HTS Continuing Disclosure Services
A Division of Hilltop Securities.
(See "Continuing Disclosure of Information" herein)

PRELIMINARY OFFICIAL STATEMENT

REVISED
Dated September 17, 2024

Rating:
S&P: "AA-"
Moody's: "Aa3"
(See "Bond Insurance and "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 federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.

THE BONDS ***WILL NOT*** BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

$24,130,000*
NORTH TEXAS MUNICIPAL WATER DISTRICT
MUSTANG CREEK WASTEWATER INTERCEPTOR SYSTEM
CONTRACT REVENUE BONDS, SERIES 2024

Dated Date: September 15, 2024 **Due: June 1, as shown below**
Interest Accrues: Delivery Date (defined below)

PAYMENT TERMS . . . Interest on the $24,130,000* North Texas Municipal Water District Mustang Creek Wastewater Interceptor System Contract Revenue Bonds, Series 2024 (the "Bonds") will accrue from the date of initial delivery thereof (the "Delivery Date") to the initial purchaser there of (the "Initial Purchaser"), and will be payable on June 1 and December 1 of each year until maturity or prior redemption, commencing June 1, 2025, 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 being issued pursuant to Chapter 62, Acts of the 52nd Legislature, Regular Session, 1951, as amended (the "District Act"), Chapter 30, Texas Water Code, as amended, Chapter 1371, Texas Government Code, as amended, and other applicable laws, and a resolution (the "Resolution") approved by the Board of Directors of the District. The Bonds are special obligations of North Texas Municipal Water District (the "District") secured by and payable, both as to principal and interest, solely from payments to be received by the District from the City of Forney (the "City") from the gross revenues of the City's Waterworks and Sewer System, to the extent required and provided in the North Texas Municipal Water District – Mustang Creek Wastewater Interceptor System Contract (the "Contract"), duly executed between the District and City of Forney (see Appendix A, attached) and from payments from future Additional Participants, if any, as permitted by the Contract.

PURPOSE . . . Proceeds from the sale of the Bonds will be used (i) to fund the Forney Mustang Creek Lift Station, Parallel Force Main and other System Improvements, (ii) to fund a debt service reserve fund to the extent necessary and (iii) for paying the cost of issuance of the Bonds.

BOND INSURANCE . . . The District has submitted applications to municipal bond insurance companies to have the payment of the principal and interest on the Bonds insured by a municipal bond insurance policy. In the event the Bonds are qualified for municipal bond insurance, the Initial Purchaser may elect to purchase, at its sole expense, municipal bond insurance to insure the Bonds. (See "Bond Insurance" and "Bond Insurance - Bond Insurance Risk Factors" herein.)

MATURITY SCHEDULE* **CUSIP Prefix: 66286P [(1)]**

Principal Amount	Maturity June 1	Rate	Price/ Yield	CUSIP Suffix [(1)]	Principal Amount	Maturity June 1	Rate	Price/ Yield	CUSIP Suffix [(1)]
$ 795,000	2025				$ 750,000	2040			
380,000	2026				790,000	2041			
400,000	2027				830,000	2042			
420,000	2028				870,000	2043			
440,000	2029				915,000	2044			
460,000	2030				960,000	2045			
485,000	2031				1,000,000	2046			
510,000	2032				1,045,000	2047			
535,000	2033				1,090,000	2048			
560,000	2034				1,140,000	2049			
590,000	2035				1,190,000	2050			
620,000	2036				1,240,000	2051			
650,000	2037				1,300,000	2052			
680,000	2038				1,355,000	2053			
715,000	2039				1,415,000	2054			

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

REDEMPTION OPTION. . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after June 1, 2034, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on June 1, 2033, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption")

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

DELIVERY. . . It is expected that the Bonds will be available for delivery through the facilities of DTC on October 24, 2024.

BIDS DUE THURSDAY, SEPTEMBER 26, 2024, AT 10:00 AM, CDT

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

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

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

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

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the representation, promise, or guarantee of the 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 for each series of Bonds contains certain information for general reference only and is not intended as a summary of the respective 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 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 $24,130,000* Mustang Creek Wastewater Interceptor System Contract Revenue Bonds, Series 2024. The Bonds mature on June 1 in each of the years and in the amounts shown on the cover 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"), and is payable on June 1, 2025, 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 a Reserve Fund an aggregate amount of money and/or investments equal in market value to the average annual principal and interest requirements on all outstanding parity bonds (the "Reserve Required Amount"). A portion of the Reserve Fund will be funded with proceeds of the Bonds.

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 payable, both as to principal and interest, solely from payments to be received by the District from the City of Forney (the "City") from gross revenues of the City's Wastewater System and, pursuant to terms and conditions of the Contract and Resolution (as such terms are defined herein) as more fully described herein and payments from future Additional Participants, if any, as permitted by the Contract, (see "The Bonds – Security and Source of Payment" and Appendix A, attached). The Bonds are on a parity in all respects with the $29,165,000 currently outstanding amount of Mustang Creek Wastewater Interceptor System Contract Revenue Bonds (the "Outstanding Bonds") and any Additional Bonds (hereinafter defined) issued on a parity with the Parity Bonds (hereinafter defined) under the Resolution.

OPTIONAL REDEMPTION .... The District reserves the right, at its option, to redeem Bonds having stated maturities on and after June 1, 2034, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on June 1, 2033, 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 (i) to fund the Forney Mustang Creek Lift Station, Parallel Force Main and other System Improvements, (ii) to fund a debt service reserve fund to the extent necessary and (iii) for paying the cost of issuance of the Bonds.

MUNICIPAL BOND INSURANCE AND RATINGS .... Applications have been made for a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies, other than S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") and Moody's Investor Services, Inc. ("Moody's") as a result of such insurance, will be paid by the Initial Purchaser. The Bonds and the Outstanding Bonds are rated "AA-" by S&P and "Aa3" by Moody's (see "BOND INSURANCE" and "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. 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 Bonds are the fourth series of obligations payable from payments under the Contract. The City has never defaulted in payment of its own obligations.

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* Preliminary, subject to change.

