(See "Continuing Disclosure of Information" herein)

OFFICIAL STATEMENT

Dated June 25, 2020

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

NEW ISSUE - Book-Entry-Only

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

$35,130,000
NORTH TEXAS MUNICIPAL WATER DISTRICT
REGIONAL WASTEWATER SYSTEM REVENUE BONDS, SERIES 2020A
(GREEN BONDS)

Dated Date: June 15, 2020 **Due: June 1, as shown below**
Interest Accrues: Delivery Date (defined below)

PAYMENT TERMS . . . Interest on the $35,130,000 North Texas Municipal Water District Regional Wastewater System Revenue Bonds, Series 2020A, (the "Bonds") will accrue from the date of initial delivery thereto (the "Delivery Date") to the initial purchaser thereof (the "Initial Purchaser") and will be payable on June 1 and December 1 of each year until maturity or prior redemption, commencing December 1, 2020, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, National Association, currently in Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

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

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of providing funds for (i)design and construction of the South Mesquite Regional Wastewater Treatment Plant (WWTP) System Peak Flow Management and Expansion Phase I; construction and inspection of the Rowlett Creek Regional WWTP Operations Building; construction and inspection of South Mesquite Regional WWTP Solids Handling Improvements; construction of the Rowlett Creek Regional WWTP Electrical Improvement; design of Floyd Branch Regional WWTP Peak Flow Management and other system improvements; (ii) making a deposit to a debt service reserve fund; and (iii) paying the costs incident to the issuance and delivery of the Bonds.

MATURITY SCHEDULE **CUSIP Prefix: 662835 (1)**

Principal Amount	Maturity June 1	Rate	Initial Yield (2)	CUSIP Suffix (1)	Principal Amount	Maturity June 1	Rate	Initial Yield (2)	CUSIP Suffix (1)
$ 850,000	2021	4.500%	0.300%	L88	$ 1,160,000	2036	2.000%	2.074%	N78
695,000	2022	4.500%	0.340%	L96	1,195,000	2037	2.000%	2.142%	N86
725,000	2023	4.500%	0.370%	M20	1,230,000	2038	2.125%	2.200%	N94
755,000	2024	4.500%	0.440%	M38	1,270,000	2039	2.125%	2.250%	P27
785,000	2025	4.500%	0.540%	M46	1,305,000	2040	2.250%	2.300%	P35
815,000	2026	4.500%	0.700%	M53	1,345,000	2041	2.250%	2.300%	P43
850,000	2027	4.500%	0.830%	M61	1,385,000	2042	2.250%	2.350%	P50
880,000	2028	4.500%	0.940%	M79	1,430,000	2043	2.250%	2.364%	P68
920,000	2029	4.500%	1.020%	M87	1,470,000	2044	3.000%	2.210%	P76
955,000	2030	4.500%	1.100%	M95	1,515,000	2045	2.375%	2.430%	P84
990,000	2031	4.500%	1.170%	N29	1,560,000	2046	2.375%	2.440%	P92
1,030,000	2032	4.500%	1.250%	N37	1,610,000	2047	2.375%	2.450%	Q26
1,065,000	2033	4.500%	1.340%	N45	1,655,000	2048	2.375%	2.460%	Q34
1,095,000	2034	4.500%	1.380%	N52	1,705,000	2049	2.375%	2.470%	Q42
1,130,000	2035	4.500%	1.430%	N60	1,755,000	2050	2.500%	2.480%	Q59

(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. None of the District, the Financial Advisor (defined herein), or the Initial Purchaser (defined herein) is responsible for the selection or correctness of the CUSIP numbers set forth herein.
(2) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.

REDEMPTION OPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after June 1, 2030, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on June 1, 2029, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

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

DELIVERY . . . It is expected that the Bonds will be available for delivery through The Depository Trust Company on July 29, 2020.

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

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

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

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

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

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

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

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

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

OFFICIAL STATEMENT SUMMARY

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

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

THE BONDS.. The Bonds are issued as $35,130,000 Regional Wastewater System Revenue Bonds, Series 2020A, (the "Bonds"). The Bonds mature on June 1 in each of the years and in the amounts shown on the cover page hereof (see "THE BONDS – Description of the Bonds").

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the date of initial delivery thereof (the "Delivery Date"), at the rates shown on the cover hereof, and is payable on December 1, 2020, and each June 1 and December 1 thereafter until maturity or prior redemption (see "THE BONDS - Description of the Bonds" and "THE BONDS – Optional Redemption").

RESERVE FUND REQUIREMENT........ The District is required to accumulate and maintain, in the Reserve Fund (as defined herein) an aggregate amount of money and/or investments equal in market value to the average annual principal and interest requirements (the "Reserve Required Amount") on all outstanding Parity Bonds (hereinafter defined).

AUTHORITY FOR ISSUANCE .... The Bonds are issued pursuant to the District Act, Chapter 30, Texas Water Code, as amended, Chapter 1371, Texas Government Code, as amended, and other applicable laws (see "THE BONDS - Authority for Issuance").

SECURITY FOR THE BONDS............... The Bonds are special obligations of the District, secured by and payable from a first lien on and pledge of the "Pledged Revenues" as defined in the Resolution (as defined herein), including the Gross Revenues of the District's Regional Wastewater System (as defined herein), and including specifically certain payments to be received by the District from the Cities of Mesquite, Plano, Richardson, Allen, McKinney, Forney, Frisco, Heath, Rockwall, Prosper, Seagoville, Melissa and Princeton, Texas, (the "Member Cities") under the "Trinity East Fork Regional Wastewater System Contract" (the "Contract"), and all similar contracts with any Additional Member Cities (see "The Trinity East Fork Regional Wastewater System", "Summary of Certain Provisions of the Trinity East Fork Regional Wastewater System Contract" and "Summary of Certain Provisions of the Bond Resolution"). The Bonds are on a parity in all respects with $796,610,000 in principal amount of outstanding Regional Wastewater System Revenue Bonds (the "Outstanding Bonds") which are also secured by and payable from the Pledged Revenues. (The Outstanding Bonds and the Bonds, collectively, the "Parity Bonds"). The Member Cities are obligated under The Contract to make payments in amounts sufficient to pay the principal and interest on The Bonds.

OPTIONAL REDEMPTION .... The District reserves the right, at its option, to redeem Bonds having stated maturities on and after June 1, 2030, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on June 1, 2029, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

TAX EXEMPTION .... In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX MATTERS" herein, including the alternative minimum tax on corporations.

USE OF PROCEEDS............................ Proceeds from the sale of the Bonds will be used for the purpose of providing funds for (i) design and construction of the South Mesquite Regional Wastewater Treatment Plant (WWTP) System Peak Flow Management and Expansion Phase I; construction and inspection of the Rowlett Creek Regional WWTP Operations Building; construction and inspection of South Mesquite Regional WWTP Solids Handling Improvements; construction of the Rowlett Creek Regional WWTP Electrical Improvement; design of Floyd Branch Regional WWTP Peak Flow Management and other system improvements; (ii) making a deposit to a debt service reserve fund; and (iii) paying the costs incident to the issuance and delivery of the Bonds.

RATINGS .... The Bonds and certain Outstanding Bonds are rated **"Aa2"**, by Moody's Investors Service, Inc. ("Moody's") and **"AAA"** by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") (see "OTHER INFORMATION - Ratings").

BOOK-ENTRY-ONLY SYSTEM........... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System").

PAYMENT RECORD........................... The District has never defaulted in payment of its bonds including the Outstanding Bonds.

NORTH TEXAS MUNICIPAL WATER DISTRICT
DISTRICT OFFICIALS, STAFF AND CONSULTANTS

BOARD OF DIRECTORS

Larry Parks, Rockwall, President
Darrell Grooms, Forney, Vice President
Phil Dyer, Plano, Secretary

ALLEN	FARMERSVILLE	FORNEY	FRISCO
Joe Farmer	George Crump	John Carr	Richard Peasley
James Kerr			Lynn Shuyler
GARLAND	**McKINNEY**	**MESQUITE**	**PLANO**
Jack May	Joe Joplin	Terry Sam Anderson	Ron Kelley
Don Gordan	Charles McKissick	Brenda Jean Patrick	
RICHARDSON	**ROCKWALL**	**ROYSE CITY**	**WYLIE**
John Murphy	Chip Imrie	David Hollifield	Marvin Fuller
John Sweeden		Blair Johnson	Keith Stephens

PRINCETON
Pending

MANAGEMENT & STAFF

Interim Executive Director/General Manager . . . . Rodney Rhoades

Deputy Director - Administrative Services. . . . . Rodney Rhoades

Assistant Deputy - Finance. . . . . Erik Felthous

Deputy Director of Engineering & CIP. . . . . Cesar Baptista

Deputy Director of Operations & Maintenance. . . . . Mike Rickman

CONSULTANTS AND ADVISORS

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

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

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

For additional information regarding the District, please contact:

Mr. Rodney Rhoades		Mr. David K. Medanich
Mr. Erik Felthous		Mr. Nick Bulaich
North Texas Municipal Water District	or	Hilltop Securities Inc.
P.O. Box 2408		777 Main Street, Suite 1200
Wylie, Texas 75098		Fort Worth, TX 76102
(972) 442-5405		(817) 332-9710

OFFICIAL STATEMENT

RELATING TO

$35,130,000
NORTH TEXAS MUNICIPAL WATER DISTRICT
REGIONAL WASTEWATER SYSTEM REVENUE BONDS, SERIES 2020A

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $35,130,000 North Texas Municipal Water District Regional Wastewater System Revenue Bonds, Series 2020A (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Resolution authorizing the Bonds (the "Bond Resolution" or "Resolution") adopted on the date of sale of the Bonds which authorized the issuance of the Bonds, except as otherwise indicated herein.

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

INFECTIOUS DISEASE OUTLOOK (COVID-19) . . . The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States (the "President") declared the Pandemic a national emergency and the Texas Governor (the "Governor") declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the "disaster declarations"). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of Texas.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. Stock values and crude oil prices, in the U.S. and globally, have seen significant declines attributed to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries.

The Member Cities expect that their revenues and cash flow could be adversely affected during the continuance of the Pandemic as a result of a Governor’s directive that prevents utilities from charging late fees and disconnect fees and from disconnecting customers during such time. The Member Cities may also experience a reduction in water and sewer sales as customers delay payments. While the potential impact of the Pandemic on the Member Cities cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the Member Cities’ operations and financial conditions, and therefore impair the ability of the Member Cities to make payment to the District to pay debt service on the Bonds.

The District continues to monitor the spread of COVID-19 and is following the directives of local, state, and national agencies to address the potential impact of COVID-19 upon the District and the Cities. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the Member Cities’ financial conditions.

THE NORTH TEXAS MUNICIPAL WATER DISTRICT

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

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

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

THE TRINITY EAST FORK REGIONAL WASTEWATER SYSTEM

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

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

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

Existing elements of the District's Regional Wastewater System are designed to provide facilities necessary to accommodate and serve the needs of the Member Cities. Total treatment capacity of existing plants is 117.75 MGD. 2018-2019 average flow amounted to 105.71 MGD.

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

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of providing funds for (i) design and construction of the South Mesquite Regional Wastewater Treatment Plant (WWTP) System Peak Flow Management and Expansion Phase I; construction and inspection of the Rowlett Creek Regional WWTP Operations Building; construction and inspection of South Mesquite Regional WWTP Solids Handling Improvements; construction of the Rowlett Creek Regional WWTP Electrical Improvement; design of Floyd Branch Regional WWTP Peak Flow Management and other system improvements; (ii) making a deposit to a debt service reserve fund; and (iii) paying the costs incident to the issuance and delivery of the Bonds.

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

Sources of Funds	
Principal Amount of Bonds	$ 35,130,000.00
Net Premium	2,529,360.00
Total Sources of Funds	$ 37,659,360.00
Uses of Funds	
Deposit to Debt Service Reserve Fund	$ 1,857,623.53
Deposit to Construction Fund	35,531,736.47
Estimated Costs of Issuance	270,000.00
Total Uses of Funds	$ 37,659,360.00

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated June 15, 2020, and mature on June 1 in each of the years and in the amounts shown on the cover page hereof. Interest will accrue from the date of initial delivery thereof (the "Delivery Date"), at the rated shown on the cover hereof, to the Initial Purchaser (herein defined), and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on June 1 and December 1 of each year, commencing December 1, 2020 until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York, pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (herein after defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "Book-Entry-Only System" herein.

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

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

Dated Date	Original Issue Amount	Outstanding Debt (1)	Issue Description
3/15/2012	$14,105,000	$ 8,815,000	Regional Wastewater System Revenue Bonds, Series 2012
3/15/2013	24,330,000	17,875,000	Regional Wastewater System Revenue Bonds, Series 2013
8/15/2015	65,250,000	51,985,000	Regional Wastewater System Revenue Refunding and Improvement Bonds, Series 2015
8/15/2016	95,075,000	76,405,000	Regional Wastewater System Revenue Refunding and Improvement Bonds, Series 2016
3/15/2017	74,940,000	69,045,000	Regional Wastewater System Revenue Bonds, Series 2017
12/1/2017	19,515,000	18,005,000	Regional Wastewater System Revenue Refunding Bonds, Series 2017
2/15/2018	57,295,000	54,835,000	Regional Wastewater System Revenue Bonds, Series 2018
4/15/2019	41,450,000	40,725,000	Regional Wastewater System Revenue Bonds, Series 2019
6/1/2020	458,920,000	458,920,000	Regional Wastewater System Revenue Bonds, Series 2020
		$796,610,000	

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

(1) As of June 23, 2020. Does not include the Bonds.

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

OPTIONAL REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after June 1, 2030, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on June 1, 2029, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date of redemption. If fewer than all of the Bonds are to be redeemed, the District may select the maturities and amounts of Bonds to be redeemed. If fewer than all the Bonds within a maturity are to be redeemed, the Bonds, or portions thereof, to be redeemed shall be selected by lot or other customary method of random selection (or by DTC in accordance with the procedures while the Bonds are in the Book-Entry-Only System). If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BONDHOLDERS' REMEDIES . . . The Resolution does not establish specific events of default with respect to the Bonds. Under State law and the Resolution, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Resolution. No assurance can be given that a mandamus or other legal action to enforce a remedy under the Resolution would be successful. The enforcement of any such remedy may be difficult and time consuming. The Resolution does not provide for the appointment of a trustee to represent the interests of the bondholders upon any failure of the District to perform in accordance with the terms of the Resolution, or upon any other condition. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code. Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of contract revenues of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce the remedies under the Resolution would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state courts); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The District may not be placed into bankruptcy involuntarily. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Resolution and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors. In addition, based on recent Texas Court decisions, it is unclear whether statutory language authorizing local governments such as the District to sue and be sued has effectively waived the local governments immunity from suits for money damages. Further, while such decisions also could affect the ability of a registered owner to seek specific performance of a covenant made by Member City under the Contracts or by the District in the Resolution or other bond document, the remedy of mandamus has not been at issue in these cases. The opinion of Bond Counsel would note that all opinions with respect to enforceability of the Resolution of the Bonds are also qualified with respect to principles of sovereign immunity.

DESIGNATION OF BONDS AS GREEN BONDS

The following information has been supplied by Kestrel Verifiers for inclusion in this Official Statement. No representation is made by the District, the Initial Purchaser, or the Financial Advisor as to the accuracy or completeness of the information.

GREEN BONDS DESIGNATION

Kestrel Verifiers is a Climate Bonds Initiative Approved Verifier. As such, Kestrel Verifiers is qualified to evaluate bonds to ensure conformance with the International Capital Market Association (ICMA) Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines and the Climate Bonds Initiative Standards and Criteria.

Per the International Capital Market Association (ICMA):
Green Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Projects and which are aligned with the four core components of the Green Bonds Principles. Green Bonds are aligned with the four core components of both the Green Bonds Principles and Social Bonds Principles. The four core components are: 1. Use of Proceeds; 2. Process for Project Evaluation and Selection; 3. Management of Proceeds; and 4. Reporting.

Kestrel Verifiers has determined that the North Texas Municipal Water District Regional Wastewater System Revenue Bonds, Series 2020A are in conformance with the four pillars of the ICMA Green Bond Principles, as described in Kestrel Verifiers' 'Second Party Opinion', which is attached hereto as APPENDIX E.

Through the competitive sale process, underwriters elected to add these labels, which were pre-qualified by Kestrel Verifiers.

INDEPENDENT SECOND PARTY OPINION ON GREEN BOND DESIGNATION AND DISCLAIMER

For 20 years, Kestrel has been a trusted consultant in environmental finance. Kestrel Verifiers, a division of Kestrel 360, Inc. is an Approved Verifier by the Climate Bonds Initiative (CBI), and an Observer for the ICMA Green Bond Principles and is qualified to verify transactions in all asset classes worldwide. Kestrel Verifiers is one of 40 Climate Bonds Initiative Approved Verifiers worldwide, (at the time of printing this document).

The second party opinion(s) issued by Kestrel Verifiers does not and is not intended to make any representation or give any assurance with respect to any other matter relating to the bonds. Designations by Kestrel Verifiers are not a recommendation to any person to purchase, hold, or sell the bonds and such labeling does not address the market price or suitability of these bonds for a particular investor and does not and is not in any way intended to address the likelihood of timely payment of interest or principal when due.

In issuing the second party opinion, Kestrel Verifiers has assumed and relied upon the accuracy and completeness of the information made publicly available by the Issuer or that was otherwise made available to Kestrel Verifiers.

HISTORICAL OPERATING INFORMATION

The following table presents condensed financial information for the Regional Wastewater System of the District for each fiscal year ended September 30, 2015 through September 30, 2019. These Statements have been compiled using accounting principles customarily employed in the determination of revenues available for payment of bonded debt service and, in all instances, exclude depreciation, transfers of debt service requirements and expenditures identified as capital. Excerpts of District's combined financial statements for the fiscal year ended September 30, 2019 appear in Appendix A, hereto attached.

TABLE 1 - SCHEDULE OF REGIONAL WASTEWATER SYSTEM OPERATING INFORMATION

	Fiscal Year Ended September 30,				
Revenues	2019	2018	2017	2016	2015
Wastewater Service Fees	$ 69,241,179	$ 63,211,178	$ 57,446,981	$ 54,467,985	$ 45,161,269
Interest Income and Other	4,647,452	3,857,771	1,676,094	586,285	245,124
	$ 73,888,631	$ 67,068,949	$ 59,123,075	$ 55,054,270	$ 45,406,393
Operating Expenses (1)	$ 40,969,895	$ 38,041,545	$ 35,719,340	$ 35,090,094	$ 28,618,479
Net Available for Debt Service	$ 32,918,736	$ 29,027,404	$ 23,403,735	$ 19,964,176	$ 16,787,914

Regional Wastewater System Revenue Bonds Outstanding (as of 4-30-20) (2)	$ 846,430,000
Average Annual Principal and Interest Requirements, 2020-2050 (2)	$ 34,353,826
Coverage of Average Annual Principal and Interest Requirements by 9-30-19 Net Available for Debt Service (3)	0.96x
Maximum Annual Principal and Interest Requirements, 2027 (2)	$ 43,345,892
Coverage of Maximum Annual Principal and Interest Requirements by 9-30-19 Net Available for Debt Service (3)	0.76x
Interest and Sinking Fund (as of 4-30-20)	$ 21,472,290
Reserve Fund (as of 4-30-20) (4)	$ 19,528,684

(1) Excludes depreciation.
(2) Includes the Bonds.
(3) The Member Cities share the cost for wastewater transportation on the basis of proportional flows. Charges are based on current budgeted expenditures and are allocated to each Member City at the beginning of the year based on estimated flows (subject to certain minimums). At the end of the year the actual cost of each Member City is determined based on actual flows (subject to certain minimums) and final billing adjustments are applied accordingly. See "Annual Requirement" in "Summary of Certain Provisions of the Regional Wastewater System" herein.
(4) On June 23, 2020, an additional $13,317,031 will be deposited to the Debt Service Reserve Fund from proceeds of the Series 2020 Parity Bonds.

