</u>	<u>Maturity September 1</u>	<u>Rate</u>	<u>Initial Yield</u>	<u>CUSIP Suffix <sup>(1)</sup></u>
\$8,000,000	2019				\$20,660,000	2034			
12,765,000	2020				21,385,000	2035			
13,210,000	2021				22,135,000	2036			
13,675,000	2022				22,910,000	2037			
14,150,000	2023				23,710,000	2038			
14,650,000	2024				24,540,000	2039			
15,160,000	2025				25,400,000	2040			
15,690,000	2026				26,290,000	2041			
16,240,000	2027				27,210,000	2042			
16,810,000	2028				28,160,000	2043			
17,395,000	2029				29,145,000	2044			
18,005,000	2030				30,165,000	2045			
18,635,000	2031				31,220,000	2046			
19,290,000	2032				32,315,000	2047			
19,965,000	2033				33,445,000	2048			

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are provided for convenience of reference only. Neither the Issuer nor the Financial Advisor take any responsibility for the selection of the CUSIP numbers set forth herein.

**APPENDIX B**  
**FORM OF OFFICIAL ACTION**

**APPENDIX C**

**FORM OF OPINION OF BOND COUNSEL**