NORTH TEXAS MUNICIPAL WATER DISTRICT
DISTRICT OFFICIALS, STAFF AND CONSULTANTS

BOARD OF DIRECTORS

George Crump, Farmersville, President
David Hollifield, Royse City, Vice President
Donald Imrie, Rockwall, Secretary

ALLEN	FORNEY	FRISCO	GARLAND
Joe Farmer	Alan McCuistion	Richard Peasley	Jack May
James Kerr	Raymond Stephens	George Purefoy	Lori Barnett Dodson
McKINNEY	**MESQUITE**	**PLANO**	**PRINCETON**
Geralyn Kever	Terry Sam Anderson	Ron Kelley	Jody Sutherland
Donald E. Paschal, Jr.	Rick Mann	Phil Dyer	Larry Thompson
RICHARDSON	**ROCKWALL**	**ROYSE CITY**	**WYLIE**
Randy Roland	Rick Crowley	Blair Johnson	Marvin Fuller
John Sweeden			Keith Stephens

MANAGEMENT & STAFF

Executive Director/General Manager . . . . Jennafer P. Covington

Assistant General Manager - Chief Financial Officer. . . . . Jeanne Chipperfield

Assistant General Manager - Planning & Engineering. . . . . Cesar Baptista

Assistant General Manager - Water & Wastewater. . . . . Billy George

Assistant General Manager - Solid Waste & Integrated Services. . . . . Jeff Mayfield

CONSULTANTS AND ADVISORS

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 contract:

Ms. Jeanne Chipperfield		Mr. Nick Bulaich
Mr. Drew Farris		Mr. David K. Medanich
North Texas Municipal Water District	or	Hilltop Securities Inc.
P.O. Box 2408		777 Main Street, Suite 1525
Wylie, Texas 75098		Fort Worth, TX 76102
(972) 442-5405		(817) 332-9710

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PRELIMINARY OFFICIAL STATEMENT

RELATING TO

$24,130,000*
NORTH TEXAS MUNICIPAL WATER DISTRICT
MUSTANG CREEK WASTEWATER INTERCEPTOR SYSTEM
CONTRACT REVENUE BONDS, SERIES 2024

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $24,130,000* North Texas Municipal Water District Mustang Creek Wastewater Interceptor System Contract Revenue Bonds, Series 2024. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the resolution (the "Resolution" or the "Bond Resolution") to be adopted on the date of sale of the Bonds which will authorize the issuance of the Bonds, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the 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. ("HilltopSecurities"), Fort Worth, Texas.

THE NORTH TEXAS MUNICIPAL WATER DISTRICT

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

The District currently serves a 2,200 square-mile area located in ten counties in the State of Texas and comprises all of the territory of its current District 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 District Member Cities, the "District Member Cities"). The District's Administrative Office is located at 505 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 Mustang Creek Wastewater Interceptor System, the District, in cooperation with certain area cities, has established and implemented the Regional Water System, the Trinity East Fork Regional Wastewater 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 Trinity East fork Regional Wastewater 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 Mustang Creek Wastewater Interceptor System facilities to be provided by the District with proceeds of the Bonds pursuant to the Contract are not part of any of the District's regional systems as noted above. The Bonds are payable solely from revenues derived from the City, pursuant to terms and conditions of the Contract.

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* Preliminary, subject to change.

THE BONDS

Description of the Bonds . . . The Bonds are dated September 15, 2024, and mature, subject to optional redemption prior to maturity, on June 1 in each of the years and in the amounts shown on the cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Interest on the bonds will accrue from the date of initial delivery thereof (the "Delivery Date") and will be payable on June 1 and December 1, commencing June 1, 2025, of each year until maturity or prior redemption. The 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") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "Book-Entry-Only System" herein.

Authority for Issuance . . . The Bonds are being issued pursuant to Chapter 62, Acts of the 52nd Legislature, Regular Session, 1951, as amended (the "District Act"), Chapter 30, Texas Water Code, as amended, Chapter 1371, Texas Government Code, as amended, and other applicable laws and the Resolution. Under the Constitution and statutes, 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; and (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.

Purpose . . . Proceeds from the sale of the Bonds will be used (i) to fund the Forney Mustang Creek Lift Station, Parallel Force Main and other System Improvements, (ii) to fund a debt service reserve fund to the extent necessary and (iii) for paying the cost of issuance of the Bonds.

Security and Source of Payment . . . The District has entered into a Mustang Creek Wastewater Interceptor System Contract with the City of Forney, Texas (the "City"), dated March 24, 2011 (the "Contract"), to enable it to acquire and construct facilities for the benefit of the City. The District has previously issued its North Texas Municipal Water District Mustang Creek Wastewater Interceptor System Contract Revenue Bonds, Series 2012, in the original principal payment amount of $10,620,000 (the "Series 2012 Bonds"), its Mustang Creek Wastewater Interceptor System Contract Revenue Bonds, Series 2019, in the original principal par amount of $19,620,000 (the "Series 2019 Bonds") and its Mustang Creek Wastewater Interceptor System Contract Revenue Bonds, Series 2020, in the original principal par amount of $4,215,000 (the "Series 2020 Bonds", 2019 Bonds, and, together with the 2012 Bonds and the Bonds, the "Parity Bonds") payable from payments under the Contract. The Contract and the Resolution permit the issuance of additional parity revenue bonds ("Additional Bonds") thereunder (See "Summary of Certain Provisions of the Bond Resolution – Additional Bonds"). The Parity Bonds are, and any Additional Bonds will be, in all respects on a parity with respect to the lien on and pledge of the payments made by the City pursuant to the Contract. The City, represents and covenants that all payments made by it under the Contract shall constitute reasonable and necessary "operating expenses" of its combined waterworks and sewer system, as defined in Section 1502.056 Texas Government Code and Section 30.030, Texas Water Code and that all such payments will be made from the revenues of its combined waterworks and sewer system. The City represents and has determined that the services to be provided by the Project are essential to the operation of its combined water and sewer system and, accordingly, all payments required by the Contract to be made by the City shall constitute reasonable and necessary operating expenses of its combined water and sewer system as described above, with the effect that the obligation to make such payments from revenues of such combined water and sewer system shall have priority over any obligation to make any payments from such revenues of principal, interest, or otherwise, with respect to all bonds or other obligations heretofore or hereafter issued by the City.

The District is obligated to pay the principal of and interest on the Parity Bonds and any Additional Bonds solely from and to the extent of the payments to be received from the City pursuant to the Contract (the "Gross Revenues") and from future Additional Participants (as defined in the Contract), if any, as permitted by the Contract. No other entity, including the State of Texas, any political subdivision thereof (other than the City), or any other public or private body, is obligated, directly, indirectly, contingently, or in any other manner, to pay such principal or interest from any other source whatsoever. The owners of the Bonds shall never have the right to demand payment of the Bonds out of any other funds of the District except the Gross Revenues. No part of the physical property of the City or the District is encumbered by any lien or security interest for the benefit of the owners of the Bonds.

Reserve Fund Requirement . . . The Bond Resolution provides that, the District shall maintain in the Reserve Fund an amount equal to the average annual principal and interest requirements on the Parity Bonds and Additional Bonds, if any, (the "Reserve Required Amount"); and no deposits shall need to be made into the Reserve Fund as long as the money and investments in the fund are at least equal in market value to the required amount.

Optional Redemption . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after June 1, 2034, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on June 1, 2033, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District may select the maturities and amounts of Bonds to be redeemed. If less than all the Bonds within a maturity are to be redeemed, the Bonds, or portion 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 its address as it appeared on the Registration Books on the 45th day prior to the redemption date. 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 the Bonds when the payment of the principal of and premium, if any, on the 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 authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Obligations which, mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The Resolution provides that "Government Obligations" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, and (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that 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.