TABLE 2 – SCHEDULE OF REVENUES – EXISTING WASTEWATER SYSTEM CONTRACTS

	Fiscal Year Ended September 30,					
	2019		2018		2017	
Member City	Amount	% of Total	Amount	% of Total	Amount	% of Total
Allen	$ 6,178,199	9.33%	$ 5,284,817	8.78%	$ 5,054,815	8.99%
Forney	2,270,044	3.43%	1,802,971	3.00%	1,581,688	2.81%
Frisco	2,888,857	4.36%	2,772,080	4.61%	2,503,674	4.45%
Heath	1,221,338	1.84%	840,159	1.40%	817,993	1.46%
McKinney	11,617,626	17.55%	10,898,433	18.11%	10,055,201	17.89%
Melissa	322,162	0.49%	-	0.00%	-	0.00%
Mesquite	9,811,158	14.82%	9,026,957	15.00%	8,342,185	14.84%
Plano	19,125,826	28.89%	18,391,894	30.56%	17,994,200	32.02%
Princeton	648,156	0.98%	554,404	0.92%	514,418	0.92%
Prosper	978,421	1.48%	970,743	1.61%	908,037	1.62%
Richardson	8,143,330	12.30%	6,877,921	11.43%	5,929,765	10.55%
Rockwall	1,939,088	2.93%	1,616,774	2.69%	1,373,136	2.44%
Seagoville	1,053,187	1.59%	1,139,482	1.89%	1,129,131	2.01%
Total	$ 66,197,391	100.00%	$ 60,176,635	100.00%	$ 56,204,243	100.00%

PENSION PLAN

The District provides pension benefits for all of its eligible full-time employees through an Aetna Life Insurance Company group pension defined benefit fund contract (the "Plan"). The District's annual minimum contribution is actuarially calculated based on the amount required to prevent the unfunded accrued liability from increasing. The contribution is determined using the projected unit cost method. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation. As of December 31, 2018, the unfunded actuarial accrued liability of the District was $36,435,264, with a funded ratio (ratio of assets to accrued liabilities) of 88.82%. The unfunded actuarial accrued liability is amortized over a period of 30 years. Effective January 1, 2018, employees who enter service on or after January 1, 2018 shall make mandatory contributions to the Plan at the rate of 5% of annual earnings and subject to 3.5% plan interest rate credits per year. For the Plan years ended December 31, 2018, 2017, and 2016 the District made contributions of $6,450,000, $6,765,000 and $5,957,000, respectively. See "APPENDIX A – EXCERPTS FROM THE ANNUAL FINANCIAL REPORT – Note 10 – Retirement Plan" for a more detailed discussion of the Plan.

OTHER POST-EMPLOYMENT BENEFITS

The District provides other post-employment benefits ("OPEB") in the form of health and dental insurance benefits for certain retirees and their spouses up to age 65. These benefits are funded 100 percent by the District for the currently eligible retirees and their spouses. The District has established an irrevocable trust fund to accumulate assets for the payment of future OPEB benefits. For fiscal year 2019, the District contributed $1,275,000 to the program. See "APPENDIX A – EXCERPTS FROM THE ANNUAL FINANCIAL REPORT", Note 14 – Other Postemployment Benefits.

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DEBT INFORMATION

TABLE 3 - DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt Principal	Outstanding Debt Interest	Outstanding Debt Total	The Bonds (1) Principal	The Bonds (1) Interest	The Bonds (1) Total	Total Outstanding Debt	Percent of Prinicpal Retired
2020	$ 14,690,000	$ 14,769,541	$ 29,459,541	$ -	$ -	$ -	$ 29,459,541	
2021	17,840,000	14,249,269	32,089,269	850,000	932,451	1,782,451	33,871,720	
2022	19,900,000	13,538,642	33,438,642	695,000	1,073,281	1,768,281	35,206,923	
2023	19,825,000	12,798,242	32,623,242	725,000	1,042,006	1,767,006	34,390,248	
2024	19,955,000	12,187,642	32,142,642	755,000	1,009,381	1,764,381	33,907,023	11.25%
2025	21,575,000	11,575,242	33,150,242	785,000	975,406	1,760,406	34,910,648	
2026	26,180,000	10,906,686	37,086,686	815,000	940,081	1,755,081	38,841,767	
2027	31,355,000	10,237,486	41,592,486	850,000	903,406	1,753,406	43,345,892	
2028	32,015,000	9,584,198	41,599,198	880,000	865,156	1,745,156	43,344,355	
2029	29,330,000	8,900,173	38,230,173	920,000	825,556	1,745,556	39,975,730	28.35%
2030	27,340,000	8,353,017	35,693,017	955,000	784,156	1,739,156	37,432,173	
2031	27,795,000	7,894,355	35,689,355	990,000	741,181	1,731,181	37,420,536	
2032	27,255,000	7,457,567	34,712,567	1,030,000	696,631	1,726,631	36,439,198	
2033	27,715,000	7,046,830	34,761,830	1,065,000	650,281	1,715,281	36,477,111	
2034	26,440,000	6,615,861	33,055,861	1,095,000	602,356	1,697,356	34,753,217	45.09%
2035	26,900,000	6,218,842	33,118,842	1,130,000	553,081	1,683,081	34,801,923	
2036	27,395,000	5,804,055	33,199,055	1,160,000	502,231	1,662,231	34,861,286	
2037	27,915,000	5,377,930	33,292,930	1,195,000	479,031	1,674,031	34,966,961	
2038	28,455,000	4,950,680	33,405,680	1,230,000	455,131	1,685,131	35,090,811	
2039	29,035,000	4,504,405	33,539,405	1,270,000	428,994	1,698,994	35,238,398	62.30%
2040	29,635,000	4,058,211	33,693,211	1,305,000	402,006	1,707,006	35,400,217	
2041	30,270,000	3,574,842	33,844,842	1,345,000	372,644	1,717,644	35,562,486	
2042	30,930,000	3,082,286	34,012,286	1,385,000	342,381	1,727,381	35,739,667	
2043	31,635,000	2,563,820	34,198,820	1,430,000	311,219	1,741,219	35,940,039	
2044	32,365,000	2,041,917	34,406,917	1,470,000	279,044	1,749,044	36,155,960	81.41%
2045	33,130,000	1,489,033	34,619,033	1,515,000	234,944	1,749,944	36,368,976	
2046	30,780,000	915,550	31,695,550	1,560,000	198,963	1,758,963	33,454,513	
2047	23,610,000	441,183	24,051,183	1,610,000	161,913	1,771,913	25,823,096	
2048	20,605,000	227,913	20,832,913	1,655,000	123,675	1,778,675	22,611,588	
2049	20,830,000	130,458	20,960,458	1,705,000	84,369	1,789,369	22,749,827	97.60%
2050	18,600,000	27,900	18,627,900	1,755,000	43,875	1,798,875	20,426,775	100.00%
	$ 811,300,000	$ 201,523,771	$ 1,012,823,771	$ 35,130,000	$ 17,014,833	$ 52,144,833	$ 1,064,968,604	

(1) Average life of the issue – 17.628 Years. Interest on the Bonds has been calculated at the rates stated on the cover page hereof.

ANTICIPATED ISSUANCE OF DEBT . . . The District anticipates issuing additional Regional Wastewater System Revenue debt in the amount of approximately $100,000,000 over the next 12 months.

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

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

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

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

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

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

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

(a) An "Operation and Maintenance Component" equal to the amount paid or payable for all Operation and Maintenance Expense; and

(b) A "Bond Service Component" equal to:

(1) the principal of, redemption premium, if any, and interest on, its Bonds, as such principal, redemption premium, if any, and interest become due, less interest to be paid out of Bond proceeds if permitted by any Bond Resolution; and

(2) during each Fiscal Year, the proportionate part of any special or reserve funds required to be established and/or maintained by the provisions of any Bond Resolution; and

(3) an amount in addition thereto sufficient to restore any deficiency in any of such funds required to be accumulated and maintained by the provisions of any Bond Resolution; and

(4) the charge of paying agents or paying agent/registrars for paying principal of, redemption premium, if any, and interest on, all Bonds.

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

(1) that part of the annual Operation and Maintenance Component of the Annual Requirement which is attributable to any local Wastewater Facilities of a Member City which are acquired, operated, or used by the District as a part of the System, and any new and additional facilities of the System provided and designated by the District to serve such Member City, less any amount thereof attributable to the use of any part of said facilities for the benefit of any other Member City or Cities, and

(2) that part, if any, of the Bond Service Component of each Annual Requirement which is attributable to any Bonds issued to acquire or improve any existing Local Wastewater Facilities of such Member City or to provide all or any part of any new and additional facilities for the System provided and designated by the District to serve such Member City, and

(3) a percentage of that part, if any, of the Bond Service Component of each Annual Requirement attributable to any other Bonds issued to provide any other facilities for the System equal to the percentage of actual use by such Member City of any such facilities during that Fiscal Year.

(b) Monthly payments by Member Cities, as set forth in each Schedule of Payments, shall be in the following amounts:

(i) the amount necessary to provide the Bond Service Component of the Annual Requirement so as to enable the District to make all payments with respect to the Bonds when due; and

(ii) such amounts as will cause the District to have on hand, on or before the twentieth (20th) day of each month, an amount not less than 1/6th of the then current Annual Budget required for Operation and Maintenance Expenses.

It is specifically covenanted and agreed that each Member City shall pay its Annual Payment and Adjusted Annual Payment calculated as provided in this section, and that the Annual Payment shall be its appropriate percentage based on contributing flow or Direct Cost, whichever is the greater; provided that such Member City is entitled to receive if and when available any credit provided for herein during any Fiscal Year when the provisions relating to Direct Cost are applicable and in effect. If a Member City fails to pay its monthly charge on or before the twentieth (20th) day of any month, it shall incur and pay a penalty of ten percent of the amount due together with any legal or other costs incurred by the District in collecting the amount due. District is authorized to discontinue service to any Member City which fails to make any monthly payment, and which, after written notice, does not make such payment.

(c) If, during any Fiscal Year, District begins providing services to an Additional Member City or Cities, each Member City's Annual Payment for such Fiscal Year shall be redetermined consistent with the provisions of the Contract.

(d) Each Member City's Annual Payment also shall be adjusted and redetermined for the balance of any applicable Fiscal Year, consistent with the provisions of the Contract, and initially based on estimated contributing flow, at any time during any Fiscal Year if:

(i) Additions, enlargements, repairs, extensions, or improvements to the System are placed in service by District which require an increase and redetermination of the Annual Requirement; or

(ii) Unusual or extraordinary expenditures for operation and maintenance of the System are required which are not provided for in the Annual Budget or in a Bond Resolution; or

(iii) A Member City's contributing flow to the System, after the beginning of the Fiscal Year, is estimated to be substantially different from that on which Annual Payments are based as determined by District, to the extent that such difference in flow will substantially affect such Member City's Budget, and consequently such Member City's Annual Payment to District; or

(iv) The District issues additional Bonds, the payments in connection with which require an increase and redetermination of the Annual Requirement; or

(v) It appears to the District that for any other reason it will not receive the full amount of the Annual Requirement unless such adjustment and redetermination are made.

(e) The District shall give all Member Cities at least 21 days written notice prior to consideration by the Board of Directors of the District of making any Adjusted Annual Payment for any Member City during any Fiscal Year.

(f) The Annual Payment set forth in this section shall be considered the Basic Charge for service hereunder, and each Member City shall pay a surcharge for excess BOD and/or SS, and for excessive discharge, as set forth in the Contracts.

(g) The Operation and Maintenance Component of the Annual Requirement allocable to such Member City shall be determined finally by the contributing flow and/or the Direct Cost of each Member City, as provided above. However, notwithstanding any other provisions of the contract to the contrary, the Bond Service Component of the Annual Requirement shall be allocated to each Member City, including each Additional Member City, and shall be computed and paid during each Fiscal Year as part of its Annual Payment and Adjusted Annual Payment, either (1) on the basis of the amount of such Member City's contributing flow into the System or (2) its Direct Cost during any such Fiscal Year when the provisions of the contract relating to Direct Cost are applicable and in effect, or (3) on the basis of the amount of such Member City's contributing flow in the System during the Fiscal Year in which such Member City's contributing flow in the System was the greatest, or (4) as to Richardson, Allen, McKinney, Forney, Frisco, Heath, Mesquite, Rockwall, Plano, Princeton, Prosper, Seagoville, Melissa, and any subsequent Additional Member City, on the basis of the amount of any minimum flows for which it has agreed to pay in the contract or any contract similar to the Contract, whichever of the foregoing amount (1), (2), (3), or (4) is the greatest; provided that each Member City is entitled to receive, if and when available, any credit provided for during any Fiscal Year when the provisions of the contract relating to Direct Cost are applicable and in effect. It is the intention hereof that the Bond Service Component allocable to each Member City and to be paid by each Member City shall be computed for each Fiscal Year in such manner that no reduction will be allowed to a Member City because the amount of its actual contributing flow to the System is reduced below a previous high, or because the amount of its actual contributing flow is less than the amount of any minimum flow for which it has agreed to pay, subject to the foregoing provisions relating to Direct Cost.

(h) The facilities and services of the System to be provided to each Member City pursuant to the Contracts are and will be essential and necessary to the operation of each City's combined waterworks and sanitary sewer system, and all payments to be made thereunder will constitute reasonable and necessary "operating expenses" of its combined waterworks and sanitary sewer system, within the meaning of Section 150.056(c) Texas Government Code (formerly Vernon's Article 1113), and the provision of all ordinances authorizing the issuance of all waterworks and sanitary sewer system revenue bond issues of each Member City, with the effect that the obligation to make payments from its waterworks and sanitary sewer system revenues under the Contracts shall have priority over its obligations to make payments of the principal of and interest on any and all of its waterworks and sanitary sewer system revenue bonds. Each Member City agrees to fix and collect such rates and charges for waterworks and sanitary sewer system services to be supplied by its waterworks and sanitary sewer system as will make possible the prompt payment of all expenses of operating and maintaining its entire waterworks and sanitary sewer system, including all payments, obligations, and indemnities contracted hereunder, and the prompt payment of the principal of and interest on its bonds payable from the net revenues of its waterworks and sanitary sewer system. The District shall never have the right to demand payment of the amounts due under the Contracts from funds raised or to be raised from taxation. Each Member City's payments thereunder shall be made pursuant to the authority granted by Section 30.030 of the Texas Water Code and the District Act, as well as Section 1502.056(c) Texas Government Code (formerly Vernon's Article 1113). Recognizing the fact that each Member City urgently requires the facilities and services covered by the Contracts, and that such facilities and services are necessary for actual use and for stand-by purposes; and further recognizing that the District will use the payments received hereunder to pay, secure, and finance the issuance of its Bonds, each Member City shall be obligated unconditionally, and without offset or counterclaim, to make the payments designated as the "Bond Service Component" of the Annual Requirement, in the manner provided in the Contracts, regardless of whether or not the District actually provides such facilities and services, or whether or not any Member City actually receives or uses such facilities and services, and regardless of the validity or performance of the other parts of the Contract, and such "Bond Service Component" shall in all events be applied and used for providing debt service and other requirements of the Bonds, and the holders of the Bonds shall be entitled to rely on the foregoing agreement and representation, regardless of any other agreement between the District and any Member City. Each Member City further agrees that it shall be obligated to make the payments designated as the "Operation and Maintenance Component" of the Annual Requirement as described in the Contract, so long as the District is willing and able to provide the facilities and services contemplated thereunder.

(i) On or before August 1 of each year District will furnish each Member City with a tentative budget and an estimated schedule of monthly payments to be made by such Member City for the ensuing Fiscal Year. On July 1 of each year, the District shall be in a position to furnish any Member City an estimate of the City's annual requirement. On or before October 1 of each year, District shall furnish such Member City with a finalized schedule of the monthly payments to be made by such Member City to the District for the ensuing Fiscal Year. Each Member City agrees that it will make such payments to the District on or before the twentieth (20th) day of each month of such Fiscal Year. If any Member City shall dispute the Annual Budget, and proceed as provided in the Contracts, such Member City nevertheless promptly shall make the payment or payments determined by District, and if it is subsequently determined by agreement that such disputed payments made by such Member City should have been less, District shall promptly revise, reallocate, and readjust the charges among all Member Cities then being served by District in such manner that such Member City will recover its overpayment. In the event any Member City is assessed a surcharge for excess BOD and/or SS, District will bill such Member City for such surcharge on or before the tenth (l0th) day of the month following the determination of the surcharge and such Member City shall pay such surcharge on or before the twentieth (20th) day of the month of receipt of the month of receipt of any such bill. Any such surcharge collected by District shall be applied by District against the total cost of Operation and Maintenance Expense of the System.

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

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

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

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

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

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

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

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

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

District Contracts with Additional Member Cities. (a) The District reserves the right to contract with Additional Member Cities to provide the services of the System to such Additional Member Cities; provided that the terms and provisions of such contracts with Additional Member Cities shall be, to the extent practicable and applicable, the same as the terms and provisions of the contracts, except that with respect to any Local Wastewater Facilities of such Additional Member City which are to be acquired, operated, or used by the District as a part of the System as a result of such contract, the District and the Additional Member City may agree in such contract for mutually acceptable payments in connection therewith from Bond proceeds or as an Operation and

Maintenance Expense of the System (provided that in any formula used for determining such payments, the value attributed to such Local Wastewater Facilities shall not exceed a sum equal to the principal amount of all then outstanding bonds or other obligations issued by the Additional Member City to acquire and construct such Local Wastewater Facilities), and except that such contract shall provide for payments calculated on the basis of adequate minimum flows as hereinafter provided. All Member Cities shall be bound by the contracts and the similar contracts with Additional Member Cities. The District shall not enter into contracts for any services by the System except with cities which become Member Cities, or as otherwise provided in the contracts.

(b) A city may become an Additional Member City in the following manner and under the following conditions:

(i) A formal request must be submitted to the District furnishing information on the area to be served, a description of existing facilities, and the latest annual audit of such proposed Additional Member City's waterworks and/or sewer systems, if any.

(ii) Such proposed Additional Member City must provide funds for any necessary engineering studies if funds are not available from the appropriate Federal or State agencies. The preliminary studies must determine or estimate, for the ensuing five year period, the size and type of any proposed facilities, their estimated cost, and estimated flows of Wastewater, so as to enable the District to ascertain or estimate the requirements of the proposed Additional Member City for the ensuing five year period.

(iii) After all preliminary data is developed; the Board of Directors of the District shall call a hearing and notify all Member Cities to review the request of the proposed Additional Member City. The Board of Directors of the District then shall determine if the proposed Additional Member City shall become a Member City.