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 believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, National Association, Dallas, Texas (the "Paying Agent/Registrar"). In the Resolution, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying

Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

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

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

BONDHOLDERS' REMEDIES . . . The Resolution does not establish specific events of default with respect to the Bonds. Under State law and the Resolution, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Resolution. No assurance can be given that a mandamus or other legal action to enforce a remedy under the Resolution would be successful. The enforcement of any such remedy may be difficult and time consuming. The Resolution does not provide for the appointment of a trustee to represent the interests of the bondholders upon any failure of the District to perform in accordance with the terms of the Resolution, or upon any other condition. 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 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 a Participant under the Contract 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.

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BOND INSURANCE

GENERAL . . . The District has submitted applications to municipal bond insurance companies to have the payment of the principal of and interest on the Bonds insured by a municipal bond insurance policy. In the event the Bonds are qualified for municipal bond insurance, and the Initial Purchaser desires to purchase such insurance, the cost will be paid by the Initial Purchaser. Any fees to be paid to S&P and Moody's as a result of said insurance will be paid by the District. It will be the responsibility of the Initial Purchaser to disclose the existence of insurance, its terms, and the effect thereof with respect to the reoffering of the Bonds. If the District obtains a commitment from a bond insurance company (the "Insurer") to provide a municipal bond insurance policy relating to the Bonds (the "Policy"), the final Official Statement shall disclose certain information relating to the Insurer and the Policy.

BOND INSURANCE RISK FACTORS . . . In the event of default of the scheduled payment of principal of or interest on the Bonds when all or a portion thereof becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the District (unless the Insurer chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist. The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the owners.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the sources of funds pledged to the payment of the Bonds (see "The Bonds – Security and Source of Payment"). In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds.

If a Policy is acquired, the long-term ratings on the Bonds will be dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer's financial strength and claims-paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the ratings on Bonds, whether or not subject to a Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Bonds.

The obligations of the Insurer under a Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. None of the District, the Financial Advisor or the Initial Purchaser have made independent investigation into the claims-paying ability of any potential Insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential Insurer is given.

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . . Moody's Investor Services, Inc. ("Moody's"), S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), and Fitch Ratings (collectively, the "Rating Agencies") have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Bonds. Thus, when making an investment decision, potential investors should carefully consider the ability of any such bond insurer to pay principal and interest on the Bonds and the claims paying ability of any such bond insurer, particularly over the life of the Bonds.

DEBT INFORMATION

TABLE 1 - 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 Principal Retired
2025	$ 840,000	$ 1,006,269	$ 1,846,269	$ 795,000	$ 687,939	$ 1,482,939	$ 3,329,208	
2026	880,000	964,912	1,844,912	380,000	1,101,531	1,481,531	3,326,444	
2027	915,000	931,137	1,846,137	400,000	1,082,531	1,482,531	3,328,669	
2028	960,000	892,737	1,852,737	420,000	1,062,531	1,482,531	3,335,269	
2029	1,000,000	852,437	1,852,437	440,000	1,041,531	1,481,531	3,333,969	13.19%
2030	1,045,000	816,987	1,861,987	460,000	1,019,531	1,479,531	3,341,519	
2031	1,090,000	779,987	1,869,987	485,000	996,531	1,481,531	3,351,519	
2032	1,130,000	740,437	1,870,437	510,000	972,281	1,482,281	3,352,719	
2033	1,180,000	699,437	1,879,437	535,000	946,781	1,481,781	3,361,219	
2034	1,230,000	656,112	1,886,112	560,000	920,031	1,480,031	3,366,144	28.62%
2035	1,280,000	617,562	1,897,562	590,000	892,031	1,482,031	3,379,594	
2036	1,325,000	578,094	1,903,094	620,000	862,531	1,482,531	3,385,625	
2037	1,375,000	536,619	1,911,619	650,000	831,531	1,481,531	3,393,150	
2038	1,425,000	493,344	1,918,344	680,000	799,031	1,479,031	3,397,375	
2039	1,485,000	447,531	1,932,531	715,000	765,031	1,480,031	3,412,563	47.66%
2040	1,535,000	398,863	1,933,863	750,000	729,281	1,479,281	3,413,144	
2041	1,600,000	347,538	1,947,538	790,000	691,781	1,481,781	3,429,319	
2042	1,660,000	293,613	1,953,613	830,000	652,281	1,482,281	3,435,894	
2043	1,040,000	237,638	1,277,638	870,000	610,781	1,480,781	2,758,419	
2044	1,075,000	203,175	1,278,175	915,000	567,281	1,482,281	2,760,456	68.42%
2045	1,110,000	167,550	1,277,550	960,000	521,531	1,481,531	2,759,081	
2046	1,150,000	130,763	1,280,763	1,000,000	479,531	1,479,531	2,760,294	
2047	1,190,000	92,644	1,282,644	1,045,000	435,781	1,480,781	2,763,425	
2048	1,230,000	53,213	1,283,213	1,090,000	390,063	1,480,063	2,763,275	
2049	205,000	12,450	217,450	1,140,000	342,375	1,482,375	1,699,825	87.41%
2050	210,000	6,300	216,300	1,190,000	292,500	1,482,500	1,698,800	
2051	-	-	-	1,240,000	238,950	1,478,950	1,478,950	
2052	-	-	-	1,300,000	183,150	1,483,150	1,483,150	
2053	-	-	-	1,355,000	124,650	1,479,650	1,479,650	
2054	-	-	-	1,415,000	63,675	1,478,675	1,478,675	100.00%
	$ 29,165,000	$ 12,957,350	$ 42,122,350	$ 24,130,000	$ 20,304,989	$ 44,434,989	$ 86,557,339	

(1) Average life of the issue – 18.191 Years. Interest on the Bonds has been calculated at the average rate of 4.51% for purposes of illustration. Preliminary, subject to change.

ANTICIPATED ISSUANCE OF DEBT . . . The District does not anticipate the issuance of additional debt within the next 12-month period, secured by and payable solely from revenues to be received from the City of Forney.

SUMMARY OF CERTAIN 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 North Texas Municipal Water District Mustang Creek Wastewater Interceptor System Contract Revenue Bonds, Series 2024, and do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the Resolution.

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 Participants" shall mean a city or cities in addition to the City of Forney, Texas with which the District makes a contract for receiving and transporting Wastewater (as defined in the Contract) through the System.

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

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

The term "Bonds" means collectively the Initial Bond as described and defined in Sections 1 and 2 of this Resolution, and all substitute bonds exchanged therefor as well as all other substitute and replacement bonds issued pursuant to this Resolution.

The term "Contract" shall mean collectively the Mustang Creek Interceptor System Contract, dated as of March 24, 2011, between the Issuer and the Participant, together with all similar contracts which may be executed in the future between the Issuer and Additional Participants, 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 (as defined in the Contract) of and for the Participants, pursuant to the Contract, including the contracts with Additional Participants (but excluding any facilities acquired or constructed with Special Facilities Bonds, and excluding any facilities required to transport Wastewater to any Point of Entry (as defined in the Contract) 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 Participants pursuant to the Contract, including any contracts with Additional Participants, and which, as determined by the Issuer, can economically and efficiently provide service to Participants.

The term "fiscal 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.