(c) Each Additional Member City must agree to make minimum payments under its Contract, on the basis of estimated annual minimum flows, that would provide amounts annually at least sufficient, as determined by the District, to pay:

(i) all of the annual Operation and Maintenance Component of the Annual Requirement which is attributable to any Local Wastewater Facilities of such Additional Member City which are to be acquired, operated, used, or improved by the District as part of the System and any other new and additional facilities of the System provided and designated by the District to serve such Member City, less any amount thereof attributable to the use of any part of said facilities for the benefit of any other Member City or Cities, and

(ii) an amount (to be credited and applied to the Bond Service Component of each Annual Requirement), at least equal to:

(I) all of that part of the Bond Service Component of each Annual Requirement attributable to Bonds issued to acquire or improve any existing Local Wastewater Facilities of such Additional Member City to be a part of the System, and all Bonds issued within five years from the date of such contract to provide any other new and additional facilities for the System to serve such Additional Member City, plus

(II) a percentage of the Bond Service Component of each future Annual Requirement for all then outstanding Bonds equal to the then estimated percentage of use by such proposed Additional Member City of any portion of the then existing System, plus

(iii) an annual amount (to be credited to the Bond Service Component of the Annual Requirement and/or to the Operation and Maintenance Component of the Annual Requirement, at the option of the District) as estimated and determined by the District to equalize the previous capital cost (including the cost of previously constructed excess capacity) of facilities to be used to provide service to the Additional Member City.

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

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

SELECTED PROVISIONS OF THE BOND RESOLUTION

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

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

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

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

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

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

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

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

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

The term "Gross Revenues of the System" shall mean all of the revenues, income, rentals, rates, fees, and charges of every nature derived by the Board or the Issuer from the operation and/or ownership of the System, including specifically all payments constituting the "Annual Requirement" (consisting of the "Operation and Maintenance Component" and the "Bond Service Component"), and all other payments and amounts received by the Board or the Issuer from the Member Cities pursuant to the Contract, including any contracts with Additional Member Cities.

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

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

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

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

The term "Parity Bonds" shall mean collectively the Bonds and the unpaid and unrefunded bonds out of the following described Series which will be outstanding after the issuance and delivery of the Initial Bond: North Texas Municipal Water District Regional Wastewater System Revenue Bonds, Series 2009, authorized by resolution of the Board on June 25, 2009, North Texas Municipal Water District Regional Wastewater System Revenue Bonds, Series 2012, authorized by resolution of the Board on March 22, 2012, North Texas Municipal Water District Regional Wastewater System Revenue Bonds, Series 2013, authorized by resolution of the Board on March 28, 2013, North Texas Municipal Water District Regional Wastewater System Revenue Refunding and Improvement Bonds, Series 2015, authorized by resolution of the Board on August 27, 2015, North Texas Municipal Water District Regional Wastewater System Revenue Refunding and Improvement Bonds, Series 2016, authorized by resolution of the Board on August 25, 2016, North Texas Municipal Water District Regional Wastewater System Revenue Bonds, Series 2017, authorized by resolution of the Board on March 23, 2017, North Texas Municipal Water District Regional Wastewater System Revenue Refunding Bonds, Series 2017, authorized by resolution of the Board on November 29, 2017, North Texas Municipal Water District Regional Wastewater System Revenue Bonds, Series 2018, authorized by resolution of the Board on February 22, 2018 North Texas Municipal Water District Regional Wastewater System Revenue Bonds, Series 2019, authorized by resolution of the Board of April 25, 2019, and North Texas Municipal Water District Regional Wastewater System Revenue Bonds, Series 2020, authorized by a resolution of the Board on May 28, 2020.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FURTHER REQUIREMENTS FOR ADDITIONAL BONDS. Additional Bonds shall be issued only in accordance with this Resolution, but notwithstanding any provisions of this Resolution to the contrary, no installment, Series, or issue of Additional Bonds shall be issued or delivered unless the President and the Secretary of the Board sign a written certificate to the effect that the Issuer is not in default as to any covenant, condition, or obligation in connection with all outstanding Parity Bonds and Additional Bonds, and the Resolutions authorizing same, and that the Interest and Redemption Fund and the Reserve Fund each contains the amount then required to be therein. 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. The Issuer is a duly created and existing conservation and reclamation district of the State of Texas pursuant to Article 16, Section 59 of the Texas Constitution, and Chapter 62, Acts of the 52nd Legislature of Texas, Regular Session, 1951, as amended (originally compiled as Vernon's Ann. Tex. Civ. St. Article 8280-141), and is duly authorized under the laws of the State of Texas to create and issue the Parity Bonds; that all action on its part for the creation and issuance of the Parity Bonds has been duly and effectively taken, and that the Parity Bonds in the hands of the holders and owners thereof are and will be valid and enforceable special obligations of the Issuer in accordance with their terms.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) Make any change in the maturity of the outstanding Parity Bonds or Additional Bonds;

(2) Reduce the rate of interest borne by any of the outstanding Parity Bonds or Additional Bonds;

(3) Reduce the amount of the principal payable on the outstanding Parity Bonds or Additional Bonds;

(4) Modify the terms of payment of principal of or interest on the outstanding Parity Bonds or Additional Bonds, or impose any conditions with respect to such payment;

(5) Affect the rights of the holders of less than all of the Parity Bonds and Additional Bonds then outstanding;

(6) Change the minimum percentage of the principal amount of Parity Bonds and Additional Bonds necessary for consent to such amendment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(A) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less or, in the case of a current refunding bond and an advance refunding bond, for a period of 90 days or less and 30 days or less, respectively, 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 Interim 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.

ALLOCATION OF, AND LIMITATION ON, EXPENDITURES FOR THE PROJECT; DISPOSITION OF THE PROJECT. (a) The Issuer covenants to account for the expenditure of Bond proceeds and investment earnings to be used for the construction or acquisition of the property constituting the projects financed or refinanced with proceeds of the Bonds (the Project") on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (1) the expenditure is made or (2) such construction or acquisition is completed. The foregoing notwithstanding, the Issuer shall not expend proceeds of the Bonds or investment earnings thereon more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds or (2) the date the Bonds are retired, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest on the Bonds.(b) The Issuer covenants that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest on the Bonds.

INVESTMENTS

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

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

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

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

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

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

TABLE 4 - CURRENT INVESTMENTS

As of April 30, 2020, investable funds of the District's Regional Wastewater System were invested as follows:

Description	Percent [(1)]	Market Value	Book Value
FFCB Note	2.88%	$ 3,747,098	$ 3,744,299
FHLB Note	5.89%	7,664,433	7,363,217
FHLMC Note	3.42%	4,451,457	4,450,000
FNMA Note	2.37%	3,088,050	3,001,478
Treasury Note	17.82%	23,167,116	22,996,197
State Pools	60.69%	78,926,957	78,926,957
FHLB D.N.	6.92%	8,995,500	8,948,819
	100.00%	$ 130,040,611	$ 129,430,967

(1) Based Upon Market Value.

TAX MATTERS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OTHER INFORMATION

RATINGS

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

LITIGATION

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 the Bonds.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

LEGAL MATTERS

The District will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas as to the Bonds to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, a copy of which opinion is attached to this Official Statement as Appendix D. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Bond Resolution. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS . . . The District will provide or cause each Significant Obligated Person to provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under tables numbered 1 through 4 and all quantitative financial information and operating data with respect to each Significant Obligated Person of the general type included in Appendix C to this Official Statement. The District will provide, or cause each Significant Obligation Person to provide, this information within 6 months after the end of each fiscal year ending in and after 2020. The District will additionally provide or cause to be provided audited financial statements for the District and each Significant Obligated Person when and if available, and unaudited financial statements within 12 months after fiscal year end, unless audited financial statements have been provided sooner. Any such financial statements will be prepared in accordance with general accepted accounting principles or such other accounting principles as the District or the Significant Obligated Persons may be required to employ from time to time pursuant to State law or regulation. The District or a Significant Obligated Person may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12 (the "Rule") of the United States Securities and Exchange Commission (the "SEC").

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

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

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

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

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

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

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.

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 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 an event notice was not timely filed. The event notice has now been filed, including a notice of late filing.

Financial Advisor

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

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

Initial Purchaser of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid of Wells Fargo Bank, National Association (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the cover page of the Official Statement at a price of par plus a cash premium of $2,529,360. The Initial Purchaser of the Bonds can give no assurance that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser of the Bonds. The District has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the sole responsibility of the Initial Purchaser.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

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

CERTIFICATION OF THE OFFICIAL STATEMENT

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

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

NORTH TEXAS MUNICIPAL WATER DISTRICT

/s/ RODNEY RHOADES
Interim Executive Director/General Manager

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APPENDIX A

EXCERPTS FROM THE

NORTH TEXAS MUNICIPAL WATER DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2019

The information contained in this Appendix consists of excerpts from the North Texas Municipal Water District Comprehensive Annual Financial Report for the Year Ended September 30, 2019, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Report for further information.

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Austin | Conroe | Dallas | Fort Worth | Houston
Los Angeles | Midland | New York City | San Antonio

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, 2019, 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.

Weaver and Tidwell, L.L.P.
2300 North Field Street, Suite 1000 | Dallas, Texas 75201
Main: 972.490.1970 | Fax:972.702.8321
CPAs AND ADVISORS | WEAVER.COM

Members of the Board of Directors
North Texas Municipal Water District

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, 2019, 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.

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 5-9 and 57-60 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.

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.

Members of the Board of Directors
North Texas Municipal Water District

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2020, 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 or 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.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 15, 2020

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2019.

Financial Highlights

- Total assets at the end of the year were approximately $5.5 billion and exceeded liabilities by approximately $1.62 billion.
- The District's total net position increased by approximately $167 million, or 12 percent.
- During the year, the District's operating revenues increased by approximately $33 million, or 7 percent, and operating expenses increased by approximately $25 million, or 9 percent.
- Construction of the Bois d'Arc Lake, Leonard Water Treatment Plant, Trinity River Main Stem Raw Water Pipeline & Pump Station, Wilson Creek WWTP expansion, and the Princeton Lift Station improvements led the way in capital expenditures totaling over $229 million.
- The District issued $739 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 11 through 18 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 19 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 57 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 $1,619,182,701 at the close of the most recent fiscal year.

North Texas Municipal Water District's Net Position

	As of September 30			
	2019	2018	Increase/ (Decrease)	Percent Change
ASSETS:				
Current and other assets	$ 1,854,877,412	$ 1,649,032,100	$ 205,845,312	12.5%
Capital assets-net	3,610,359,013	3,063,400,855	546,958,158	17.9
Total assets	5,465,236,425	4,712,432,955	752,803,470	16.0
Total deferred outflows of resources	53,805,680	45,391,397	8,414,283	18.5
Total assets and deferred outflows of resources	5,519,042,105	4,757,824,352	761,217,753	16.0
LIABILITIES:				
Current and other liabilities	332,396,256	244,472,173	87,924,083	36.0
Long-term liabilities outstanding	3,554,695,900	3,049,411,954	505,283,946	16.6
Total liabilities	3,887,092,156	3,293,884,127	593,208,029	18.0
Total deferred inflows of resources	12,767,248	12,049,045	718,203	6.0
Total liabilities and deferred inflows of resources	3,899,859,404	3,305,933,172	593,926,232	18.0
NET POSITION				
Net investment in capital assets	1,206,866,459	1,077,370,618	129,495,841	12.0
Restricted	221,897,098	192,006,392	29,890,706	15.6
Unrestricted	190,419,144	182,514,170	7,904,974	4.3
Total net position	$ 1,619,182,701	$ 1,451,891,180	$ 167,291,521	11.5%

The largest portion of the District's net position (75 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 (13 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 (12 percent) and may be used to meet the District's ongoing obligations. The overall increase in net position of $167,291,521, or 11.5%, 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 $167,291,521 were operating income of $227,410,122 offset by interest expense of $116,746,379.

North Texas Municipal Water District's Changes in Net Position

	Year Ended September 30		Increase	Percent
	2019	2018	(Decrease)	Change
Operating Revenues:				
Water sales	$ 335,832,842	$ 316,133,827	$ 19,699,015	6.2%
Wastewater service fees	143,817,640	131,381,838	12,435,802	9.5
Solid waste service fees	34,242,029	34,592,091	(350,062)	(1.0)
Other operating revenues	2,999,773	2,102,235	897,538	42.7
Total Operating Revenues	516,892,284	484,209,991	32,682,293	6.7
Operating Expenses:				
Personnel	86,314,412	74,999,711	11,314,701	15.1
Operating Supplies:				
Chemicals	38,265,482	32,842,288	5,423,194	16.5
Other supplies	18,640,608	15,218,144	3,422,464	22.5
Operating Services:				
Electric power	18,042,370	20,981,185	(2,938,815)	(14.0)
Wholesale water purchases	5,389,177	2,998,624	2,390,553	79.7
Other services	52,740,515	49,974,608	2,765,907	5.5
Depreciation and amortization	70,089,598	67,658,103	2,431,495	3.6
Total Operating Expenses	289,482,162	264,672,663	24,809,499	9.4
Operating Income	227,410,122	219,537,328	7,872,794	3.6
Nonoperating Revenues (Expenses):				
Investment Income	52,093,577	20,129,032	31,964,545	158.8
Miscellaneous Revenue (Expense)	(105,153)	52,378	(157,531)	(300.8)
Grant Income	1,610	-	1,610	(100.0)
Federal Program Revenues	3,905,636	3,934,848	(29,212)	(0.7)
Gain on Sale of Capital Assets	732,108	11,377,911	(10,645,803)	(93.6)
Contribution to Fannin County Electric Cooperative	-	(47,343,891)	47,343,891	100.0
Interest Expense	(116,746,379)	(90,004,570)	(26,741,809)	29.7
Net Nonoperating Expense	(60,118,601)	(101,854,292)	41,735,691	(41.0)
Change in Net Position	167,291,521	117,683,036	49,608,485	42.2
Net Position, Beginning of Year	1,451,891,180	1,334,208,144	117,683,036	8.8
Net Position, End of Year	$ 1,619,182,701	$ 1,451,891,180	$ 167,291,521	11.5%

Total operating revenues for the District for the years ended September 30, 2019 and 2018 were $516,892,284 and $484,209,991, respectively. The $32,682,293 increase in total operating revenues was primarily due to a 5% increase in the member cities water rate and a 9% increase in wastewater service fees to fund capital projects and operating costs.

Total operating expenses for the District for the years ended September 30, 2019 and 2018 were $289,482,162 and $264,672,663, respectively. Several key factors account for the $24,809,499 increase in total operating expenses, including increased staffing levels (a total increase of 33 employees across all funds) and salary adjustments resulting in increased personnel expenses of approximately $11.3 million. The increase in operating supplies was primarily driven by the overall increase in chemical expenses of $5.4 million. Operating services increased $2.2 million primarily as a result of increased wholesale water purchases for reuse water withdrawn out of the Trinity River by the Main Stem Pump Station and increased special studies and reports. Depreciation expense increased over $2.4 million.

The $41.7 million change in net nonoperating expense is primarily due to a $32.0 million increase in investment income offset by an additional $26.7 million in interest expense, as well as the fiscal year 2018 $47.3 million contribution resulting from electric power agreements with Fannin County Electric Cooperative related to the construction of the Bois d'Arc Lake.

Capital Assets and Debt Administration

Capital Assets

The District's capital assets as of September 30, 2019, amounted to $3,610,359,013 (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 17.9%.

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

- Development of the Bois d'Arc Lake continued totalling more than $368 million in construction in progress additions.
- Water Treatment Plant improvements totalling more than $48.8 million.
- South Mesquite Wastewater Treatment Plant SCADA Improvements totalling more than $3.5 million.
- Landfill site facilities development including the 121 Regional Disposal Facility Excavation and further expansion totalled more than $10.5 million.

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

	As of September 30		Increase	Percent
	2019	2018	(Decrease)	Change
Land	$ 76,280,557	$ 73,801,998	$ 2,478,559	3.4%
Easements	62,468,212	62,549,675	(81,463)	-0.1%
Land improvements	7,790,580	2,984,287	4,806,293	161.1%
Water treatment, storage and transmission facilities	1,222,470,041	1,206,967,782	15,502,259	1.3%
Wastewater treatment and disposal facilities	480,379,072	492,555,069	(12,175,997)	-2.5%
Solid waste transfer and disposal facilities	51,248,153	45,734,440	5,513,713	12.1%
Reservoir facilities and water rights	265,766,950	273,306,305	(7,539,355)	-2.8%
Buildings	57,992,616	58,559,325	(566,709)	-1.0%
Automobiles and trucks	2,667,898	3,549,349	(881,451)	-24.8%
Office furniture and fixtures	431,510	502,638	(71,128)	-14.2%
Other equipment	39,672,178	28,254,392	11,417,786	40.4%
Construction in progress	1,343,191,246	814,635,595	528,555,651	64.9%
Total	$ 3,610,359,013	$ 3,063,400,855	$ 546,958,158	17.9%

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 $3,445,445,306. Of this amount 75% is reflected in the Water System and 10% is reflected in the Regional Wastewater System.

North Texas Municipal Water District's Outstanding Debt

	As of September 30 2019	2018	Increase (Decrease)	Percent Change
U. S. government contracts payable	$ 26,550,306	$ 28,097,923	$ (1,547,617)	-5.5%
Revenue bonds	3,418,895,000	2,910,360,000	508,535,000	17.5%
Total	$ 3,445,445,306	$ 2,938,457,923	$ 506,987,383	17.3%

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 $18,194,964 in the Water 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 2020 fiscal year.

The 2020 Water System budget provides funding for debt service for $101 million of SWIFT funds for the continued development of the Bois D'Arc Lake and construction of the Leonard Water Treatment Plant 70 MGD site. In order to fund these debt service requirements and the additional operations and maintenance costs, the budget requires a $.07 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.

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
September 30, 2019

ASSETS	Water System	Regional Wastewater System
CURRENT ASSETS:		
Unrestricted assets:		
Cash and cash equivalents	$ 42,685,455	$ 8,838,136
Investments	152,996,119	-
Accounts receivable	27,206,443	1,510,724
Contracts receivable	26,400	-
Due from other funds	421,622	47,297
Prepaid expenses	3,134,504	512,931
Unbilled receivables	164,574	1,225,286
Total unrestricted assets	226,635,117	12,134,374
Restricted assets:		
Cash and cash equivalents	691,366,115	51,486,734
Investments	518,171,460	95,155,149
Interest receivable	2,118,026	303,147
Due from other funds	138,833	-
Unbilled receivables	-	-
Total restricted assets	1,211,794,434	146,945,030
TOTAL CURRENT ASSETS	1,438,429,551	159,079,404
LONG-TERM ASSETS:		
Nondepreciable:		
Land	62,435,172	1,739,328
Easements	47,000,297	-
Construction-in-progress	983,163,463	190,422,660
Total nondepreciable assets	1,092,598,932	192,161,988
Depreciable:		
Land improvements	3,712,838	1,321,303
Water treatment, storage, and transmission facilities	1,582,646,459	-
Wastewater treatment and disposal facilities	-	301,772,756
Solid waste transfer and disposal facilities	-	-
Reservoir facilities and water rights	376,541,067	-
Buildings	28,540,437	2,913,614
Automobiles and trucks	7,377,489	1,447,573
Office furniture and fixtures	961,571	101,610
Other equipment	32,049,966	12,649,915
Total depreciable assets	2,031,829,827	320,206,771
Less accumulated depreciation	(520,825,192)	(123,284,841)
Net capital assets	2,603,603,567	389,083,918
TOTAL LONG-TERM ASSETS	2,603,603,567	389,083,918
TOTAL ASSETS	4,042,033,118	548,163,322
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred loss on refunding	18,506,212	2,693,793
Deferred pension outflow	15,348,207	4,124,149
Deferred OPEB outflow	758,674	171,580
TOTAL DEFERRED OUTFLOWS OF RESOURCES	34,613,093	6,989,522
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 4,076,646,211	$ 555,152,844

See notes to the basic financial statements.

Sewer System	Solid Waste System	Interceptor System	Total Enterprise Funds
$ 7,171,545	$ 6,876,722	$ 8,894,745	$ 74,466,603
-	5,997,662	-	158,993,781
779,807	248,743	267,679	30,013,396
-	-	-	26,400
55,835	347,598	73	872,425
328,947	269,189	47,308	4,292,879
439,473	838,268	139,238	2,806,839
8,775,607	14,578,182	9,349,043	271,472,323
24,621,172	17,690,966	43,533,980	828,698,967
30,425,518	4,307,657	97,531,433	745,591,217
79,126	14,000	267,332	2,781,631
-	-	-	138,833
-	6,194,441	-	6,194,441
55,125,816	28,207,064	141,332,745	1,583,405,089
63,901,423	42,785,246	150,681,788	1,854,877,412
436,498	11,669,559	-	76,280,557
4,105,802	-	11,362,113	62,468,212
84,420,773	2,611,451	82,572,899	1,343,191,246
88,963,073	14,281,010	93,935,012	1,481,940,015
417,138	7,926,835	-	13,378,114
32,095,652	-	-	1,614,742,111
159,760,830	-	255,598,589	717,132,175
-	88,794,147	-	88,794,147
-	-	-	376,541,067
187,506	42,384,573	-	74,026,130
601,640	4,122,753	450,791	14,000,246
-	-	-	1,063,181
4,086,004	27,498,590	6,050,344	82,334,819
197,148,770	170,726,898	262,099,724	2,982,011,990
(70,552,438)	(67,959,912)	(70,970,609)	(853,592,992)
215,559,405	117,047,996	285,064,127	3,610,359,013
215,559,405	117,047,996	285,064,127	3,610,359,013
279,460,828	159,833,242	435,745,915	5,465,236,425
1,851,442	1,778,192	2,306,061	27,135,700
1,609,753	3,928,343	473,736	25,484,188
85,606	139,914	30,018	1,185,792
3,546,801	5,846,449	2,809,815	53,805,680
$ 283,007,629	$ 165,679,691	$ 438,555,730	$ 5,519,042,105

(Continued)

STATEMENT OF NET POSITION
September 30, 2019

LIABILITIES	Water System	Regional Wastewater System
CURRENT LIABILITIES:		
Payable from unrestricted assets:		
Accounts payable and accrued liabilities	$ 23,011,378	$ 3,595,508
Due to other funds	100,359	417,019
Customers' advance payments	-	3,642,839
Accrued interest payable on U.S. government contracts	701,635	-
Current portion of U.S. government contracts	1,597,613	-
Total payable from unrestricted assets	25,410,985	7,655,366
Payable from restricted assets:		
Accounts payable and accrued liabilities	88,649,589	14,850,368
Due to other funds	50,292	33,238
Accrued landfill closure and post-closure care cost	-	-
Accrued interest payable on revenue bonds	7,869,432	4,924,686
Current portion of revenue bonds	85,955,000	14,690,000
Total payable from restricted assets	182,524,313	34,498,292
TOTAL CURRENT LIABILITIES	207,935,298	42,153,658
LONG-TERM LIABILITIES:		
Accrued landfill closure costs	-	-
Accrued vacation—less current portion	1,357,078	329,759
Accrued sick—less current portion	2,125,918	650,394
Net pension liability	21,776,387	6,133,298
Net OPEB liability	2,324,053	553,412
Deferred compensation	255,000	-
Long-term debt—less current portion	2,633,106,361	367,403,506
TOTAL LONG-TERM LIABILITIES	2,660,944,797	375,070,369
TOTAL LIABILITIES	2,868,880,095	417,224,027
DEFERRED INFLOWS OF RESOURCES:		
Deferred pension inflow	5,795,611	1,554,146
Deferred OPEB inflow	1,845,951	422,184
Deferred insurance proceeds	426,426	-
TOTAL DEFERRED INFLOWS OF RESOURCES	8,067,988	1,976,330
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	2,876,948,083	419,200,357
NET POSITION:		
Net investment in capital assets	868,154,047	111,999,738
Restricted for debt service	150,564,821	24,821,251
Unrestricted	180,979,260	(868,502)
TOTAL NET POSITION	$ 1,199,698,128	$ 135,952,487

See notes to the basic financial statements.

Sewer System	Solid Waste System	Interceptor System	Total Enterprise Funds
$ 3,980,012	$ 2,539,287	$ 2,674,607	$ 35,800,792
240,302	15,782	67,263	840,725
1,396,893	1,887,351	2,440,907	9,367,990
-	-	-	701,635
-	-	-	1,597,613
5,617,207	4,442,420	5,182,777	48,308,755
7,264,560	11,391,599	7,679,794	129,835,910
49,697	4,209	33,097	170,533
-	5,113,521	-	5,113,521
2,294,617	180,307	3,488,495	18,757,537
12,720,000	3,010,000	13,835,000	130,210,000
22,328,874	19,699,636	25,036,386	284,087,501
27,946,081	24,142,056	30,219,163	332,396,256
-	1,080,920	-	1,080,920
173,281	276,934	42,453	2,179,505
142,376	682,296	90,242	3,691,226
2,409,473	5,360,004	756,102	36,435,264
264,899	451,031	89,027	3,682,422
-	-	-	255,000
170,469,297	53,161,534	283,230,865	3,507,371,563
173,459,326	61,012,719	284,208,689	3,554,695,900
201,405,407	85,154,775	314,427,852	3,887,092,156
561,459	1,402,701	140,039	9,453,956
210,338	339,212	69,181	2,886,866
-	-	-	426,426
771,797	1,741,913	209,220	12,767,248
202,177,204	86,896,688	314,637,072	3,899,859,404
56,648,258	68,448,580	101,615,836	1,206,866,459
23,048,596	4,642,583	18,819,847	221,897,098
1,133,571	5,691,840	3,482,975	190,419,144
$ 80,830,425	$ 78,783,003	$ 123,918,658	$ 1,619,182,701

(Concluded)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2019

	Water System	Regional Wastewater System
OPERATING REVENUES:		
Water sales	$ 335,832,842	$ -
Wastewater service fees	-	69,241,179
Solid waste service fees	-	-
Other operating revenues	424,588	111,868
Total operating revenues	336,257,430	69,353,047
OPERATING EXPENSES:		
Personnel	53,127,261	13,356,973
Operating Supplies:		
Chemicals	29,811,353	4,787,513
Other supplies	7,835,776	4,557,435
Operating Services:		
Electric power	12,166,720	2,793,273
Wholesale water purchases	5,389,177	-
Other services	12,143,755	15,474,701
Depreciation	44,872,277	8,467,260
Total operating expenses	165,346,319	49,437,155
OPERATING INCOME	170,911,111	19,915,892
NONOPERATING REVENUES (EXPENSES):		
Investment income	42,049,143	4,466,035
Miscellaneous revenue (expense)	(105,153)	-
Grant income	1,610	-
Federal program revenues	3,905,636	-
Gain (loss) on sale of capital assets	524,997	69,549
Interest expense	(89,499,811)	(12,012,120)
Total nonoperating revenues (expenses)	(43,123,578)	(7,476,536)
CHANGE IN NET POSITION	127,787,533	12,439,356
NET POSITION AT OCTOBER 1, 2018	1,071,910,595	123,513,131
NET POSITION AT SEPTEMBER 30, 2019	$ 1,199,698,128	$ 135,952,487

See notes to the basic financial statements.

Sewer System	Solid Waste System	Interceptor System	Total Enterprise Funds
$ -	$ -	$ -	$ 335,832,842
40,649,496	-	33,926,965	143,817,640
-	34,242,029	-	34,242,029
444,348	1,930,886	88,083	2,999,773
41,093,844	36,172,915	34,015,048	516,892,284
6,304,152	11,480,590	2,045,436	86,314,412
1,610,572	91,446	1,964,598	38,265,482
1,691,541	3,785,545	770,311	18,640,608
1,753,965	131,202	1,197,210	18,042,370
-	-	-	5,389,177
8,874,625	10,165,500	6,081,934	52,740,515
5,532,510	4,553,797	6,663,754	70,089,598
25,767,365	30,208,080	18,723,243	289,482,162
15,326,479	5,964,835	15,291,805	227,410,122
1,496,997	924,623	3,156,779	52,093,577
-	-	-	(105,153)
-	-	-	1,610
-	-	-	3,905,636
1,711	128,820	7,031	732,108
(5,451,529)	(1,985,317)	(7,797,602)	(116,746,379)
(3,952,821)	(931,874)	(4,633,792)	(60,118,601)
11,373,658	5,032,961	10,658,013	167,291,521
69,456,767	73,750,042	113,260,645	1,451,891,180
$ 80,830,425	$ 78,783,003	$ 123,918,658	$ 1,619,182,701

STATEMENT OF CASH FLOWS YEAR ENDED SEPTEMBER 30, 2019

	Water System	Regional Wastewater System
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 348,687,357	$ 69,351,450
Cash received from other funds	11,794,605	554,904
Cash received from (paid to) others	3,204,880	85,624
Cash paid to suppliers for goods and services	(105,604,204)	(23,713,276)
Cash paid for employee services	(35,560,273)	(8,652,158)
Cash paid to other funds	(70,637)	(8,905,301)
Net cash provided by operating activities	222,451,728	28,721,243
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of bonds	532,151,507	45,160,128
Cash paid for capital assets	(420,831,139)	(72,678,353)
Contribution to Fannin County Electric Cooperative	-	-
Interest paid on long-term debt	(96,909,581)	(13,740,050)
Interest paid on U.S. government contracts	(910,984)	-
Principal payments on long-term debt	(79,700,000)	(13,590,000)
Payments on U.S. government contracts	(1,547,616)	-
Payments for bond issue costs	(278,893)	(806,660)
Federal Program Revenues	3,905,636	-
Net cash provided by (used for) capital and related financing activities	(64,119,460)	(55,654,935)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale and maturity of investments	835,882,880	118,802,782
Purchases of investments	(1,006,135,087)	(99,612,663)
Interest received	37,843,481	3,917,864
Net cash provided by (used for) investing activities	(132,408,726)	23,107,983
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	25,923,542	(3,825,709)
CASH AND CASH EQUIVALENTS—Beginning of year	708,128,028	64,150,579
CASH AND CASH EQUIVALENTS—End of year	$ 734,051,570	$ 60,324,870
RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET POSITION		
Unrestricted cash and cash equivalents	$ 42,685,455	$ 8,838,136
Restricted cash and cash equivalents	691,366,115	51,486,734
	$ 734,051,570	$ 60,324,870
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 170,911,111	$ 19,915,892
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	44,872,277	8,467,260
Change in operating assets and liabilities:		
Accounts receivable and unbilled receivable	1,617,569	(363,083)
Prepaid expenses	(43,951)	(64,263)
Net pension liability	1,630,081	423,392
Net OPEB liability	324,724	71,972
Due to/from other funds	(42,253)	153,178
Accounts payable, accrued liabilities, and developers' deposits	2,646,611	(714,457)
Accrued vacation and accrued sick	585,151	235,330
Landfill liability	-	-
Customers' advance payments	(49,592)	596,022
	51,540,617	8,805,351
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 222,451,728	$ 28,721,243
NONCASH TRANSACTION DISCLOSURES		
Change in landfill liability	$ -	$ -
Amortization of bond-related items	(9,960,488)	(2,072,599)
Change in fair value of investments	(3,153,345)	(608,829)
Change in actuarial value of net pension liability	(1,630,081)	(423,392)
Refunding bonds issued	89,095,000	-
Refunding proceeds deposited in escrow	-	-

See notes to the basic financial statements

Sewer System	Solid Waste System	Interceptor System	Total Enterprise Funds
$ 39,333,179	$ 31,560,456	$ 35,816,974	$ 524,749,416
15,993	4,077,528	-	16,443,030
583,475	1,210,026	159	5,084,164
(11,662,025)	(16,593,483)	(9,170,664)	(166,743,652)
(4,080,138)	(7,509,948)	(1,363,172)	(57,165,689)
(4,383,796)	(1,560,710)	(1,522,582)	(16,443,026)
19,806,688	11,183,869	23,760,715	305,924,243
30,010,667	(144,596)	52,634,287	659,811,993
(6,933,722)	(13,211,600)	(36,884,810)	(550,539,624)
-	-	-	-
(6,532,583)	(2,295,106)	(10,165,048)	(129,642,368)
-	-	-	(910,984)
(12,885,000)	(11,855,000)	(12,330,000)	(130,360,000)
-	-	-	(1,547,616)
(724,133)	(11,300)	(370,734)	(2,191,720)
-	-	-	3,905,636
2,935,229	(27,517,602)	(7,116,305)	(151,473,073)
12,326,081	7,435,997	100,591,754	1,075,039,494
(27,018,652)	(10,702,595)	(103,955,885)	(1,247,424,882)
1,098,736	981,278	2,910,941	46,752,300
(13,593,835)	(2,285,320)	(453,190)	(125,633,088)
9,148,082	(18,619,053)	16,191,220	28,818,082
22,644,635	43,186,741	36,237,505	874,347,488
$ 31,792,717	$ 24,567,688	$ 52,428,725	$ 903,165,570
$ 7,171,545	$ 6,876,722	$ 8,894,745	$ 74,466,603
24,621,172	17,690,966	43,533,980	828,698,967
$ 31,792,717	$ 24,567,688	$ 52,428,725	$ 903,165,570
$ 15,326,479	$ 5,964,835	$ 15,291,805	$ 227,410,122
5,532,510	4,553,797	6,663,754	70,089,598
(49,108)	170,992	435,009	1,811,379
(61,721)	(26,341)	82,359	(113,917)
182,076	414,072	64,960	2,714,581
37,057	56,953	11,829	502,535
79,023	(44,516)	51,502	196,934
(191,797)	(761,820)	(282,510)	696,027
65,322	22,197	27,430	935,430
-	298,166	-	298,166
(1,113,153)	535,534	1,414,577	1,383,388
4,480,209	5,219,034	8,468,910	78,514,121
$ 19,806,688	$ 11,183,869	$ 23,760,715	$ 305,924,243
$ -	$ 298,166	$ -	$ 298,166
(1,237,735)	(327,472)	(2,467,591)	(16,065,885)
(338,019)	(82,823)	356,826	(3,826,190)
(182,076)	(414,072)	(64,960)	(2,714,581)
-	-	-	89,095,000
-	-	-	-

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

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.

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 68% 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenses

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

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, 2019; accordingly, no allowance for doubtful accounts is deemed necessary. As of September 30, 2019, member cities Allen, Garland, McKinney, Mesquite, Plano, Richardson, Rockwall, and Royse City accounted for approximately 72% 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalized Interest

The District early implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which states that in financial statements prepared using the economic resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred. Such interest cost should not be capitalized as part of the historical cost of a capital asset.

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, 2019, a liability of $4,359,845 for unused vacation and $6,070,046 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, 2019 is as follows:

	Beginning Liability	Additions	Reductions	Ending Liability	Amount due within one year
Vacation	$ 3,902,455	$ 664,723	$ 207,333	$ 4,359,845	$ 2,180,340
Sick	5,457,115	934,443	321,512	6,070,046	2,378,820

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.

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, 2019 up through January 15, 2020, the date the financial statements were available to be issued. During this period, the following subsequent events required disclosure:

The District issued $101,345,000 of Series 2019, Regional Water System (SWIFT) Revenue Bonds on November 7, 2019, $137,470,000 of Series 2019A, Regional Water System Revenue Bonds on November 7, 2019, and $9,400,000 of Series 2019, Buffalo Creek Wastewater Interceptor System Contract Revenue Refunding and Improvement Bonds on October 30, 2019.

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.

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
Water:			
Construction Fund	$ 647,487,957	$ 379,851,790	$ 1,710,947
Interest and Redemption Fund	17,168,230	1,190,257	15,145
Reserve Fund	2,539,273	137,129,413	391,934
Contingency Fund	23,902,427	-	-
Reserve for Maintenance Fund	268,228	-	-
	691,366,115	518,171,460	2,118,026
Regional Wastewater:			
Construction Fund	39,955,459	74,963,300	246,492
Interest and Redemption Fund	8,650,292	1,595,025	20,295
Reserve Fund	847,139	18,596,824	36,360
Reserve for Maintenance Fund	2,033,844	-	-
	51,486,734	95,155,149	303,147
Sewer:			
Construction Fund	14,980,856	13,970,860	20,774
Interest and Redemption Fund	7,253,929	792,503	10,084
Reserve Fund	1,576,273	15,662,155	48,268
Reserve for Maintenance Fund	785,351	-	-
Reserve for Equipment Replacement	24,763	-	-
	24,621,172	30,425,518	79,126
Solid Waste:			
Construction Fund	6,328,108	1,000,380	768
Interest and Redemption Fund	456,926	-	-
Reserve Fund	1,045,454	3,307,277	13,232
Reserve for Maintenance Fund	1,249,640	-	-
Reserve for Equipment Replacement	8,610,838	-	-
	17,690,966	4,307,657	14,000
Interceptor:			
Construction Fund	34,507,356	82,875,039	209,433
Interest and Redemption Fund	6,936,249	2,333,425	29,690
Reserve Fund	657,801	12,322,969	28,209
Reserve for Maintenance Fund	1,432,574	-	-
	43,533,980	97,531,433	267,332
Total	$ 828,698,967	$ 745,591,217	$ 2,781,631

Unbilled receivables of $6,194,441 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.

NOTE 3. CASH AND INVESTMENTS

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

A. Deposits

At September 30, 2019, the carrying amount of cash deposits was $6,051,507 and total bank balance was $18,711.185. During 2018-2019, 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, 2019, 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, 2019, the District did not own any types of securities other than those permitted by statute.

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

LOGIC

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

Texas CLASS

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

TexPool

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

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

		Fair Value Measurements Using				
	September 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percent Total Investments	Weighted Average Maturity (Days)
Investments not Subject to Level Reporting:						
Investment Pools*:						
LOGIC	$ 399,890,499	$ -	$ -	$ -	22.20%	49
Texas CLASS	450,610,611	-	-	-	25.00%	50
Texpool	46,610,953	-	-	-	2.59%	34
Investments by Fair Value Level:						
U. S. Government Agency Securities:						
Federal Farm Credit Bank	25,003,490	-	25,003,490	-	1.39%	262
Federal Home Loan Bank	236,456,148	-	236,456,148	-	13.12%	496
Federal Home Loan Bank Discount Note	103,829,660	-	103,829,660		5.76%	31
Federal Home Loan Mortgage Corp.	104,989,510	-	104,989,510	-	5.83%	1217
Federal Home Loan Mortgage Corp. Disount Note	37,855,220	-	37,855,220		2.10%	73
Fannie Mae	38,121,120	-	38,121,120	-	2.12%	683
U. S. Treasury Note	358,329,850	358,329,850	-	-	19.89%	119
Total Value	$ 1,801,697,061	$ 358,329,850	$ 546,255,148	$ -		
Portfolio Weighted Average Maturity						205

*Investment Pools are exempt for level reporting.

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.

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

Concentration of credit risk is the risk associated with holding investments that are not pools and full faith credit securities in excess of 5% of the total portfolio. The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. At September 30, 2019, 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 Discount Note	Federal agency notes	$ 103,829,660
FHLB	Federal agency notes	236,456,149
FHLMC	Federal agency notes	104,989,510
T-NOTE	T-Note	358,329,850

The District held a total of $904,584,998 in securities that equated to 50.21% 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, 2019, $222,000,568 of the District's portfolio had a weighted average maturity of greater than one year.