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" (as defined in the Contract) (consisting of the "Operation and Maintenance Component" and the "Bond Service Component", as such terms are defined in the Contract), and all other payments and amounts received by the Board or the Issuer from the Participants pursuant to the Contract, including any contracts with Additional Participants.

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 "Operation and Maintenance Expense" 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, any payments required to be made under the Contract into the Contingency Fund (as defined in the Contract), 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 Participant 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 (i) the Bonds, (ii) the outstanding "North Texas Municipal Water District Mustang Creek Wastewater Interceptor System Contract Revenue Bonds, Series 2012," in the original principal amount of $10,620,0000, authorized by a resolution of the Issuer on August 23, 2012 (the "2012 Bond Resolution") (iii) the outstanding "North Texas Municipal Water District Mustang Creek Wastewater Interceptor System Contract Revenue Bonds, Series 2019," in the original principal amount of $19,620,000 authorized by a resolution of the Issuer on March 28, 2019 (the "2019 Bond Resolution") and (iv) the outstanding "North Texas Municipal Water District Mustang Creek Wastewater Interceptor System Contract Revenue Bonds, Series 2020," in the original principal amount of $4,215,000 authorized by a resolution of the Issuer on April 23, 2020 (the "2020 Bond Resolution").

The terms "Participant" or "Participants" shall mean the City of Forney, Texas in Kaufman County, Texas, together with all Additional Participants.

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 Bonds or the Additional Bonds.

The term "Special Facilities Bonds" shall mean revenue obligations of the District which are not secured by or payable from Annual Payments under the Contract, but which are payable solely from other sources; but Special Facilities Bonds may be made payable from payments from any person, including any Participant, 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.

PLEDGE. (a) The Bonds authorized by this Resolution are hereby designated as, and shall be, "Additional Bonds" as permitted by Section 22 of the 2012 Bond Resolution, the 2019 Bond Resolution and the 2020 Bond Resolution, and it is hereby determined, declared, and resolved that all of the Parity Bonds, including the Bonds authorized by this Resolution, are and shall be secured and payable equally and ratably on a parity, and that Sections 9 through 25 of this Resolution substantially restate and are supplemental to and cumulative of the applicable and pertinent provisions of the resolution authorizing the issuance of the previously issued Parity Bonds, with Sections 9 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 Bond Fund and the Reserve Fund as provided in this Resolution.

REVENUE FUND. There has been created and established 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 Mustang Creek Wastewater Interceptor System Contract 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.

BOND FUND. For the sole purpose of paying the principal of and interest on all outstanding Parity Bonds and any Additional Bonds, as the same come due, there has been created and established and shall be maintained at the Paying Agent/Registrar, a separate fund to be entitled the "North Texas Municipal Water District Mustang Creek Wastewater Interceptor System Contract Revenue Bonds" (hereinafter called the "Bond Fund").

RESERVE FUND. There has been created and established, and there shall be maintained at the Paying Agent Registrar, a separate fund to be entitled the "North Texas Municipal Water District Mustang Creek Wastewater Interceptor System Contract Revenue Bonds" (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 Bond Fund is insufficient for such purpose.

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

INVESTMENTS. Money in any Fund established pursuant to this Resolution may, at the option of the Issuer be invested in any or all of the authorized investments described in the Public Funds Investment Act, Chapter 2256, Texas Government Code (or any successor statute), in which the Issuer may purchase, sell and invest its funds and funds under its control; 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 Bonds or Additional Bonds. No investment of any Fund shall be made in any way which would violate any provision of this Resolution.

FUNDS SECURED. Money in all Funds described in this Resolution, to the extent not invested, shall be secured in the manner prescribed by law, including particularly, the Public Funds Collateral Act, Chapter 2257, Texas Government Code, as amended, for securing funds of the Issuer.

DEBT SERVICE REQUIREMENTS. The Issuer shall transfer from the Pledged Revenues and deposit to the credit of the Bond 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 Bond Fund and available for such purpose, to pay the interest scheduled to accrue and come due on the Parity Bonds and any Additional Bonds on the next succeeding interest payment date; and

(2) such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month hereafter as will be sufficient, together with other amounts, if any, then on hand in the Bond 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, if any.

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. So long as the money and investments in the Reserve Fund are at least equal to the average annual principal and interest requirements on all then outstanding Parity Bonds and Additional Bonds (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 Bond 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 Bond 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 Bond 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 Bond 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 PARITY BONDS AND ADDITIONAL 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 Bond 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 Bond 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 Bond 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 Bond Fund and the Reserve Fund 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 Bond Fund, the Issuer shall deposit to the credit of the Bond 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 Bond 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 Bond 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 (including self-insurance) 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 Bond 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.

(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 PARTICIPANTS. It will comply with the terms and conditions of the Contract, including any contracts with Additional Participants, and will cause the Participants 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 the following obligations, which may or may not be in book-entry form, (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 refunding bond, for a period of 90 days or less until such proceeds are needed for the purpose for which the Bonds are issued,

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

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

(7) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage), or section 149(g) of the Code (relating to hedge bonds); and

(8) to refrain form 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, 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 the President of the Board of Directors, the Executive Director, and the Assistant General Manager – Chief Financial Officer to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds. The Issuer covenants to comply with the covenants contained in this section after defeasance of the Bonds.

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

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

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

DISPOSITION OF PROJECT. The Issuer covenants that the property constituting the projects financed or refinanced with proceeds of the Bond 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 Bond. 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.

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

SALE OF BONDS; PURCHASE AGREEMENT. Pursuant to the authorizations in Section 3 hereof, as approved by the Authorized Officer, the Bonds may be sold either pursuant to the taking of bids therefor or pursuant to a purchase agreement (the "Purchase Agreement") with a purchaser or purchasers (collectively, the "Purchaser") to be approved by an Authorized Officer, and any supplements thereto which may be necessary to accomplish the issuance of Bonds. Such Purchase Agreement is hereby authorized to be dated, executed and delivered on behalf of the Issuer by an Authorized Officer, with such changes therein as shall be approved by the Authorized Officer, the execution thereof by the Authorized Officer to constitute evidence of such approval. The delegation of authority to the Authorized Officer to approve the final terms of the Bonds as set forth in this Resolution is, and the decisions made by the Authorized Officer pursuant to such delegated authority will be, in the best interests of the Issuer, and the Authorized Officer is authorized to make a finding to such effect in the Approval Certificate.

OFFICIAL STATEMENT. A Preliminary Official Statement relating to the Bonds is hereby authorized to be approved by the Authorized Officer and distributed to prospective investors and other interested parties in connection with the underwriting and sale of the Bonds, with such changes therein as shall be approved by the Authorized Officer, including such changes as are necessary for distribution as a final Official Statement. It is further officially found, determined, and declared that the statements and representations contained in said Preliminary Official Statement are true and correct in all material respects. The use and distribution by the Purchaser of the Official Statement relating to the Bonds, is hereby approved. For the purpose of review by the Purchaser prior to purchasing the Bonds, the Issuer deems said Preliminary Official Statement to have been "final as of its date" within the meaning of Securities and Exchange Commission Rule 15c2-12.