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

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

	Water System	Regional Wastewater System	Sewer System	Solid Waste System	Interceptor System	Total
Investment income:						
Interest	$ 38,890,619	$ 3,857,206	$ 1,158,974	$ 841,800	$ 2,799,953	$ 47,548,552
Net changes in the fair value of investments	3,158,524	608,829	338,023	82,823	356,826	4,545,025
Investment income:	$ 42,049,143	$ 4,466,035	$ 1,496,997	$ 924,623	$ 3,156,779	$ 52,093,577

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.

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

C. Summary of Cash and Investments

	Water System	Regional Wastewater System	Sewer System	Solid Waste System	Interceptor System	Total
Unrestricted:						
Cash and cash equivalents	$ 42,685,455	$ 8,838,136	$ 7,171,545	$ 6,876,722	$ 8,894,745	$ 74,466,603
Investments	152,996,119	-	-	5,997,662	-	158,993,781
Total unrestricted	195,681,574	8,838,136	7,171,545	12,874,384	8,894,745	233,460,384
Restricted:						
Cash and cash equivalents	691,366,115	51,486,734	24,621,172	17,690,966	43,533,980	828,698,967
Investments	518,171,460	95,155,149	30,425,518	4,307,657	97,531,433	745,591,217
Total restricted	1,209,537,575	146,641,883	55,046,690	21,998,623	141,065,413	1,574,290,184
Total	$ 1,405,219,149	$ 155,480,019	$ 62,218,235	$ 34,873,007	$ 149,960,158	$ 1,807,750,568

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

	Water System	Regional Wastewater System	Sewer System	Solid Waste System	Interceptor System	Total
Unrestricted:						
Operating Funds	$ 27,983,879	$ 5,136,954	$ 4,874,659	$ 3,726,204	$ 3,805,357	$ 45,527,053
Capital Improvement Funds	163,765,199	3,498,809	589,990	9,148,180	4,046,548	181,048,726
Preventative Maintenance	-	202,373	1,706,896	-	1,042,840	2,952,109
U.S. Government Notes	2,042,945	-	-	-	-	2,042,945
Employee Insurance Funds	1,737,227	-	-	-	-	1,737,227
Retiree Insurance Funds	152,324	-	-	-	-	152,324
Total unrestricted	195,681,574	8,838,136	7,171,545	12,874,384	8,894,745	233,460,384

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

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

At September 30, 2019, the District had the following deposits and investments:

	Credit Quality Ratings	Fair Value	Weighted Average Maturity
Unrestricted Cash and Investments			
Cash and cash equivalents:			
Deposits with a financial institution	Not Rated	$ 6,051,412	n/a
Cash on hand	Not Rated	2,000	n/a
TexPool	AAAm	39,945,013	34 Days
Texas CLASS	AAAm	28,468,178	50 Days
Total cash and cash equivalents		74,466,603	
Investments—Securities of U.S. Government Agencies:			
Treasuy Note - US Treasuries	N/A	89,881,413	102 Days
FFCB - Federal Farm Credit Bank	Aaa	9,002,520	102 Days
FHLB - Federal Home Loan Bank Agency Note	Aaa	54,125,208	301 Days
FHLB - Federal Home Loan Bank Discount Note	Aaa	2,996,070	25 Days
FHLMC - Federal Home Loan Mortgage Corp. Discount Note	Aaa	2,988,570	73 Days
Total Securities of U.S. Government Agencies		158,993,781	
Total Unrestricted Investments and Cash Equivalents		233,460,384	
Restricted Cash and Investments			
Cash and cash equivalents:			
Deposits with a financial institution	Not Rated	95	n/a
TexPool	AAAm	6,665,940	34 Days
LOGIC	AAAm	399,890,499	49 Days
Texas CLASS	AAAm	422,142,433	50 Days
Total cash and cash equivalents		828,698,967	
Investments—Securities of U.S. Government Agencies:			
Treasury Note - US Treasuries	N/A	268,448,437	125 Days
FFCB - Federal Farm Credit Bank	Aaa	16,000,970	352 Days
FNMA - Fannie Mae	Aaa	38,121,120	68 Days
FHLMC - Federal Home Loan Mortgage Corp. Agency Note	Aaa	104,989,510	1217 Days
FHLB - Federal Home Loan Bank Agency Note	Aaa	182,330,940	555 Days
FHLB - Federal Home Loan Bank Discount Note	Aaa	100,833,590	31 Days
FHLMC - Federal Home Loan Mortgage Corp. Discount Note	Aaa	34,866,650	73 Days
Total Securities of U.S. Government Agencies		745,591,217	
Total Restricted Investments and Cash Equivalents		1,574,290,184	
Total Cash and Investments		$ 1,807,750,568	

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance at October 1, 2018	Additions and Transfers	Disposals and Transfers	Balance at September 30, 2019
Nondepreciable:				
Land	$ 73,801,998	$ 2,509,040	$ 30,481	$ 76,280,557
Easements	62,549,675	-	81,463	62,468,212
Construction in progress	814,635,595	615,121,918	86,566,267	1,343,191,246
Total nondepreciable assets	950,987,268	617,630,958	86,678,211	1,481,940,015
Depreciable:				
Land improvements	8,260,528	5,117,586	-	13,378,114
Water treatment, storage and transmission facilities	1,563,099,797	49,492,835	-	1,612,592,632
Wastewater treatment and disposal facilities	713,879,210	5,402,444	-	719,281,654
Solid waste transfer and disposal facilities	81,868,330	6,925,817	-	88,794,147
Reservoir facilities and water rights	376,541,067	-	-	376,541,067
Buildings	72,754,554	1,271,576	-	74,026,130
Automobiles and trucks	14,256,255	402,636	658,645	14,000,246
Office furniture and fixtures	1,063,181	-	-	1,063,181
Other equipment	66,103,931	17,599,468	1,368,580	82,334,819
Total depreciable assets	2,897,826,853	86,212,362	2,027,225	2,982,011,990
Less accumulated depreciation on:				
Land improvements	(5,276,241)	(311,293)	-	(5,587,534)
Water treatment, storage and transmission facilities	(356,132,015)	(33,990,576)	-	(390,122,591)
Wastewater treatment and disposal facilities	(221,324,141)	(17,578,441)	-	(238,902,582)
Solid waste transfer and disposal facilities	(36,133,890)	(1,412,104)	-	(37,545,994)
Reservoir facilities and water rights	(103,234,762)	(7,539,355)	-	(110,774,117)
Buildings	(14,195,229)	(1,838,285)	-	(16,033,514)
Automobiles and trucks	(10,706,906)	(1,284,087)	(658,645)	(11,332,348)
Office furniture and fixtures	(560,543)	(71,128)	-	(631,671)
Other equipment	(37,849,539)	(6,166,315)	(1,353,213)	(42,662,641)
Total accumulated depreciation	(785,413,266)	(70,191,586)	(2,011,858)	(853,592,992)
Total depreciable assets—net	2,112,413,587	16,020,776	15,367	2,128,418,998
TOTAL CAPITAL ASSETS—NET	$ 3,063,400,855	$ 633,651,734	$ 86,693,578	$ 3,610,359,013

NOTE 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At September 30, 2019, 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	$ 104,081,763	$ 15,086,317	$ 9,879,917	$ 2,741,295	$ 8,767,838	$ 140,557,130
Insurance claims liability	1,756,382	-	-	-	-	1,756,382
Payable to cities	268,228	2,033,889	789,279	9,860,478	1,432,574	14,384,448
Compensated absences	3,109,871	652,738	247,525	487,726	61,300	4,559,160
Accrued payroll and related benefits	2,444,723	672,932	327,851	841,387	92,689	4,379,582
Total	$ 111,660,967	$ 18,445,876	$ 11,244,572	$ 13,930,886	$ 10,354,401	$ 165,636,702
Payable from unrestricted assets	$ 23,011,378	$ 3,595,508	$ 3,980,012	$ 2,539,287	$ 2,674,607	$ 35,800,792
Payable from restricted assets	88,649,589	14,850,368	7,264,560	11,391,599	7,679,794	129,835,910
Total	$ 111,660,967	$ 18,445,876	$ 11,244,572	$ 13,930,886	$ 10,354,401	$ 165,636,702

NOTE 6. INTERFUND BALANCES

At September 30, 2019 interfund balances consisted of the following:

	Due From Other Funds	Due to Other Funds
Water System	$ 560,455	$ 150,651
Regional Wastewater System	47,297	450,257
Sewer System	55,835	289,999
Solid Waste System	347,598	19,991
Interceptor System	73	100,360
Total	$ 1,011,258	$ 1,011,258

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.

NOTE 7. DEFERRED OUTFLOWS OF RESOURCES

At September 30, 2019 deferred outflows of resources consisted of the following:

	Balance at October 1, 2018	Additions	Deletions	Balance at September 30, 2019
Water System:				
Deferred loss on refunded debt	$ 20,078,371	$ -	$ (1,572,159)	$ 18,506,212
Deferred pension outflow	8,653,060	6,695,147	-	15,348,207
Deferred OPEB outflow	703,344	55,330	-	758,674
	29,434,775	6,750,477	(1,572,159)	34,613,093
Regional Wastewater:				
Deferred loss on refunded debt	3,084,805	-	(391,012)	2,693,793
Deferred pension outflow	2,385,187	1,738,962	-	4,124,149
Deferred OPEB outflow	159,316	12,264	-	171,580
	5,629,308	1,751,226	(391,012)	6,989,522
Sewer System:				
Deferred loss on refunded debt	2,141,968	-	(290,526)	1,851,442
Deferred pension outflow	861,923	747,830	-	1,609,753
Deferred OPEB outflow	79,290	6,316	-	85,606
	3,083,181	754,146	(290,526)	3,546,801
Solid Waste System:				
Deferred loss on refunded debt	2,051,781	-	(273,589)	1,778,192
Deferred pension outflow	2,227,648	1,700,695	-	3,928,343
Deferred OPEB outflow	130,210	9,704	-	139,914
	4,409,639	1,710,399	(273,589)	5,846,449
Interceptor System:				
Deferred loss on refunded debt	2,599,559	-	(293,498)	2,306,061
Deferred pension outflow	206,933	266,803	-	473,736
Deferred OPEB outflow	28,002	2,016	-	30,018
	2,834,494	268,819	(293,498)	2,809,815
Total	$ 45,391,397	$ 11,235,067	$ (2,820,784)	$ 53,805,680

NOTE 8. LONG -TERM DEBT

Long-term debt consists of the following at September 30, 2019:

	Original Borrowing	Balance at October 1, 2018	Issued	Retired or Refunded	Balance at September 30, 2019	Amounts due Within One Year
Water System:						
Water revenue bonds 03/19-09/48, .770-6.123%	$ 3,496,508,000	$ 2,127,350,000	$ 620,080,000	$ 180,025,000	$ 2,567,405,000	$ 85,955,000
U.S. govt contracts payable, 11/18-10/51, 3.225-3.253%	44,220,432	28,097,923	-	1,547,617	26,550,306	1,597,613
	3,540,728,432	2,155,447,923	620,080,000	181,572,617	2,593,955,306	87,552,613
Regional Wastewater:						
Wastewater revenue bonds, 12/18-06/49, 2.00-5.00%	476,485,000	324,520,000	41,450,000	13,590,000	352,380,000	14,690,000
Sewer System:						
Rockwall contract revenue bonds, 12/18-06/28, 5.375-5.75%	2,960,000	1,850,000	-	145,000	1,705,000	150,000
Mustang Creek Interceptor System revenue bonds, 12/18-06/48, 3.00-6.00%	30,240,000	9,445,000	19,620,000	535,000	28,530,000	580,000
Rockwall-Heath contract revenue bonds 12/18-06/25, 4.00-4.25%	3,020,000	1,375,000	-	170,000	1,205,000	180,000
Terrell contract revenue bonds 12/18-06/35, 3.00-5.00%	10,465,000	9,240,000	-	395,000	8,845,000	415,000
Stewart Creek contract revenue bonds, 12/18-06/35, 1.580-5.00%	69,685,000	58,585,000	-	2,895,000	55,690,000	2,470,000
Little Elm contract revenue bonds, 12/18-06/23, 2.00%	3,555,000	1,895,000	-	355,000	1,540,000	365,000
Parker Creek Interceptor System, revenue bonds, 12/18-06/23, 5.125%	2,615,000	950,000	-	170,000	780,000	180,000
Sabine Creek Interceptor System revenue bonds, 12/18-6/23, 5.125%	2,115,000	770,000	-	140,000	630,000	145,000
Sabine Creek Wastewater System revenue bonds, 12/18-6/36, 2.00-4.00%	16,905,000	13,625,000	-	1,035,000	12,590,000	1,060,000
Muddy Creek Wastewater System revenue bonds 12/18-06/38, 3.00-5.00%	23,800,000	9,860,000	8,540,000	1,860,000	16,540,000	1,850,000

NOTE 8. LONG -TERM DEBT (CONTINUED)

	Original Borrowing	Balance at October 1, 2018	Issued	Retired or Refunded	Balance at September 30, 2019	Amounts due Within One Year
Sewer System (continued):						
Muddy Creek Interceptor revenue bonds 12/18-06/24, 3.00-4.00%	2,135,000	1,375,000	-	210,000	1,165,000	215,000
Buffalo Creek Interceptor revenue bonds 12/18-06/27, 4.05-5.00%	13,050,000	8,305,000	-	1,110,000	7,195,000	1,170,000
Rockwall Water Pumping Facilities bonds 12/18-06/26, 4.50-4.60%	2,145,000	1,115,000	-	115,000	1,000,000	125,000
Panther Creek Wastewater System bonds 12/18-06/29, 4.00-5.00%	51,200,000	28,530,000	-	2,695,000	25,835,000	2,715,000
Lower East Fork Interceptor bonds 12/18-06/26, 3.00-5.00%	10,745,000	8,860,000	-	945,000	7,915,000	985,000
Parker Creek Parallel Interceptor bonds 12/18-06/36, 2.00-3.00%	3,045,000	2,800,000	-	110,000	2,690,000	115,000
	247,680,000	158,580,000	28,160,000	12,885,000	173,855,000	12,720,000
Solid Waste System- revenue bonds, 03/19-09/37, 3.00-5.00%	79,705,000	64,045,000	-	11,855,000	52,190,000	3,010,000
Interceptor System - revenue bonds, 12/18-06/49, 3.00-6.25%	397,675,000	235,865,000	49,530,000	12,330,000	273,065,000	13,835,000
Total	$ 4,742,273,432	$ 2,938,457,923	$ 739,220,000	$ 232,232,617	$ 3,445,445,306	$ 131,807,613

Pledged Revenue

Throughout the years, the District has issued revenue bonds and US Government Notes with Pledged Revenues as collateral.

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

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

For the year ending September 30, 2019, bond debt service of $251,087,367 was secured by pledged revenues of $247,024,252, bond subsidies of $3,905,636 and interest earned on accounts restricted for debt service of $157,479.

For the year ending September 30, 2019, debt service on government notes of $2,458,601 was secured by pledged revenues of $2,458,601.

NOTE 8. LONG -TERM DEBT (CONTINUED)

In the Statement of Net Position, the long-term liabilities include premiums net of discounts of $126,703,668 in the Water System, $29,713,505 in the Regional Wastewater System, $9,334,297 in the Sewer System, $3,981,534 in the Solid Waste System and $24,000,866 in the Interceptor System.

Other long term debt activity for the year ended September 30, 2019, was as follows:

	Balance at October 1, 2018	Additions	Deletions	Balance at September 30, 2019
Water System:				
Premiums	$ 126,118,700	$ 12,166,886	$ (11,581,918)	126,703,668
	126,118,700	12,166,886	(11,581,918)	126,703,668
Regional Wastewater:				
Premiums	29,273,648	2,903,468	(2,463,611)	29,713,505
	29,273,648	2,903,468	(2,463,611)	29,713,505
Sewer System:				
Premiums	9,751,994	1,126,534	(1,530,945)	9,347,583
Discounts	(15,969)	-	2,683	(13,286)
	9,736,025	1,126,534	(1,528,262)	9,334,297
Solid Waste System:				
Premiums	4,686,112	-	(704,578)	3,981,534
	4,686,112	-	(704,578)	3,981,534
Interceptor System:				
Premiums	24,028,402	2,733,553	(2,761,089)	24,000,866
	24,028,402	2,733,553	(2,761,089)	24,000,866
Total	$ 193,842,887	$ 18,930,441	$ (19,039,458)	$ 193,733,870

NOTE 8. LONG -TERM DEBT (CONTINUED)

Revenue bonds outstanding at September 30, 2019, 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.
- *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.
- *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, Texas.
- *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.

NOTE 8. LONG -TERM DEBT (CONTINUED)

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 $530,985,000 in the Water System primarily for the improvement of the District's Water system, including costs related to Bois D'Arc Lake Reservoir, the Leonard Water Treatment Plant, and associated pipelines, $41,450,000 in the Wastewater System for the construction and inspection of the Floyd Branch RWWTP Optimization Process improvements, design of the Regional Water Resource Facility, construction of the Wilson Creek Maintenance Facility, Solids Operations Facility, other system improvements, $49,530,000 in the Interceptor System primarily for the construction and inspection of the Plano Spring Creek Force Main Parallel, Plano Spring Creek Lift Station No. 2 improvements, Wilson creek Station improvements, and other system improvements, $28,160,000 in the Sewer System primarily for the acquisition and construction of an Aeration Basin, Odor Control, Backup Power for Muddy Creek WWTP and for the acquisition, construction and improvement of the Mustang Creek WW Interceptor System, Lift Station, and other system improvements.

During the year, the District issued revenue refunding bonds in the amounts of $89,095,000 in the Water System to refund a portion of the District's outstanding debt. As a result of the current refunding, the District decreased its aggregate debt service payment to maturity by $18,194,964 and realized an economic gain (difference between the present value of debt service payments of the old debt and the new debt) of $14,352,739.

During the year, the District had a cash defeasance of the Regional Solid Waste Disposal system Refunding Bond Series 2010 in the amount of $8,915,000.

At September 30, 2019, defeased bonds outstanding totaled $2,415,000.

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, 2019, the amount of the unamortized deferred amount on refundings is $27,135,700.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG -TERM DEBT (CONTINUED)

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

	Water System			Regional Wastewater System		
	Principal	Interest	Total	Principal	Interest	Total
2020	$ 85,955,000	$ 94,453,759	$ 180,408,759	$ 14,690,000	$ 14,769,541	$ 29,459,541
2021	87,930,000	91,427,438	179,357,438	15,320,000	14,095,275	29,415,275
2022	88,065,000	88,245,070	176,310,070	15,985,000	13,374,625	29,359,625
2023	92,065,000	85,034,314	177,099,314	12,960,000	12,634,225	25,594,225
2024	95,370,000	81,600,470	176,970,470	13,540,000	12,023,625	25,563,625
2025-2029	500,685,000	353,791,531	854,476,531	70,590,000	50,383,700	120,973,700
2030-2034	539,035,000	253,603,805	792,638,805	51,345,000	36,547,544	87,892,544
2035-2039	436,505,000	156,856,003	593,361,003	53,490,000	26,035,825	79,525,825
2040-2044	390,370,000	82,871,585	473,241,585	66,595,000	14,516,919	81,111,919
2045-2049	251,425,000	18,238,576	269,663,576	37,865,000	2,716,625	40,581,625
	$ 2,567,405,000	$ 1,306,122,551	$ 3,873,527,551	$ 352,380,000	$ 197,097,904	$ 549,477,904

	Sewer System			Solid Waste System		
	Principal	Interest	Total	Principal	Interest	Total
2020	$ 12,720,000	$ 6,883,848	$ 19,603,848	$ 3,010,000	$ 2,163,681	$ 5,173,681
2021	13,265,000	6,398,001	19,663,001	3,135,000	2,020,881	5,155,881
2022	13,835,000	5,806,565	19,641,565	3,275,000	1,872,131	5,147,131
2023	14,460,000	5,185,458	19,645,458	3,460,000	1,716,681	5,176,681
2024	12,385,000	4,534,348	16,919,348	3,615,000	1,552,281	5,167,281
2025-2029	45,570,000	15,709,059	61,279,059	17,215,000	5,003,156	22,218,156
2030-2034	35,830,000	8,429,950	44,259,950	12,415,000	2,194,850	14,609,850
2035-2039	15,785,000	2,812,794	18,597,794	6,065,000	346,531	6,411,531
2040-2044	6,085,000	1,229,213	7,314,213	-	-	-
2045-2049	3,920,000	336,319	4,256,319	-	-	-
	$ 173,855,000	$ 57,325,555	$ 231,180,555	$ 52,190,000	$ 16,870,192	$ 69,060,192

NOTE 8. LONG -TERM DEBT (CONTINUED)

	Interceptor System			Total All Systems		
	Principal	Interest	Total	Principal	Interest	Total
2020	$ 13,835,000	$ 10,882,298	$ 24,717,298	$ 130,210,000	$ 129,153,127	$ 259,363,127
2021	14,020,000	10,622,311	24,642,311	133,670,000	124,563,906	258,233,906
2022	14,645,000	9,936,886	24,581,886	135,805,000	119,235,277	255,040,277
2023	15,330,000	9,220,961	24,550,961	138,275,000	113,791,639	252,066,639
2024	16,095,000	8,491,711	24,586,711	141,005,000	108,202,435	249,207,435
2025-2029	78,840,000	31,176,206	110,016,206	712,900,000	456,063,652	1,168,963,652
2030-2034	58,260,000	15,926,369	74,186,369	696,885,000	316,702,518	1,013,587,518
2035-2039	32,210,000	6,950,861	39,160,861	544,055,000	193,002,014	737,057,014
2040-2044	15,250,000	3,595,350	18,845,350	478,300,000	102,213,067	580,513,067
2045-2049	14,580,000	1,233,600	15,813,600	307,790,000	22,525,120	330,315,120
	$ 273,065,000	$ 108,036,553	$ 381,101,553	$ 3,418,895,000	$ 1,685,452,755	$ 5,104,347,755

Annual requirements to amortize contracts payable, including interest, are:

	Water System		
	Principal	Interest	Total
2020	$ 1,597,613	$ 860,987	$ 2,458,600
2021	1,649,224	809,377	2,458,601
2022	1,702,502	756,098	2,458,600
2023	1,757,501	701,099	2,458,600
2024	1,814,277	644,323	2,458,600
2025-2029	4,737,610	2,508,776	7,246,386
2030-2034	2,304,670	2,016,731	4,321,401
2035-2039	2,704,719	1,616,682	4,321,401
2040-2044	3,174,209	1,147,192	4,321,401
2045-2049	3,725,194	596,207	4,321,401
2050-2051	1,382,787	67,833	1,450,620
	$ 26,550,306	$ 11,725,305	$ 38,275,611

NOTE 9. DEFERRED INFLOWS OF RESOURCES

At September 30, 2019, deferred inflows of resources consisted of the following:

	Balance at October 1, 2018	Additions	Deletions	Balance at September 30, 2019
Water System:				
Deferred pension inflow	$ 5,939,588	$ -	$ (143,977)	$ 5,795,611
Deferred OPEB inflow	1,039,482	806,469	-	1,845,951
Deferred insurance proceeds	716,542	-	(290,116)	426,426
	7,695,612	806,469	(434,093)	8,067,988
Regional Wastewater:				
Deferred pension inflow	1,591,541	-	(37,395)	1,554,146
Deferred OPEB inflow	243,435	178,749	-	422,184
	1,834,976	178,749	(37,395)	1,976,330
Sewer System:				
Deferred pension inflow	577,540	-	(16,081)	561,459
Deferred OPEB inflow	118,303	92,035	-	210,338
	695,843	92,035	(16,081)	771,797
Solid Waste System:				
Deferred pension inflow	1,439,271	-	(36,570)	1,402,701
Deferred OPEB inflow	197,765	141,447	-	339,212
	1,637,036	141,447	(36,570)	1,741,913
Interceptor System:				
Deferred pension inflow	145,776	-	(5,737)	140,039
Deferred OPEB inflow	39,802	29,379	-	69,181
	185,578	29,379	(5,737)	209,220
Total	$ 12,049,045	$ 1,248,079	$ (529,876)	$ 12,767,248

The Water Fund has an additional deferred inflow that represents an acquisition of net position that applies to a future period. The $426,426 represents the unspent portion of the advance funds the District received from the insurance company for the hail damage repairs during the 2016 fiscal year.

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. An employee will become a participant in the Plan on the first day of the month which coincides with or next follows the attainment of age 21 and the completion of two years of eligibility service.

Benefits Provided

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

- *Normal Retirement (age 65)* — 3% of career compensation plus 1% of all yearly compensation in excess of covered compensation for each year.
- *Early Retirement (over age 55 with at least 20 years of service)* — The annual accrued benefit equals the accrued benefit based on service to the early retirement date, reduced by 5% for each year a member retires before the normal retirement date. There is no reduction in benefits for a member who retires whose age plus years of service total at least 85 (80 effective January 1, 2018).
- *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, 2019, the participants comprised the following:

Active participants	715
Terminated vested participants	100
Disabled Participants	7
Retired participants	146
Beneficiaries	14
Total number of participants	982

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.

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 below. The unfunded actuarial accrued liability is amortized over a closed period of 30 years beginning January 1, 2014.

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

For the plan years ended December 31, 2018, 2017, and 2016, the District made contributions of $6,450,000, $6,765,000, and $5,957,000, respectively which represent 15.72%, 20.14%, and 18.75%, respectively of annual covered payroll. These contributions were based on actuarially determined contribution requirements through an actuarial valuation performed at January 1, 2019, 2018, and 2017.

NOTE 10. RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions

Valuation date	January 1, 2018	January 1, 2019
Measurement date	December 31, 2017	December 31, 2018
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation	2.25%	2.00%
Salary increases including inflation	4.00%	4.00%
Mortality	SOA RP-2014 adjusted to 2006 mortality tables (blue collar) and MP 2017 mortality improvement scales	SOA RP-2014 adjusted to 2006 mortality tables (blue collar) and MP 2018 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 multi-year 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.

Discount Rate

	December 31, 2017	December 31, 2018
Discount rate	8.00%	8.00%
Long-term expected rate of return, net of investment expense	8.00%	8.00%

Long-Term Expected Rate of Return

Asset Class	Index	Target Allocation*	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
US Cash	BAML 3-Mon Tbill	1.00%	0.39%	0.39%
US Short Bonds	Barclays 1-3 Yr Gvt/Credit	4.00%	1.62%	1.58%
US Long Bonds	Barclays LT Gvt/Credit	5.00%	3.01%	2.61%
US Credit Bonds	Barclays Credit	4.00%	3.09%	2.91%
US Large Caps	S&P 500	21.00%	4.72%	3.62%
US Small Caps	Russell 2000	32.00%	5.92%	4.11%
US Large Growth	Russell 1000 Growth	11.00%	5.39%	3.91%
US Large Value	Russell 1000 Value	11.00%	4.65%	3.57%
US Mid Cap Growth	Russell MidCap Growth	11.00%	6.04%	3.86%
Assumed Inflation - Mean			2.30%	2.30%
Assumed Inflation - Standard Deviation			1.66%	1.66%
Portfolio Real Mean Return			5.01%	3.96%
Portfolio Nominal Mean Return			7.33%	6.35%
Portfolio Standard Deviation				14.73%
Long-Term Expected Rate of Return				**8.00%**

* As outlined in the Plan's investment policy dated December 31, 2015

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 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Total pension liability	$ 133,331,972	$ 116,921,100	$ 103,382,226
Fiduciary net position	80,485,836	80,485,836	80,485,836
Net pension liability	52,846,136	36,435,264	22,896,390

Pension Expense

For the year ended September 30, 2019, the District recognized pension expense of $8,964,581 of which $5,383,158 was allocated to the Water System, $1,398,193 was allocated to the Wastewater System, $601,286 was allocated to the Sewer System, $1,367,424 was allocated to the Solid Waste System, and $214,520 was allocated to the Interceptor System. The breakdown of the components of pension expense are as follows:

Pension Expense	October 1, 2017 to September 30, 2018	October 1, 2018 to September 30, 2019
Service cost	$ 2,897,116	$ 3,428,327
Interest on total pension liability	8,582,317	9,450,734
Effect of plan changes	(842,623)	-
Administrative expenses	-	-
Member contributions	-	(97,590)
Expected investment income (net of expense)	(5,793,926)	(6,781,263)
Recognition of deferred inflows/outflows of resources		
Recognition of economic/demographic gains or losses	600,582	1,644,208
Recognition of assumptions changes or inputs	(1,322,756)	(1,727,834)
Recognition of investment gains or losses	628,835	3,047,999
Pension expense	$ 4,749,545	$ 8,964,581

NOTE 10. RETIREMENT PLAN (CONTINUED)

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2019, 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	$ (1,515,132)	$ 13,382,000
Changes of assumptions	(7,938,824)	-
Net difference between projected and actual earnings	-	8,552,184
Contributions made subsequent to measurement date	-	3,550,004
Total	$ (9,453,956)	$ 25,484,188

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 September 30	Amount
2020	$ 3,524,823
2021	2,251,030
2022	2,282,568
2023	2,953,680
2024	625,935
Thereafter	842,192
	$ 12,480,228

Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of September 30, 2018	$ 106,101,709	$ 83,770,223	$ 22,331,486
Changes for the year:			
Service cost	3,428,327		3,428,327
Interest on total pension liability	9,450,734		9,450,734
Effect of plan changes	-		-
Effect of economic/demographic gains or losses	5,496,264		5,496,264
Effect of assumptions changes or inputs	(3,038,517)		(3,038,517)
Benefit payments	(4,517,417)	(4,517,417)	-
Employer contributions		6,450,000	(6,450,000)
Member contributions		97,590	(97,590)
Net investment income		(5,314,560)	5,314,560
Administrative expenses		-	-
Balances as of September 30, 2019	$ 116,921,100	$ 80,485,836	$ 36,435,264

NOTE 10. RETIREMENT PLAN (CONTINUED)

Net Pension Liability - continued

	December 31, 2017	December 31, 2018
Total pension liability	$ 106,101,709	$ 116,921,100
Fiduciary net position	83,770,223	80,485,836
Net pension liability	22,331,486	36,435,264
Fiduciary net position as a % of total pension liability	78.95%	68.84%
Covered payroll	33,587,415	41,021,844
Net pension liability as a % of covered payroll	66.49%	88.82%

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 described above. 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, 2017	December 31, 2018
Assets		
Cash and cash equivalents	$ 578,390	$ 798,902
Receivables and prepaid expenses	-	-
Investments:		
Fixed income	10,949,158	10,872,839
Stocks	72,242,675	68,814,095
Total investments	83,191,833	79,686,934
Total assets	83,770,223	80,485,836
Liabilities		
Total liabilities	-	-
Net position restricted for pensions	$ 83,770,223	$ 80,485,836

NOTE 10. RETIREMENT PLAN (CONTINUED)

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 Pension Expense for FYE 9/30/2019	Amount Recognized in Pension Expense through 9/30/2019	Balance of Deferred Inflows as of 9/30/2019	Balance of Deferred Outflows as of 9/30/2019
Economic/	$ 5,496,264	9/30/2019	7.5	$ 732,732	$ 732,732	$ -	$ 4,763,532
demographic	6,366,137	9/30/2018	7.6	837,650	1,675,300	-	4,690,837
(gains) or	(2,503,263)	9/30/2017	7.6	(329,377)	(988,131)	(1,515,132)	-
losses	8,442,147	9/30/2016	7.5	1,128,629	4,514,516	-	3,927,631
	(4,870,706)	9/30/2015	4.7	(725,426)	(4,870,706)	-	-
		Total		1,644,208	1,063,711	(1,515,132)	13,382,000
Assumption	(3,038,517)	9/30/2019	7.5	(405,078)	(405,078)	(2,633,439)	-
changes or	(1,928,083)	9/30/2018	7.6	(253,695)	(507,390)	(1,420,693)	-
inputs	(1,115,300)	9/30/2017	7.6	(146,750)	(440,250)	(675,050)	-
	(6,898,886)	9/30/2016	7.5	(922,311)	(3,689,244)	(3,209,642)	-
		Total		(1,727,834)	(5,041,962)	(7,938,824)	-
Investment	12,095,823	9/30/2019	5.0	2,419,165	2,419,165	-	9,676,658
(gains) or	(3,891,989)	9/30/2018	5.0	(778,398)	(1,556,796)	(2,335,193)	
losses	(157,685)	9/30/2017	5.0	(31,537)	(94,611)	(63,074)	-
	6,368,973	9/30/2016	5.0	1,273,795	5,095,180	-	1,273,793
	824,874	9/30/2015	5.0	164,974	824,874	-	-
		Total		3,047,999	6,687,812	(2,398,267)	10,950,451
Total for economic/demographic gains or losses and assumption changes or inputs						(9,453,956)	13,382,000
Net deferred (inflows)/outflows for investment gains or losses						-	8,552,184
Total deferred (inflows)/outflows						(9,453,956)	21,934,184
Total net deferrals							12,480,228

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, 2019, the District contributed $1,275,000, related to these benefits, of which $767,995 was allocated to the Water System, $194,235 was allocated to the Wastewater System, $87,275 was allocated to the Sewer System, $193,470 was allocated to the Solid Waste System, and $32,025 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, 2019 were as follows:

Payable from:	Capital Improvement Funds	Restricted Bond Funds	Total Commitments
Regional Water System	$ 107,431,553	$ 887,804,773	$ 995,236,326
Regional Wastewater System	1,589,042	98,581,936	100,170,978
Regional Sewer System	4,102,942	21,865,592	25,968,534
Regional Solid Waste System	378,693	5,169,999	5,548,692
Upper East Fork Interceptor System	978,442	66,093,498	67,071,940
	$ 114,480,672	$ 1,079,515,798	$ 1,193,996,471

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, 2019.

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, 2019, a liability of $6,194,441 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
$ 5,896,275	$ 298,166	$ -	$ 6,194,441

The $6,194,441 reported as landfill closure and postclosure care liability at September 30, 2019, includes $215,179 for Transfer Stations, $1,539,942 for the Maxwell Creek Landfill, $2,870,453 for the McKinney Landfill and $1,568,867 for the 121 Regional Disposal Facility, which represents the cumulative amount reported to date based on the use of 15% 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 $8,939,284 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, 2019. Based upon the current utilization of capacity, the remaining expected life of the 121 Regional Disposal Facility is estimated to be 83 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 $10,000 deductible per occurrence. The District is a member of a public entity risk pool operating as a common risk management and insurance program for a number of water districts and river authorities within the State of Texas. Coverage provided by the pool consists of workers' compensation, general liability, automobile liability, directors' and officers' liability, and automobile physical damage. Annual premiums are paid to the pool. The pool is self-sustaining through member premiums and the purchase of reinsurance through commercial companies. The amount of settlements did not exceed insurance coverage for the last three fiscal years.

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

The liability for insurance claims is based on GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities are based upon the insurance company's figures for the District's liability for termination claims upon the termination of the policy year and the stop loss premium for any claims above the District's liability. Additionally, the liability for unpaid claims includes the effects of specific incremental claims, adjustment expenses, and if probable and material, salvage, and subrogation. The liability is reported with accounts payable and accrued liabilities in the statement of net position. Changes in the employees' health claims liability amount in fiscal September 30, 2019 and 2018 were:

Fiscal Year	Liability Beginning of Year	Claims Incurred and Change in Estimates	Current Year Claim Payments	Liability End of Year
2018	$ 1,764,616	$ 11,419,840	$ 11,336,818	$ 1,847,638
2019	1,847,638	13,054,407	13,145,663	$ 1,756,382

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, 2019, the participants comprised the following:

Actives	705
Retirees	38
Beneficiaries	-
Spouses of Retirees	21
Total number of participants	764

Contributions

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

OPEB Plan Fiduciary Net Position

	September 30, 2018	September 30, 2019
Assets		
Cash and cash equivalents	$ 158,824	$ -
Receivables and prepaid expenses	-	-
Investments:		
Fixed income	2,222,180	2,033,868
Stocks	4,175,627	4,869,514
Real estate	324,034	-
Alternative investments	1,112,322	1,316,447
Total investments	7,834,163	8,219,829
Total assets	7,992,987	8,219,829
Liabilities		
Total liabilities	-	-
Net position restricted for OPEB	$ 7,992,987	$ 8,219,829

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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, 2019, 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)	4.8% for 2019, gradually increasing to an ultimate rate of 5.0% between 2033 and 2041 and gradually decreasing to 3.9% in 2075.
Healthcare Cost Trend Rates (Dental)	4.1% for 2019, gradually increasing until 2027 to a rate of 5.0% through 2036 and increasing to 5.1% through 2041 and gradually decreasing to 3.9% in 2075.

Mortality rates (pre-retirement) were based on the RP-2014 Blue Collar Mortality Table for healthy employees projected backward to 2006 with Mortality Improvement Scale MP-2014 and then forward with Mortality Improvement Scale MP-2018 on a generational basis. Mortality rates (post-retirement) were based on the RP-2000 Blue Collar Mortality Table for healthy annuitants projected with Mortality Improvement Scale MP-2018 on a generational basis.

The plan has not had a formal actuarial experience study performed.

Long-Term Expected Rate of Return

The assumption 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, 2019.

Asset Class	Index	Target Allocation*	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
US Core Fixed Income	Barclays Aggregate	15.00%	1.83%	1.73%
US High Yield Bonds	BAML High Yield	5.00%	4.00%	3.54%
Global Bonds	Citi WGBI	5.00%	0.48%	0.22%
US Large Caps	S&P 500	10.00%	4.44%	3.33%
US Equity Market	Russell 3000	15.00%	4.71%	3.52%
US Small Caps	Russell 2000	6.00%	5.76%	3.91%
US Mid Caps	Russell MidCap	3.00%	4.81%	3.38%
Foreign Developed Equity	MSCI EAFE NR	10.00%	6.06%	4.55%
Emerging Markets Equity	MSCI EM NR	15.00%	8.23%	5.43%

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Long-Term Expected Rate of Return - continued

Asset Class	Index	Target Allocation*	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
Strategic Global Convertibles	HFRI FOF Strategic	5.00%	2.98%	2.50%
Income Opportunity	HFRI Event-Driven	6.00%	3.59%	3.23%
Assumed Inflation - Mean			2.30%	2.30%
Assumed Inflation - Standard Deviation			1.85%	1.85%
Portfolio Real Mean Return			4.54%	3.87%
Portfolio Nominal Mean Return			6.75%	6.15%
Portfolio Standard Deviation				11.61%
Long-Term Expected Rate of Return				**7.50%**

Discount Rate

The plan's fiduciary net position was not 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 single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payments, to the extent that the plan's fiduciary net position is not projected to be sufficient.