FURTHER PROCEDURES. The President and Secretary, respectively, of the Board of Directors of the Issuer, the Executive Director of the Issuer, and all other officers, employees, and agents of the Issuer, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the corporate seal and on behalf of the Issuer all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Bond Resolution, the Bonds, the sale of the Bonds, and any Notice of Sale and/or Official Statement. In case any officer whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

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CITY OF FORNEY, TEXAS

TABLE 2 – WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
Revenues	2023	2022	2021	2020	2019
	$ 34,308,788	$ 27,711,652	$ 27,598,287	$ 22,835,914	$ 20,350,674
Expenditures					
Operating Expenses (1)	$ 23,547,512	$ 20,475,415	$ 20,128,483	$ 16,006,657	$ 16,201,373
Net Income	$ 10,761,276	$ 7,236,237	$ 7,469,804	$ 6,829,257	$ 4,149,301
Water Customers	7,590	7,371	7,122	6,735	6,567
Sewer Customers	7,495	7,271	7,013	6,392	6,199

(1) Excludes depreciation and bonded debt amortization.

The City currently has no Waterworks and Sewer System Revenue Bonds outstanding.

TABLE 3 – MONTHLY WATER RATES (EFFECTIVE OCTOBER 1, 2023)

All Customers		
First	2,000 gallons	$21.19 (Minimum
Over	2,001 gallons	$6.76 per 1,000 gallons
Over	15,001 gallons	$8.48 per 1,000 gallons

TABLE 4 – MONTHLY SEWER RATES (EFFECTIVE OCTOBER 1, 2023)

Residential	Commercial
$35.13 Minimum - With Sewer Averaging $27.31 (Minimum)	$35.13 Minimum - With Sewer Averaging
$11.59 Monthly Charge plus $8.44 per 1,000 gallons	$11.59 Monthly Charge plus $8.44 per 1,000 gallons
$17.00 Sewer Service Charge	$17.00 Sewer Service Charge

TABLE 5 – SPECIAL MONTHLY WATER RATES (EFFECTIVE OCTOBER 1, 2023)

Talty Water Supply Corporation	$ 4.72/M gallons
Markout Water Supply District	4.72/M gallons
Highpoint Water District	4.72/M gallons
Corrugated Services, Inc.	3.69/M gallons + $226,870 per year
Kaufman County Fresh Water Supply District	4.30/M gallons

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 and (b) covenants of the District with respect to arbitrage, the use of the proceeds to be received from the issuance and sale of the Bonds and property financed therewith 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. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed with proceeds of the Bonds. 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 may be less than the principal amount thereof or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

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

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

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

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

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

The discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, 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.

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

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 Internal Revenue Service. 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. 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.

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

OTHER INFORMATION

RATINGS

The Bonds and the Outstanding Bonds are rated "AA-" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC and "Aa3" by Moody's Investors Service, Inc. ("Moody's"). 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 (See "Bond Insurance – Claims Paying Ability and Financial Strength of Municipal Bond Insurers" and " – Bond Insurance Risk Factors" for a description of the current state of the financial guaranty insurance industry and information regarding downgrading and negative changes to the rating outlook of multiple financial guaranty insurers).

LITIGATION

The District is not a party to any litigation or other proceeding pending, or to its knowledge threatened, in or before any court, agency or other administrative body (either state or federal) which, if decided adversely to the District, would have a material adverse effect on the Bonds.

The City is not a party to any litigation or other proceeding pending, or to its knowledge threatened, in or before any court, agency or other administrative body (either state or federal) which, if decided adversely to the City would have a material adverse effect on the Bonds or the financial condition of the City.

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

CYBERSECURITY

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

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

LEGAL MATTERS

The District will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving 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, to like effect and to the effect that interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds, subject to the matters described under "Tax Matters" herein. A form of such opinion is attached hereto as Exhibit D. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information described the Bonds in the Official Statement under the captions "The Bonds" (except for the subcaptions "Book-Entry-Only System" and "Bondholders Remedies"), "Provisions of the Bond Resolution" and "Tax Matters" and the subcaptions "Continuing Disclosure of Information" (except the subcaption "Compliance with Prior Undertakings"), "Legal Investments and Eligibility to Secure Public Funds in Texas" and "Legal Matters" under the caption "Other Information" and is of the opinion that the information relating to the Bonds and the Resolution contained therein is a fair and accurate description of the laws and legal issues addressed therein, and with respect to the Bonds, such information conforms to the Resolution. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on 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.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from District and Contracting Party'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.

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 events. For purposes of such agreement, the "Significant Obligated Person" means any Participant, or Additional Participant, 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. Currently, the City is the only Significant Obligated Person. 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 table number 1 and with respect to each Significant Obligated Person in tables numbered 2 through 5. 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 2024. The District will additionally provide or cause to be provided audited financial statements for 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 Significant Obligated Persons may be required to employ from time to time pursuant to State law or regulation. The 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 Significant Obligated Person's current fiscal year end is September 30. Accordingly, updated information must be provided by March 31 in each year, unless a Significant Obligated Person changes its fiscal year. If a Significant Obligated Person changes its fiscal year, the District will notify, or cause the Significant Obligated Person to notify, the MSRB of the change. If the District or Significant Obligated Person fails to provide updated information as described above, the District will provide, or cause the Significant Obligated Person to provide timely notice of the failure to the MSRB.

NOTICE OF CERTAIN EVENTS . . . The District will also provide, or cause a Significant Obligated Person to provide, timely notices of certain events to the MSRB. The District will provide notice (not in excess of ten (10) business days after the occurrence of the event) of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (1) Principal and interest payment delinquencies; (2) Non-payment related defaults, if material; (3) Unscheduled draws on debt service reserves reflecting financial difficulties; (4) Unscheduled draws on credit enhancements reflecting financial difficulties; (5) Substitution of credit or liquidity providers, or their failure to perform; (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security; (7) Modifications to the rights of security holders, if material; (8) Bond calls, if material, and tender offers; (9) Defeasances; (10) Release, substitution or sale of property securing repayment of the securities, if material; (11) Rating changes; (12) Bankruptcy, insolvency, receivership or similar event of the District, or a Significant Obligated Person; (13) the consummation of a merger, consolidation, or acquisition involving the District, or a Significant Obligated Person, or the sale of all or substantially all of the assets of the District, or a Significant Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. Neither the Bonds nor the Bond Resolution make any provision for credit enhancement, or enhancement liquidity; (15) Incurrence of a financial obligation (as defined by the Rule) of 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 a Significant Obligated Person any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of a Significant Obligated Person, any of which reflect financial difficulties.

AVAILABILITY OF INFORMATION . . . The District and the Significant Obligated Person 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 financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

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

In its Buffalo Creek Wastewater Interceptor System Contract Revenue Refunding Bonds, Series 2012, Buffalo Creek Wastewater Interceptor System Contract Revenue Refunding and Improvement Bonds, Series 2019, and Buffalo Creek Wastewater Interceptor System Contract Revenue Bonds, Series 2020, the District agreed that it would provide or cause the Significant Obligated Person to provide certain updated financial information and operating data annually to the MSRB, which information would include audited financial statements, provided an audit is commissioned and the audit is completed in time. The District further agreed that if audited financial statements were not available by the required time, the District would provide or cause to be provided unaudited financial statements within the required time, which is six months after the end of each fiscal year of the Significant Obligated Person (March 31 in each year) and would provide or cause to be provided audited financial statements when and if such audited financial statements became available. For fiscal years ending 2018-2022, the City of Rockwall, Texas, filed its audited financial statements after the March 31 deadline in each year. In addition, with respect to the Series 2012, 2019 and 2020 Bonds, the City of Heath did not timely file its audited financial statements for fiscal years ended 2019, 2022 and 2023 by the March 31 deadline. The District filed certain financial information of the type included in Appendix C of the official statements, and unaudited financial statements for the City of Heath for fiscal year 2022 and 2023 by the required time.

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

FINANCIAL ADVISOR

HilltopSecurities 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. HilltopSecurities, 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 ________________________(the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the cover page of the Official Statement at a price of par plus a cash premium (if any) of $_______________. The Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. 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 Resolution authorizing the issuance of the Bonds will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Initial Purchaser.

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

NORTH TEXAS MUNICIPAL WATER DISTRICT

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

APPENDIX A

NORTH TEXAS MUNICIPAL WATER DISTRICT

MUSTANG CREEK WASTEWATER INTERCEPTOR SYSTEM
CONTRACT

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NORTH TEXAS MUNICIPAL WATER DISTRICT
MUSTANG CREEK WASTEWATER INTERCEPTOR SYSTEM CONTRACT

WHEREAS, North Texas Municipal Water District (the "District") is a conservation and reclamation district created and functioning under Article 16, Section 59 of the Texas Constitution, pursuant to Chapter 62, Acts of the 52nd Legislature of the State of Texas, Regular Session, 1951, as amended, (the "District Act"), with the authority to provide and develop regional systems for wastewater treatment; and

WHEREAS, pursuant to a Trinity East Fork Regional Wastewater System Contract (the "Regional Contract"), the District has acquired and constructed a regional Wastewater treatment system to serve various parties to such Regional Contract (the "Regional Wastewater System"); and

WHEREAS, the Regional Contract requires that each of the parties thereto must arrange to provide for the transportation of its Wastewater to its Point or Points of entry into the District's Regional Wastewater System; and

WHEREAS, the District and the City of Forney, Texas (the "City" or "Forney") hereafter collectively referred to as "the parties," hereto wish to provide for the acquisition, construction, improvement, operation and maintenance of a wastewater interceptor system (as further defined herein, the "Interceptor System") for the purpose of providing facilities to adequately transport Wastewater (hereinafter defined) from the Participants (hereinafter defined) to the District's Regional Wastewater System; and

WHEREAS, there has been prepared for and filed with the District the report entitled "City of Forney Supplemental Report to Evaluation of Projected Growth and Recommended Improvements to Mustang Creek Interceptor System," dated August, 2009, prepared by Freeman Millican Inc., Consulting Engineers, February 2010 (the "Initial Engineering Report") with respect to the Interceptor System; and

WHEREAS, the parties hereto are entering into this contract in order to control water pollution, and protect, improve, and enhance the water quality of the Mustang Creek and the Mustang River and the water supplies impounded therein; and

WHEREAS, Forney presently owns, operates, and maintains its combined waterworks and sanitary sewer systems; and

WHEREAS, Forney has deemed it necessary and desirable to contract with the District to provide for the design, acquisition, construction, improvement, operation and maintenance of the Interceptor Facilities (hereinafter defined) to achieve efficiencies of cost and operation; and

WHEREAS, the District has been and is willing to accept the responsibility of providing improved waste treatment in the service area to protect water quality and develop reuse potential; and

WHEREAS, the District and Forney are authorized to make and enter into this Contract under the District Act, Chapter 30, Texas Water Code, as amended, and other applicable laws; and

WHEREAS, the parties hereto recognize these facts:

(a) That the District will use the payments to be received under this Contract and similar contracts, if any, for the payment of Operation and Maintenance Expense of the Interceptor System and for the payment of the principal of, redemption premium, if any, and interest on its Bonds, and to establish and maintain debt service reserves and other funds if and as provided in any Bond Resolution; and that the revenues under such contracts will be pledged to such purposes; and

(b) That contracts similar to this instrument may be executed between the District and subsequent Additional Participants; and

(c) That the District will issue Bonds from time to time in the future to design, acquire and construct the Interceptor System.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the District and Forney hereby contract and agree as follows:

ARTICLE I
DEFINITIONS

Section l.01. DEFINITION OF TERMS. In addition to the definitions stated in the preamble hereof, the terms and expressions as hereinafter used in this contract, unless the context clearly shows otherwise, shall have the following meanings:

(a) "Additional Participants" means any Person or Persons in addition to Forney with which the District makes a contract for receiving and transporting Wastewater through the Interceptor System.

(b) "Adjusted Annual Payment" means the Annual Payment, as adjusted in accordance with Section 5.03 of this Contract, during or after each Fiscal Year.

(c) "Annual Payment" means the amount of money estimated as provided in Section 5.03 of this Contract to be paid to the District by Participants as their proportionate shares of the Annual Requirement.

(d) "Annual Requirement" means the total amount of money required for the District to pay all Operation and Maintenance Expense of the Interceptor System, with the exception of any surcharges paid directly by Participants under Sections 4.02 and 3.04(c) hereof, and to pay the principal of, and redemption premium, if any, and interest on its Bonds, including all charges and expenses of the paying agents and registrars for its Bonds, and to pay any amounts required to be deposited in any special or reserve funds, including a debt service reserve fund and a repair and replacement fund, as required to be established and/or maintained by the provisions of any Bond Resolution.

(e) "Bond Resolution" means any resolution of the Board of Directors of the District authorizing the issuance of Bonds and providing for their security and payment, as such resolution(s) may be amended from time to time as therein permitted.

(f) "Bonds" means any bonds, notes, or other obligations to be issued by the District pursuant to this Contract for the design, acquisition, construction, enlargement, improvement, extension, repair, or replacement of the Interceptor System or any part thereof, whether in one or several issues, or any Bonds issued by the District to refund any or all of same or to refund any such refunding bonds.

(g) "Construction Fund" means the fund by that name established in Section 2.03 hereof.

(h) "Contingency Fund" means the fund by that name established in Section 5.03(g) hereof.

(i) "Contract", or "this contract", means this contract between Forney and the District and all similar contracts, if any, executed between the District and Additional Participants.

(j) "Engineering Report" means, collectively, the Initial Engineering Report and any additions, supplements, amendments or modifications thereto, including, without limitation, any additional engineering studies made pursuant to Section 8.02 hereof.