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances as of September 30, 2018	$ 12,335,323	$ 7,992,987	$ 4,342,336
Changes for the year:			
Service cost	373,671		373,671
Interest on total OPEB liability	953,174		953,174
Effect of plan changes	-		-
Effect of economic/demographic gains or losses	(1,676,805)		(1,676,805)
Effect of assumptions changes or inputs	(83,112)		(83,112)
Benefit payments	-	-	-
Employer contributions		-	-
Member contributions		-	-
Net investment income		226,842	(226,842)
Administrative expenses		-	-
Balances as of September 30, 2019	$ 11,902,251	$ 8,219,829	$ 3,682,422

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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	$ 12,885,761	$ 11,902,251	$ 11,036,295
Fiduciary net position	8,219,829	8,219,829	8,219,829
Net OPEB liability	4,665,932	3,682,422	2,816,466

The following presents the net OPEB liability of the District, calculated using the current healthcare cost trend rate of 4.8%, as well as what the District's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (3.8%) or 1 percentage point higher (5.8%) than the current healthcare cost trend rate.

	1% Decrease 3.8%	Current Trend Rate 4.8%	1% Increase 5.8%
Total OPEB liability	$ 10,944,996	$ 11,902,251	$ 13,014,948
Fiduciary net position	8,219,829	8,219,829	8,219,829
Net OPEB liability	2,725,167	3,682,422	4,795,119

OPEB Expense

For the year ended September 30, 2019, the District recognized OPEB expense of $502,535. The breakdown of the components of OPEB expense are as follows:

OPEB Expense	October 1, 2017 to September 30, 2018	October 1, 2018 to September 30, 2019
Service cost	$ 406,197	$ 373,671
Interest on total OPEB liability	831,865	953,174
Effect of plan changes	-	-
Administrative expenses	-	-
Member contributions	-	-
Expected investment income (net of expense)	(540,785)	(599,474)
Recognition of deferred inflows/outflows of resources		
Recognition of economic/demographic gains or losses	(19,331)	(221,356)
Recognition of assumptions changes or inputs	(29,899)	(69,912)
Recognition of investment gains or losses	(8,094)	66,432
OPEB expense	$ 639,953	$ 502,535

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Deferred Outflows/Inflows of Resources Related to OPEB

At September 30, 2019, the District reported deferred inflows and outflows of resources from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ (2,322,056)	$ 811,071
Changes of assumptions	(564,810)	70,340
Net difference between projected and actual earnings	-	304,381
Total	$ (2,886,866)	$ 1,185,792

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

Year Ended December 31	Amount
2020	$ (224,836)
2021	(224,834)
2022	(194,281)
2023	(216,740)
2024	(291,268)
Thereafter	(549,115)
	$ (1,701,074)

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

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Schedule of Deferred Inflows and Outflows of Resources Related to OPEB

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 were recognized in OPEB expense as follows:

	Original Amount	Date Established	Original Recognition Period*	Amount Recognized in Expense for FYE 9/30/2019	Amount Recognized in Expense through 9/30/2019	Balance of Deferred Inflows 9/30/2019	Balance of Deferred Outflows 9/30/2019
Economic/ demographic	$ (1,676,805)	9/30/2019	8.3	$ (202,025)	$ (202,025)	$ (1,474,780)	$ -
demographic	1,046,165	9/30/2018	8.9	117,547	235,094	-	$ 811,071
(gains) or losses	(1,257,910)	9/30/2017	9.2	(136,878)	(410,634)	(847,276)	-
		Total		(221,356)	(377,565)	(2,322,056)	811,071
Assumption	(83,112)	9/30/2019	8.3	(10,013)	(10,013)	(73,099)	-
changes or	(634,235)	9/30/2018	8.9	(71,262)	(142,524)	(491,711)	-
inputs	104,429	9/30/2017	9.2	11,363	34,089	-	70,340
		Total		(69,912)	(118,448)	(564,810)	70,340
Investment	372,632	9/30/2019	5.0	74,526	74,526	-	298,106
(gains) or	112,301	9/30/2018	5.0	22,460	44,920	-	67,381
losses	(152,768)	9/30/2017	5.0	(30,554)	(91,662)	(61,106)	-
		Total		66,432	27,784	(61,106)	365,487
Total for economic/demographic gains or losses and assumption changes or inputs						(2,886,866)	881,411
Net deferred (inflows)/outflows for investment gains or losses						-	304,381
Total deferred (inflows)/outflows						(2,886,866)	1,185,792
Total net deferrals						(1,701,074)	

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FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

PENSION & OPEB TREND INFORMATION (UNAUDITED)

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

	Year Ended									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total Pension Liability										
Service cost	$ 3,428	$ 2,897	$ 2,517	$ 3,058	$ 2,166	$ 2,005	N/A	N/A	N/A	N/A
Interest on total pension liability	9,451	8,582	7,643	6,614	6,387	5,854	N/A	N/A	N/A	N/A
Effect of plan changes	-	(843)	-	-	-	N/A	N/A	N/A	N/A	N/A
Effect of economic/ demographic gains or (losses)	5,496	6,366	(2,503)	8,442	(4,871)	1,527	N/A	N/A	N/A	N/A
Effect of assumptions changes or inputs	(3,039)	(1,928)	(1,115)	(6,899)	-	154	N/A	N/A	N/A	N/A
Benefit payments	(4,517)	(3,507)	(3,092)	(2,617)	(2,055)	(1,700)	N/A	N/A	N/A	N/A
Net change in total pension liability	10,819	11,568	3,450	8,599	1,627	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	106,102	94,534	91,085	82,486	80,859	73,020	55,436	47,048	39,331	34,596
Total pension liability, ending (a)	116,921	106,102	94,534	91,085	82,486	80,859	73,020	55,436	47,048	39,331
Fiduciary Net Position										
Employer contributions	$ 6,450	$ 6,765	$ 5,957	$ 4,999	$ 5,595	$ 4,945	N/A	N/A	N/A	N/A
Member contributions	98	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	(5,315)	9,686	5,284	(1,337)	3,689	7,436	N/A	N/A	N/A	N/A
Benefit payments	(4,517)	(3,507)	(3,092)	(2,617)	(2,055)	(1,700)	N/A	N/A	N/A	N/A
Administrative expenses	-	-	-	(195)	(180)	(159)	N/A	N/A	N/A	N/A
Net change in fiduciary net position	(3,284)	12,944	8,149	850	7,049	10,522	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	83,770	70,827	62,678	61,828	54,779	44,257	35,949	32,430	27,146	19,735
Fiduciary net position, ending (b)	80,486	83,770	70,827	62,678	61,828	54,779	44,257	35,949	32,430	27,146
Net pension liability, ending = (a) - (b)	36,435	22,331	23,708	28,407	20,658	26,081	28,763	19,487	14,618	12,185
Fiduciary net position as a % of total pension liability	68.84%	78.95%	74.92%	68.81%	74.96%	67.75%	60.61%	64.85%	68.93%	69.02%
Covered payroll	$ 41,022	$ 33,587	$ 31,778	$ 30,085	$ 26,655	$ 25,929	$ 24,859	$ 24,256	$ 23,572	$ 22,514
Net pension liability as a % of covered payroll	88.82%	66.49%	74.60%	94.42%	77.50%	100.58%	115.70%	80.34%	62.02%	54.12%

Notes to Schedule:

Changes of assumptions. The mortality assumptions were updated from Projection Scale MP-2016 to Projection Scale MP-2017.
Data prior to 2014 is not available. Additional years' information will be displayed as it becomes available.

NOTE: The District implemented GASB Statement No. 68 in FY 2015. Information in this table has been determined as of the measurement date (December 31) of the net pension liability and will ultimately contain information for ten years.

North Texas Municipal Employee Retirement System
Schedule of Employer Contributions
Last 10 Fiscal Years
(Dollar amounts in 1,000s)

	Fiscal Year Ending September 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially Determined Contribution	$ 5,195	$ 5,213	$ 5,034	$ 4,600	$ 4,386	$ 4,504	$ 4,555	$ 3,841	$ 3,291	$ 3,333
Actual Employer Contribution	6,450	6,765	5,957	4,999	5,595	4,945	5,022	3,925	3,345	3,351
Contribution Deficiency (Excess)	(1,255)	(1,552)	(923)	(399)	(1,209)	(441)	(467)	(84)	(54)	(18)
Covered Payroll*	$ 47,598	$ 33,587	$ 31,778	$ 30,085	$ 26,655	$ 25,929	$ 24,859	$ 24,256	$ 23,572	$ 22,514
Contributions as a % of Covered Payroll	13.55%	20.14%	18.75%	16.62%	20.99%	19.07%	20.20%	16.18%	14.19%	14.89%

* Covered payroll for 2019 is for the fiscal year period ending September 30. Covered payroll for 2010-2018 is for the fiscal year period ending December 31 within each year.

North Texas Municipal Employee Other Postemployment Benefits Plan
Schedule of Changes in Net OPEB Liability and Related Ratios
Last 10 Fiscal Years
(Dollar amounts in 1,000s)

	Fiscal Year Ending September 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total OPEB Liability										
Service cost	$ 374	$ 406	$ 432	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total OPEB liability	953	832	826	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes on benefit terms	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/ demographic gains or (losses)	(1,677)	1,046	(1,258)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumptions changes or inputs	(83)	(634)	104	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
Net change in total OPEB liability	(433)	1,650	104	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, beginning	12,335	10,685	10,581	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, ending (a)	11,902	12,335	10,685	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position										
Employer contributions	-	696	600	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net investment income	227	428	600	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in fiduciary net position	227	1,124	1,200	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	7,993	6,869	5,669	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	8,220	7,993	6,869	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net OPEB liability, ending = (a) - (b)	3,682	4,342	3,816	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total OPEB liability	69.06%	64.80%	64.28%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered payroll (as reported with pension data)	$ 47,598	$ 33,587	$ 31,778	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net OPEB liability as a % of covered payroll	7.74%	12.93%	12.01%	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 2018 and 2019.

Changes of assumptions.The mortality table was updated to reflect the MP-2018 improvement scale (from MP-2017)

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,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially Determined Contribution	$ 864	$ 832	$ 669	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Actual Employer Contribution	-	696	600	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution Deficiency (Excess)	864	137	69	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered Payroll	$ 47,598	$ 33,587	$ 31,778	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a % of Covered Payroll	0.00%	2.07%	1.89%	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)	4.8% for 2019, gradually increasing to an ultimate rate of 5.0% between 2033 and 2041 and gradually decreasing to 3.9% in 2075.
Healthcare Cost Trend Rates (Dental)	4.1% for 2019, gradually increasing until 2027 to 5.0% through 2036 and increasing to 5.1% through 2041 and gradually decreasing to 3.9% in 2075.
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-2018 Projection

2017 and 2018 payroll as reported with pension data. 2019 payroll shows fiscal year ending September 30, 2019 reported with OPEB data. Data prior to 2017 is not available. Additional years' information will be displayed as it becomes available.

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APPENDIX B

NORTH TEXAS MUNICIPAL WATER DISTRICT

MISCELLANEOUS STATISTICAL DATA

FISCAL YEAR ENDED SEPTEMBER 30, 2019

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MISCELLANEOUS STATISTICAL DATA

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

Year of Creation	1951
Domicile	Wylie, Texas
District Population	1,700,000
District Service Area	2,200 Square Miles
Water Treatment Plant	420 acres
Average Annual Rainfall	58.52 inches
Total Employees	826

REGIONAL WATER SYSTEM

Raw Water Supply: Safe Yield		
Lake Lavon	102.6	MGD
Lake Texoma	82.8	MGD
Jim Chapman Lake	44.6	MGD
Lake Bonham	4.8	MGD
Lake Tawakoni	45.7	MGD
Wilson Creek Reuse	44.0	MGD
East Fork Raw Water Supply	27.0	MGD
Ray Hubbard Pass Through	18.8	MGD
Total	370.3	MGD

Water Treatment Plants: Capacity		
Wylie - Plant I	70	MGD
Wylie - Plant II	280	MGD
Wylie - Plant III	280	MGD
Wylie - Plant IV	140	MGD
Bonham	6.6	MGD
Tawakoni	30	MGD
Total	806.6	MGD

Transmission Pipelines		
12" to 24" Diameter	116.0	Miles
30" to 54" Diameter	174.0	Miles
60" to 96" Diameter	286.0	Miles
Total	576.0	Miles

RAW WATER PUMP STATIONS

Lavon - 3 sites		
Total raw water pumps	17	
Total raw water pumping capacity	940	MGD
Texoma - 1 site		
Total raw water pumps	4	
Total raw water pumping capacity	125	MGD
Jim Chapman - 1 site		
Total raw water pumps	3	
Total raw water pumping capacity	165	MGD
East Fork Raw Water Supply - 2 sites		
Total raw water pumps	8	
Total raw water pumping capacity	270	MGD
Lake Tawakoni - 2 sites		
Total raw water pumps	7	
Total raw water pumping capacity	168	MGD
Wylie Water Plant - treated water pump stations	7	
Wylie Water Plant - treated water pumping capacity	953.5	MGD
NTMWD treated water storage reservoirs		
Treatment plant storage	42.0	million gallons
Transmission system storage	368.00	million gallons
	410.00	million gallons
Total City delivery points	82	

REGIONAL WASTEWATER SYSTEM

REGIONAL SYSTEM

Regional Wastewater Plants	Permitted Capacity
Floyd Branch RWWTP*	4.750 MGD
South Mesquite RWWTP*	33.000 MGD
Rowlett Creek RWWTP*	24.000 MGD
Wilson Creek RWWTP*	56.000 MGD

SEWER SYSTEM

City	System	
Farmersville	Farmersville No. 1 Plant	0.225 MGD
	Farmersville No. 2 Plant	0.530 MGD
Frisco	Cottonwood Creek Plant**	0.300 MGD
	Panther Creek Plant*	10.000 MGD
	Stewart Creek West Plant*	5.000 MGD
Lavon	Bear Creek Plant	0.250 MGD
Rockwall	North Rockwall Plant*	1.200 MGD
	South Rockwall Plant*	2.250 MGD
Royse City	Royse City Plant	0.500 MGD
Royse City and Fate	Sabine Creek Plant*	3.000 MGD
Seis Lagos MUD	Seis Lagos Plant	0.250 MGD
Wylie and Murply*	Muddy Creek Plant*	10.000 MGD
Wylie	Wylie Plant*	2.000 MGD
Total Treatment Capacity		153.255 MGD

Total number of plants - 17
* Number of plants owned by NTMWD - 11
** The Cottonwood Creek Plant has since been decomissioned

REGIONAL INTERCEPTORS

Regional Interceptors: (Pipeline Length)	
Upper East Fork Interceptor Systems	163.0 Miles
Lakeside Interceptor (Rockwall)	4.3 Miles
Muddy Creek Interceptor	4.2 Miles
Forney Interceptor	7.2 Miles
Sabine Creek Interceptor	3.2 Miles
Parker Creek Interceptor	5.1 Miles
Buffalo Creek Interceptor	16.3 Miles
McKinney Interceptor System	3.1 Miles
Mustang Creek Interceptor System	7.6 Miles
Parker Creek Parallel Interceptor	1.5 Miles
Lower East Fork Interceptor	9.4 Miles
Total	224.7 Miles

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APPENDIX C

NORTH TEXAS MUNICIPAL WATER DISTRICT
REGIONAL WASTEWATER SYSTEM

WATERWORKS AND SEWER SYSTEM FINANCIAL DATA [1][2]
FOR CERTAIN MEMBER CITIES

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(1) Financial data is being presented herein only for the Member Cities which meet the definition of a "Significant Obligated Person" for purposes of continuing disclosure as described herein under "OTHER INFORMATION – Continuing Disclosure of Information."

(2) The following condensed operating schedules in this Appendix C have been compiled using a presentation customarily employed in the determination of net revenues available for debt service, and in all instances exclude depreciation, transfers, debt service payments and expenditures identified as capital.

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CITY OF MESQUITE

WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2019	2018	2017	2016	2015
Revenues [1]	$ 70,519,694	$ 68,430,178	$ 63,465,144	$ 59,676,483	$ 53,676,246
Expenditures [2]					
Personal Services	$ 6,921,044	$ 6,865,091	$ 6,940,303	$ 6,470,854	$ 6,062,692
Supplies	278,465	534,318	383,017	1,598,254	1,353,570
Contractual Services	46,507,634	39,770,192	36,333,541	33,411,148	30,126,661
Transfers Out	1,072,020	5,072,020	6,265,095	5,419,554	-
	$ 54,779,163	$ 52,241,621	$ 49,921,956	$ 46,899,810	$ 37,542,923
Net Income	$ 15,740,531	$ 16,188,557	$ 13,543,188	$ 12,776,673	$ 16,133,323
Water Customers	40,709	40,633	40,471	40,304	40,115
Sewer Customers	38,972	38,877	38,735	38,601	38,811

Waterworks and Sewer System Revenue Bonds Outstanding (as of 9-30-19)	$ 85,235,000
Average Annual Principal and Interest Requirements, 2020-2039	$ 5,520,543
Coverage of Average Annual Principal and Interest Requirements by 9-30-19 by Net Income	2.85 Times
Interest and Sinking Fund (as of 9-30-19)	$ 3,021,000
Reserve Fund (as of 9-30-19)	$ 808,652

(1) Includes operating and non-operating income
(2) Effective with fiscal year 2016, transfers out are included in Expenditures.
(3) Remaining required balance with surety bond policies.

MONTHLY WATER RATES - (EFFECTIVE OCTOBER 1, 2019)

Residential and Commercial		
0.625 inch meter	$ 15.16	(Minimum)
1.000 inch meter	21.06	(Minimum)
1.500 inch meter	28.06	(Minimum)
2.000 inch meter	35.06	(Minimum)
3.000 inch meter	42.06	(Minimum)
4.000 inch meter	49.06	(Minimum)
6.000 inch meter	54.90	(Minimum)
0-1,000 gallons	$ -	included in minimum
1,001 - 5,000 gallons	6.58	per 1,000 gallons
5,001 - 10,000 gallons	7.08	per 1,000 gallons
10,001 - 50,000 gallons	7.43	per 1,000 gallons
50,001 - 70,000 gallons	7.78	per 1,000 gallons
70,001 - 500,000 gallons	8.14	per 1,000 gallons
Over 500,000 gallons	6.73	per 1,000 gallons
Apartments (per unit)		
0-1,000 gallons	$ -	minimum per unit(1)
1,001 - 5,000 gallons	6.58	per 1,000 gallons per unit(1)
5,001 - 10,000 gallons	7.08	per 1,000 gallons per unit(1)
10,001 - 50,000 gallons	7.43	per 1,000 gallons per unit(1)
50,001 - 70,000 gallons	7.78	per 1,000 gallons per unit(1)
70,001 - 500,000 gallons	8.14	per 1,000 gallons per unit(1)
Over 500,000 gallons	6.73	per 1,000 gallons per unit(1)

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

MONTHLY SEWER RATES - (EFFECTIVE OCTOBER 1, 2019)

Residential	
First 1,000 Gallons of water used	$16.39
Over 1,000 Gallons if water used	
(8,000 gallons maximum)	$6.44/1,000 gallons
Commercial	
First 1,000 Gallons of water used	$16.39
Over 1,000 Gallons if water used	$6.44/1,000 gallons
Apartments	
First 1,000 Gallons of water used	$16.39
Over 1,000 Gallons if water used	$6.44/1,000 gallons

CITY OF PLANO

WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2019	2018	2017	2016	2015
Revenues	$ 168,466,426	$ 170,102,046	$ 144,235,884	$ 141,042,921	$ 132,436,606
Expenditures (1)					
Water Purchased	$ 74,718,352	$ 72,334,642	$ 65,688,523	$ 59,057,251	$ 50,579,800
Sewer Contract	32,027,437	31,430,015	30,197,147	27,597,420	24,639,784
Other	35,138,202	32,072,386	32,921,969	32,293,404	29,136,782
	$ 141,883,991	$ 135,837,043	$ 128,807,639	$ 118,948,075	$ 104,356,366
Net Income	$ 26,582,435	$ 34,265,003	$ 15,428,245	$ 22,094,846	$ 28,080,240
Water Customers	81,772	81,346	84,081	82,388	80,371
Sewer Customers	79,232	78,952	79,225	77,767	77,591

(1) Excludes depreciation and bonded debt amortization.