(k) "Fiscal Year" means the twelve (12)-month period beginning each October l and ending the following September 30, or such other twelve (12)-month period as may be established in the future to constitute the District's Fiscal Year.

(l) "Interceptor System" means, collectively, the Wastewater transportation facilities generally as described in the Engineering Report, and all improvements and additions to and extensions, enlargements, and replacements of such facilities which are acquired and constructed by the District in order to receive and transport Wastewater of the Participants to their respective Points of Entry into the Regional Wastewater System. However, and notwithstanding the foregoing, said term includes only those facilities which are acquired or constructed with proceeds from the sale of Bonds issued, or payments made, pursuant to this Contract and any similar contracts with Additional Participants. Said term does not include any part of the Regional Wastewater System or any facilities acquired or constructed by the District with the proceeds from the issuance of "Special Facilities Bonds," which are hereby defined as being revenue obligations of the District which are not secured by or payable from Annual Payments made under this Contract and similar contracts with Additional Participants, and which are payable solely from other sources.

(m) "Local Wastewater Facilities" means the waste collection and treatment facilities owned and operated by the Participants.

(n) "Operation and Maintenance Expense" means all costs of operation and maintenance of the Interceptor System including, but not limited to, repairs and replacements for which no special fund is created in a Bond Resolution, 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 Interceptor System, any payments required to be made hereunder into the Contingency Fund, payments made for the use of operation of any property, payments of fines, and payments made by the District in satisfaction of judgments or other liabilities resulting from claims not covered by the District's insurance or not paid by one particular Participant arising in connection with the operation and maintenance of the Interceptor System. Depreciation shall not be considered an item of Operation and Maintenance Expense.

(o) "Participants" means Forney and all Additional Participants.

(p) "Participant" means any of the Participants.

(q) "Person" shall have the meaning set forth in the Texas Code Construction Act, Chapter 311, Texas government Code, as amended.

(r) "Point of Entry" means any point or points at which Wastewater enters the Interceptor System as such point or points shall be agreed upon between the District and the applicable Participant.

(s) "Regional Wastewater System", "District's System", "Regional System", or "System" means all of the District's facilities acquired, constructed, used, or operated by the District for treating and disposing of Wastewater of and for the Participants pursuant to the Regional Contract, together with any improvements, enlargements, or additions to the Regional Wastewater System facilities and any extensions, repairs, or replacements of the System facilities acquired, constructed, used, operated, or otherwise incorporated into or made a part of the Regional Wastewater System facilities in the future by the District. Said terms do not include the Interceptor System.

(t) "Service Commencement Date" means the first date upon which the Interceptor System is available to receive and transport Wastewater from the Participants.

(u) "Wastewater" means Sewage, Industrial Waste, Municipal Waste, Recreational Waste, and Agricultural Waste, as defined in the Texas Water Code, together with properly shredded garbage, and such infiltration water that may be present.

ARTICLE II

PROVIDING OF INTERCEPTOR SYSTEM BY THE DISTRICT

Section 2.01. INTERCEPTOR SYSTEM AND INITIAL CONTRACT. In order to provide services for receiving and transporting Wastewater for the Participants, the District will use its best efforts to design, acquire, construct, and complete the Interceptor System and will own, operate and maintain the Interceptor System, and from time to time enlarge, improve, repair, replace, and/or extend the Interceptor System to provide service to the Participants. The District shall obtain and hold in its name all required permits from the appropriate Federal and State agencies, and each Participant shall assist the District in obtaining same. The District shall provide, manage, operate, and maintain the Interceptor System in such manner as it determines is necessary for providing adequate, efficient, and economical service to Participants.

Section 2.02. CONSULTING ENGINEER; DESIGN COSTS. The District and Forney agree that Freeman Millican Inc., Consulting Engineers, shall constitute and be defined as the "Consulting Engineers" for the Interceptor System. However, the District reserves the right to enter into any such contracts with other engineers deemed necessary to provide engineering services to design the Interceptor System. Engineering fees and expenses, if any, paid by the District shall be reimbursed from proceeds of the Bonds as a cost of acquisition and construction of the Interceptor System.

The District and Forney agree that Forney, and no other Participant unless otherwise agreed to in writing, will pay for design costs incurred by the District for and directly related to the Interceptor System. "Design costs" include, but shall not be limited to, the costs of surveying, easement preparation, permitting, engineering design, bidding, fees and related expenses, prior to the issuance of the Bonds, in the approximate amount of $1,220,000.00. The parties will document actual costs for inclusion in the sale of the Bonds, and the District shall reimburse Forney for all design costs from proceeds of the Bonds as a cost of the design, acquisition and construction of the Interceptor System. The parties acknowledge and agree that Forney's financial obligation to advance funds under this Contract for the design, acquisition and construction of the Interceptor System is limited to the terms and conditions set forth in this Section 2.02.

Section 2.03. ACQUISITION AND CONSTRUCTION CONTRACTS. The District will enter into such contracts as are necessary to provide for acquiring and constructing the Interceptor System, and said contracts shall be executed as required by the laws applicable to the District. The District shall cause the amounts due under such contracts to be paid from the proceeds from the sale of its Bonds. The District shall deposit the proceeds from the sale of its Bonds into a special Mustang Creek Wastewater Interceptor System Construction Fund (the "Construction Fund"). The Construction Fund shall be used for paying the District’s costs and expenses incident to the Bonds and the Interceptor System, and to pay the costs of acquiring, by purchase and construction, the Interceptor System. Pending use as required by this Contract, the amounts in the Construction Fund may be invested in accordance with law, provided that all investment earnings therefrom (excepting any which may be required to be rebated to the federal government to prevent the Bonds from becoming "arbitrage bonds" under the Internal Revenue Code of 1986, as amended) shall be deposited in and become a part of the Construction Fund. If, after final completion of all facilities constituting the Interceptor System, any surplus remains on hand in the Construction Fund, such surplus shall be deposited into the interest and sinking fund for the Bonds. Any proceeds from the sale of its Bonds remaining after completion of the Interceptor System shall be used to pay principal and interest on the Bonds, and reduce to that extent the Annual Payments required to be made by the Participants under this Contract.

Section 2.04. ACQUISITION AND CONSTRUCTION. The District agrees to proceed promptly with the design, acquisition and construction of the Interceptor System. The District does not anticipate any delays in commencing or completing the Interceptor System, but the District shall not be liable for any damages occasioned by, or arising out of, the construction or completion of the Interceptor System, any delays in completion of the Interceptor System, or the performance of the Interceptor System for its intended purpose.

Section 2.05. CONDITIONS PRECEDENT. The obligation on the part of the District to acquire and construct the Interceptor System shall be conditioned upon the following:

(a) sale of Bonds in an amount sufficient to assure the acquisition and construction of the Interceptor System; and

(b) the District's ability, or the ability of the contractors, to obtain all permits, material, labor, and equipment necessary for the acquisition and construction of the Interceptor System.

Section 2.06. USE OF PUBLIC PROPERTY. By these presents, the Participants authorize use by the District of any and all real property, streets, alleys, public ways and places, and general utility or sewer easements of the Participants determined by the Participants and the District to be necessary for acquiring and constructing the Interceptor System.