Waterworks and Sewer System Revenue Bonds Outstanding (as of 1/31/20)	$ 32,515,000
Average Annual Principal and Interest Requirements, 2020-2036	$ 2,594,644
Coverage of Average Annual Principal and Interest Requirements by 9-30-19 by Net Income	10.25 Times

MONTHLY WATER RATES

(Effective November 1, 2019)

All Residential Meter Charges

Meter Size	Rate	Meter Size	Rate
up to 3/4"	$ 25.00	1 1/2"	$ 110.68
1"	25.00	2"	174.68

Residential Consumption Charges

First	1,000 Gallons	Included in Minimum Meter Charge
	1,001 - 5,000 Gallons	$0.77 per 1,000 Gallons
	5,001 - 20,000 Gallons	$3.78 per 1,000 Gallons
	20,001 - 40,000 Gallons	$7.56 per 1,000 Gallons
	All over 40,000 Gallons	$9.16 per 1,000 Gallons

SEWER RATES

(Effective November 1, 2019)

All Residential Consumption Charges

Minimum Meter Charge	$14.67
First 1,000 Gallons	Included in Minimum Meter Charge
All over 1,000 Gallons	$5.80 per 1,000 Gallons

All Non-Residential Consumption Charges

First 1,000 Gallons	Included in Minimum Meter Charge
All over 1,000 Gallons	$5.80 per 1,000 Gallons

CITY OF RICHARDSON, TEXAS

WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2019	2018	2017	2016	2015
Revenues	$ 81,562,045	$ 79,302,800	$ 69,006,580	$ 64,002,691	$ 60,347,922
Expenditures [(1)]					
Sewage Disposal Contract	$ 19,273,271	$ 16,344,041	$ 14,256,944	$ 13,700,322	$ 12,183,605
Water Purchased	30,820,711	29,720,231	26,680,040	24,219,789	20,750,908
Other	24,822,340	23,960,704	24,349,888	20,005,163	18,396,572
	$ 74,916,322	$ 70,024,976	$ 65,286,872	$ 57,925,274	$ 51,331,085
Net Income	$ 6,645,723	$ 9,277,824	$ 3,719,708	$ 6,077,417	$ 9,016,837
Water Customers	22,773	24,203	22,522	33,249	33,046
Sewer Customers	30,121	30,016	29,983	29,869	29,681

(1) Excludes depreciation and bonded debt amortization.

MONTHLY WATER RATES – EFFECTIVE NOVEMBER 1, 2019

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

Water Usage Charges:		Rate		
0 to 11,000	Gallons	$ 6.61	per 1,000	Gallons
11,001 to 20,000	Gallons	7.16	per 1,000	Gallons
20,001 to 40,000	Gallons	7.46	per 1,000	Gallons
40,001 to 60,000	Gallons	8.68	per 1,000	Gallons
All over 60,000	Gallons	9.08	per 1,000	Gallons

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

Homeowner Association Irrigation Rates

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

MONTHLY SEWER RATES – EFFECTIVE NOVEMBER 1, 2019

Monthly Minimum Charge	$ 8.00
Rates per 1,000 gallons and portion of metered water:	
0 to 11,000	$ 4.71
All over 11,000	$ 9.34

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

CITY OF MCKINNEY, TEXAS

WATERWORKS AND SEWER SYSTEM STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2019	2018	2017	2016	2015
Revenues	$ 97,348,390	$ 94,797,855	$ 80,127,546	$ 71,714,020	$ 59,442,114
Expenses					
Water Purchased	$ 54,249,763	$ 49,182,830	$ 44,038,937	$ 39,129,803	$ 33,894,557
Contract Payments	5,229,837	5,178,748	4,480,309	4,211,032	3,282,479
Other	16,339,100	17,068,637	13,472,405	14,256,935	12,633,025
Total Expenses	$ 75,818,700	$ 71,430,215	$ 61,991,651	$ 57,597,770	$ 49,810,061
Net Income	$ 21,529,690	$ 23,367,640	$ 18,135,895	$ 14,116,250	$ 9,632,053
Water Customers	60,730	58,955	56,512	53,989	51,636
Sewer Customers	61,337	55,736	53,352	50,865	48,449

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

Waterworks and Sewer System Revenue Bonds Outstanding (as of 1/31/20)	$ 133,020,000
Average Annual Principal and Interest Requirements, 2020-2039	$ 9,099,567
Coverage of Average Annual Principal and Interest Requirements by 9-30-19 Net Income	2.37 times
Maximum Principal and Interest Requirement, 2020	$ 13,614,824
Coverage at Maximum Principal and Interest Requirement	1.58 times
Interest and Sinking Fund (as of 9-30-19)	$ 8,476,386
Reserve Fund (as of 9-30-19)	$ 7,764,448

MONTHLY WATER RATES – (EFFECTIVE OCTOBER 1, 2019)

Residential Meters	$	16.50
Non-residential & ALL Irrigation Meters:		
3/4 inch	$	16.50
1 inch	$	28.95
1 1/2 inch	$	49.60
2 inch	$	69.55
3 inch	$	122.45
4 inch	$	182.05
6 inch	$	339.40
8 inch	$	670.45
10 inch	$	1,268.65
12 inch	$	2,371.75
Volumetric Rates per 1,000 Gallons:		
Residential & ALL Irrigation Meters:		
1 to 7,000 Gallons	$	4.00
7,001 to 20,000 Gallons	$	5.50
20,000 to 40,000 Gallons	$	6.95
More than 40,000 Gallons	$	8.35

MONTHLY WASTEWATER RATES – (EFFECTIVE OCTOBER 1, 2019)

Residential Meters	$	18.80
Non-residential Meters:		
3/4 inch	$	18.80
1 inch	$	30.85
1 1/2 inch	$	50.95
2 inch	$	66.30
3 inch	$	104.00
4 inch	$	147.40
6 inch	$	251.85
8 inch	$	492.85
8 inch	$	1,014.55
8 inch	$	2,069.35
Volumetric Rates per 1,000 Gallons:		
Residential Meters:		
1 to 8,000 Gallons (Using Winter Quarter Avg.)	$	5.25
Municipal Sewer Rate	$	4.00
All Other Meters	$	5.25

APPENDIX D

FORM OF BOND COUNSEL'S OPINION

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July 29, 2020

NORTH TEXAS MUNICIPAL WATER DISTRICT
REGIONAL WASTEWATER SYSTEM REVENUE BONDS,
SERIES 2020A
DATED JUNE 15, 2020
$35,130,000

AS BOND COUNSEL for the North Texas Municipal Water District (the "Issuer"), in connection with the issuance of the Regional Wastewater System Revenue Bonds, Series 2020A (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Bonds. Terms used herein and not otherwise defined shall have the meaning given in the Resolution of the Issuer authorizing the issuance and sale of the Bonds (the "Resolution").

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

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized and the Initial Bond has been duly issued and delivered, all in accordance with law, and that, except as may be limited by laws relating to sovereign immunity and to bankruptcy, reorganization, and other similar matters affecting creditors' rights, (i) the covenants and agreements in the Bond Resolution constitute valid and binding obligations of the Issuer, and the Initial Bond constitutes and Definitive Bonds will constitute valid and legally binding special obligations of the Issuer, which, together with other bonds, are secured by and payable from a first lien on and pledge of the Issuer's "Pledged Revenues," as defined in the Bond Resolution, including the Gross Revenues of the Issuer's Trinity East Fork Regional Wastewater System, and including specifically certain payments to be received by the Issuer from the Cities of Mesquite, Plano, Richardson, Allen, McKinney, Forney, Frisco, Princeton, Rockwall, Heath, Prosper, and Seagoville, Texas (collectively, the "Member Cities"), and any future Additional Member Cities, under the "Trinity East Fork Regional Wastewater System Contract", dated October 1, 1975, among the Cities of Mesquite and Plano and the Issuer, the "City of Richardson-Trinity East Fork Regional Wastewater System Contract", dated January 9, 1978, and amended as of December 1, 1985, between the City of Richardson and the Issuer, the "City of Allen-Trinity East Fork Regional Wastewater System Contract", dated August 24, 1978, between the City of Allen and the Issuer, the "City of McKinney-Trinity East Fork Regional Wastewater System Contract", dated August 23, 1979, between the City of McKinney and the Issuer, the "City of Forney - Trinity East Fork Regional Wastewater System

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

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

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

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

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

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

EXCEPT AS STATED ABOVE, we express no opinion as to any other tax consequences of acquiring, carrying, owning, or disposing of the Bonds.

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

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

Respectfully,

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APPENDIX E

KESTREL VERIFIERS
SECOND PARTY OPINION

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SECOND PARTY OPINION

GREEN BONDS

SUMMARY

Kestrel Verifiers is of the opinion that the Regional Wastewater System Revenue Bonds (Green Bonds) conform with the four pillars of the Green Bond Principles 2018 as follows:

Use of Proceeds

The District intends to use bond proceeds for system improvements at three separate District owned wastewater facilities. Projects include improvements to peak flow capacity, electrical systems, and solids handling. The improvements support environmental conservation objectives and are eligible in the Sustainable Wastewater Management project category of the Green Bond Principles.

Process for Project Evaluation and Selection

The North Texas Municipal Water District Board of Directors and various committees meet regularly to discuss and approve projects that align with long term plans and the District's vision. Kestrel Verifiers evaluated the bond financed projects for conformance with the Sustainable Wastewater Management project category of the Green Bond Principles.

Management of Proceeds

100% of the bond proceeds shall be allocated and restricted for improvements within the Regional Wastewater System.

Reporting

The District has agreed to annually post continuing disclosures to the Municipal Securities Rulemaking Board (MSRB) on the Electronic Municipal Market Access (EMMA) system.

The Green Bond Principles

ISSUER
North Texas Municipal Water District, Texas

OPINION ON
Regional Wastewater System Revenue Bonds, Series 2020A (Green Bonds)

GREEN CATEGORY
Sustainable Wastewater Management

EVALUATION DATE
June 25, 2020

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SECOND PARTY OPINION

Par:	$35,130,000
Issuer:	North Texas Municipal Water District, Texas
Issue Description:	Regional Wastewater System Revenue Bonds, Series 2020A (Green Bonds)
Project:	Wastewater System Improvements
Green Category:	Sustainable Wastewater Management
Evaluation Date:	June 25, 2020

SECOND PARTY OPINION SUMMARY

Based on our independent verification, the Regional Wastewater System Revenue Bonds, Series 2020A (Green Bonds) ("Wastewater Revenue Bonds") conform, in all material respects, with the Green Bond Principles (2018). By providing comprehensive and efficient wastewater treatment services, North Texas Municipal Water District (NTMWD) supports environmental objectives including natural resource conservation and pollution prevention and control. It is the opinion of Kestrel Verifiers that these bonds are in complete alignment with the Sustainable Wastewater Management category of the Green Bond Principles.

GREEN BONDS DESIGNATION

Kestrel Verifiers, an Approved Verifier accredited by the Climate Bonds Initiative, conducted an independent external review of this bond to evaluate conformance with the Green Bond Principles (June 2018) established by the International Capital Market Association.

This Second Party Opinion reflects our review of the uses and allocation of proceeds and oversight and conformance of the bonds with the Green Bond Principles. In our opinion, the Wastewater Revenue Bonds issued by the District are aligned with the four pillars of the Green Bond Principles and qualify for green bonds designation.

ABOUT THE ISSUER

The NTMWD serves 2,200 square miles in nine counties and 13 Member Cities in North Central Texas. The District provides a combination of water, wastewater, and solid waste services to these areas and maintains multiple facilities. A total of 24 cities, communities, and special utility districts receive wastewater services from the District. The Regional Wastewater System includes the Mesquite Wastewater Treatment Plant, the Floyd Branch Wastewater Treatment Plant (Richardson), the Rowlett Creek Wastewater Treatment Plant (Plano), the Wilson Creek Wastewater Treatment Plant, and the Sister Grove Water Resource Recovery Facility (currently under construction). Treatment capacity of the existing regional facilities is 118 million gallons per day. In addition to the regional facilities, NTMWD owns and maintains seven additional local facilities in Member Cities.

NTMWD has multiple ongoing sustainable water and wastewater management plans and projects.

- The District was awarded a 2020 Texas Conservation Award for their Lavon Lake Watershed Protection Plan. The award is provided by the Texas State Soil and Water Conservation Board and the Association of Texas Soil and Water Conservation Districts to recognize the ongoing conservation efforts of the district.

- The District is planning the Sister Grove Regional Water Resource Recovery Facility in anticipation of rapid population growth. The Facility will treat wastewater prior to release into surface water bodies, thereby reducing discharge of harmful pollutants into regional watersheds.

- The East Fork Water Reuse Project, operating since 2009, is the largest man-made wetland, using reclaimed water to augment a surface water supply source, in the United States. The reuse project was designed specifically to mimic the natural processes of wetland ecosystems. The project removes nutrients and sediment from treated wastewater prior to discharge into Lavon Lake. Water from Lavon Lake is subsequently treated at Wylie Water Treatment Plant for distribution across the region. NTMWD diverts and treats more than 14 billion gallons annually making it the largest wastewater reuse program in the state of Texas.

- The District's 2019 Draft Water Conservation Plan includes goals for water reuse and recycling and guides the District's vision of water resources sustainability.

THE BOND-FINANCED PROJECT

Proceeds from the Wastewater Revenue Bonds will finance multiple projects at three different regional wastewater treatment plants owned by the District. Table 1 summarizes the projects to be funded with these bond proceeds.

South Mesquite Regional Wastewater Treatment Plant (South Mesquite RWWTP)
South Mesquite has a current permitted treatment capacity of 33 million gallons per day (MGD). Improvements to the solids handling process will allow the facility to expand to 41 MGD. The regional solids handling improvements will include a 2,900 square foot solids operations and control building, a new dewatering building, an aerated sludge blend tank, and other equipment for efficient solids management. The Peak Flow Management and Expansion (Phase I) project has an overall objective to identify a peak flow management strategy and includes a new peak flow basin and lift station to handle increased capacity.

Rowlett Regional Wastewater Treatment Plant (Rowlett RWWTP)
Electrical system upgrades at Rowlett Creek are necessary for plant operations and maintenance. Recent capital projects have aimed to increase the peak flow capacity at Rowlett RWWTP to 60 million gallons per day to reduce impact on Wilson Creek RWWTP. Phase 1 is intended to increase capacity by 17.5 million gallons per day. The 6,000 square foot operations building to be built at Rowlett Creek WWTP will replace the existing Operations Building that was built in the mid-1970's and the temporary trailer on site that houses offices for operations staff.

Floyd Branch Regional Wastewater Treatment Plant (Floyd Branch RWWTP)
The Floyd Branch RWWTP has a current capacity of 4.75 million gallons per day and has recently undergone a planning phase with the development of the Floyd Branch Regional WWTP Master Plan. The District aims to update the Plant's facilities to avoid exceedance of permitted peak flows.

Table 1: Wastewater System Improvement projects receiving funds from the 2020A bond proceeds

Project	Budgeted 2020A Funds	Phase
South Mesquite Regional Wastewater Treatment Plant (WWTP) System Peak Flow Management and Expansion Phase I	$4,550,000	Design & Preconstruction
Rowlett Creek Regional WWTP Operations Building	$2,705,000	Construction & Inspection
South Mesquite Regional WWTP Solids Handling Improvements	$25,800,000	Construction & Inspection
Rowlett Creek Regional WWTP Electrical Improvement	$1,500,000	Construction
Floyd Branch Regional WWTP Peak Flow Management	$1,400,000	Design

ALIGNMENT TO GREEN STANDARDS

Green Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Projects and which are aligned with the four core components of the Green Bonds Principles ("pillars") which include: Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds, and Reporting (International Capital Market Association definition).

Use of Proceeds

The Wastewater Revenue Bonds will be used to finance the District's wastewater system improvements exclusively. Projects financed by the Series 2020A bonds are eligible green projects as defined by the Green Bond Principles in the Sustainable Wastewater Management project category.

The projects selected for funding consider the impact of rapid population growth in the region and the need to increase treatment capacity while preserving natural resources. Environmental objectives, including a reduced environmental impact and improved water quality, are achieved with electrical efficiency improvements, and improved filtration and solids handling. Additionally, increased capacity to handle peak flows will help ensure the reliability and long-term sustainability of the District's wastewater system.

The project conforms with the Green Bond Principles:

BOND LABEL	ELIGIBILITY CRITERIA
The Green Bond Principles	Sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation

Process for Project Evaluation and Selection

The District is committed to long term planning that accounts for a projected doubling of its service area by 2050 to over 3 million residents. The District is also dedicated to maintaining environmental regulatory compliance. The Strategic Plan for 2019-2024 maps NTMWD's vision and mission for both water and wastewater services and includes objectives ranging from public education, maintenance of a reliable and resilient system, to environmental stewardship.

NTMWD is managed by a Board of Directors made up of 25 appointed representatives and various committees that meet regularly to discuss and approve capital projects. Various master plans guide maintenance and capital improvement needs. For example, the 2017 South Mesquite Creek Regional Wastewater Treatment Plant Long-Range Master Plan recommended improvements to the solids dewater and handling process.

Management of Proceeds

100% of the bond proceeds are required to be allocated to the Wastewater System. Bond proceeds will be deposited to the Construction Fund which is restricted by the designated purpose of the bonds. Also, NTMWD participates in the Texas Public Accountants' Transparency Stars program which recognizes participants for providing clear and accessible financial information to stakeholders.

Reporting

So long as the Revenue Bonds are outstanding, the District will submit continuing disclosures to the Municipal Securities Rulemaking Board (MSRB). The District will also provide reports in the event of material developments. This reporting will be done annually on the Electronic Municipal Market Access (EMMA) system operated by the MSRB. Additionally, NTMWD provides project updates in their Annual Reports and on their Projects website (https://www.ntmwd.com/projects/ Accessed June 2020).

ABOUT KESTREL VERIFIERS

For 20 years, Kestrel has been a trusted consultant in environmental finance. Kestrel Verifiers, a division of Kestrel 360, is a Climate Bonds Initiative Approved Verifier qualified to verify transactions in all asset classes worldwide. Kestrel is a US-based, Woman-Owned Small Business and is certified as a Women's Business Enterprise.

For more information, visit www.kestrelverifiers.com.

DISCLAIMER

This opinion aims to explain how and why the discussed financing meets the ICMA Green Bond Principles based on the information which was available to us during the time of this engagement (June 2020) only. By providing this opinion, Kestrel Verifiers is not certifying the materiality of the projects financed by the Green Bonds. It was beyond Kestrel Verifiers' scope of work to review issues relating to regulatory compliance and no surveys or site visits were conducted. Furthermore, we are not responsible for surveillance on the project or use of proceeds. The opinion delivered by Kestrel Verifiers does not address financial performance of the Green Bonds or the effectiveness of allocation of its proceeds. This opinion does not make any assessment of the creditworthiness of the Issuer, or its ability to pay principal and interest when due. This is not a recommendation to buy, sell or hold the Bonds. Kestrel Verifiers is not liable for consequences when third parties use this opinion either to make investment decisions or to undertake any other business transactions. This Opinion may not be altered without the written consent of Kestrel Verifiers. Kestrel Verifiers certifies that there is no affiliation, involvement, financial or non-financial interest in the issuer or the projects discussed. Language in the offering disclosure supersedes any language included in this Second Party Opinion.

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