ARTICLE III

DISCHARGE OF WASTEWATER AND METERING

Section 3.01. DISCHARGE. In consideration of the payments to be made under its respective contract with the District, each of the Participants have and shall have the right to discharge into the Interceptor System such Wastewater from its respective sewer system as is required or permitted to be discharged into the District's Regional Wastewater System by such Participant under the Regional Contract; provided that such Wastewater meets the requirements for quantity and quality as set forth in this Contract and in the Regional Contract.

Section 3.02. POINT OF ENTRY. Each Participant may discharge all such Wastewater generated from such Participant's sewer system into the designated Point or Points of Entry for such Participant.

Section 3.03. CONVEYANCE TO POINT OF ENTRY. It shall be the sole responsibility of each Participant to transport, or cause to be transported, at no cost to the District or the other Participants, its Wastewater to its Point or Points of Entry.

Section 3.04. QUANTITY OF WASTEWATER DELIVERED. (a) The quantity of Wastewater delivered hereunder by each Participant shall be metered by the District and the total annual contributing flow of Wastewater received during any Fiscal Year, as determined by such metering, shall be used to determine each Participant's Annual Payment as set forth in Article V.

(b) The maximum discharge rate is defined as a rate in million gallons per day (MGD), exceeded for a period of sixty minutes, which, if continued over a period of 24 hours, would be equal to 3.50 times the Participant's average daily flow during that Fiscal Year. The total quantity of Wastewater discharged into the Interceptor System shall never exceed the amount which the Interceptor System and the Regional Wastewater System are capable of receiving, treating, and disposing, unless approved by the District, subject to terms and conditions to be established by the District. Notwithstanding the foregoing, no Participant shall ever make any discharge into the Interceptor System or the Regional Wastewater System which would cause them to be overloaded or be in violation of its permits from the State of Texas and/or the United States of America.

(c) Any Participant exceeding the maximum discharge rate shall have a surcharge applied to its next Fiscal Year's Annual Payment equal to l% of the Annual Payment in that Fiscal Year for each l/10th that the ratio of the maximum discharge to the average daily flow exceeds 3.50.

Section 3.05. LIABILITY FOR DAMAGES AND RESPONSIBILITY FOR TREATMENT AND DISPOSAL OF WASTEWATER. Liability for damages arising from the reception and transportation of all Wastewater discharged shall remain in each Participant to Points of Entry, and upon passing through the Points of Entry, liability for such damages shall pass to the District. As between the District and each Participant, each party agrees, to the full extent permitted by law, to indemnify and to save and hold the other party harmless from any and all claims, demands, causes of action, damages, losses, costs, fines, and expenses, including reasonable attorney's fees, which may arise or be asserted by anyone at any time on account of the reception and transportation while Wastewater is in the control of such responsible party, or on account of a prohibited discharge by a Participant. The District has the responsibility as between the parties for the proper reception and transportation of all Wastewater, but not for prohibited discharges passing through any Point of Entry.

Section 3.06. METERING. The District will furnish, install, operate and maintain as part of the Interceptor System the necessary equipment and devices for measuring properly all Wastewater to be discharged into the Interceptor System by each Participant. The location of the meter for each Participant shall be agreed upon between the District and each Participant. Such meters and other equipment shall remain the property of the District. Each Participant shall have access to such metering equipment at all reasonable times for inspection and examination, but the reading, calibration, and adjustment thereof shall be done only by employees or agents of the District in the presence of a representative of the Participant if requested by such Participant. All readings of meters will be entered upon proper books of record maintained by the District. Upon written request the Participant may have access to said record books during reasonable business hours.

Not more than three times in each year of operation, the District shall calibrate its meters, if requested in writing by a Participant to do so, in the presence of a representative of such Participant, and those parties shall jointly observe any adjustments which are made to the meters in case any adjustment is found to be necessary.

If, for any reason, any meters are out of service or out of repair, or if, upon any test, the percentage of inaccuracy of any meter is found to be in excess of five (5%) per cent, registration thereof shall be corrected for a period of time extending back to the time when such inaccuracy began, if such time is ascertainable, and if such time is not ascertainable, then for a period extending back one-half (l/2) of the time elapsed since the date of the last calibration, but in no event further back than a period of six (6) months.

Each Participant may, at its option and its own expense, install and operate a check meter to check each meter installed by the District, but the measurement for the purpose of this agreement shall be solely by the District's meters.

Section 3.07. UNIT OF MEASUREMENT. The unit of measurement for Wastewater delivered hereunder shall be 1,000 gallons, U. S. Standard Liquid Measure.

ARTICLE IV

QUALITY

Section 4.01. GENERAL. Each Participant agrees to limit discharge into the Interceptor System to Wastewater that complies with quality requirements of the Regional Contract for discharge into the Regional Wastewater System. No discharge shall be made into the Interceptor System which would cause the District to violate any permit granted, or any rule or regulation promulgated, by any State or Federal agency having jurisdiction over the District. Each Participant specifically covenants that it will enact and enforce procedures which will prohibit or prevent customers of its sewer system from making any discharge which would cause such Participant to violate the provisions of this contract or any applicable State or Federal permit, law, rule, or regulation.

Section 4.02. SURCHARGE. With approval of the District, Wastewater with concentrations of Biological Oxygen Demand ("BOD") and Total Suspended Solids ("TSS") greater than that permitted by the Regional Contract may be discharged by a Participant into the Interceptor System with the payment of a surcharge, which shall be in addition to such Participant's proportionate share of the Annual Payment as outlined in Article V of this Contract, and this surcharge shall be sufficient to cover and pay for the additional cost of services hereunder.

ARTICLE V

PAYMENTS

Section 5.01. FINANCING. The District will use its best efforts to issue its Bonds, in amounts and at times as determined by the District, to provide the Interceptor System. The proceeds from the sale of the Bonds will be used for the payment of all of the District's costs and expenses in connection with the design, acquisition, and construction of the Interceptor System and the Bonds, including, without limitation, all financing, legal, printing, administrative overhead, and other expenses and costs incurred in issuing its Bonds and to fund a debt service reserve and other funds if required by any Bond Resolution. Each Bond Resolution of the District shall specify the exact principal amount of the Bonds initially issued, which shall mature not more than 40 years from the date of such Bonds, and shall bear interest at not to exceed the maximum legal rates, and the Bond Resolution may create and provide for the maintenance of a revenue fund, an interest and sinking fund, a debt service reserve fund, and other funds and accounts, all in the manner and amounts as provided in such Bond Resolution. Prior to the sale of any such Bonds, the District shall provide to the Participants a copy of the Preliminary Official Statement relating to such Bonds, which shall include, among other things, proposed maturity schedule and optional and mandatory redemption provisions. The Participants agree that if such Bonds are actually issued and delivered to the purchaser thereof, the Bond Resolution authorizing the Bonds shall for all purposes be deemed to be in compliance with this Contract in all respects, and the Bonds issued thereunder will constitute Bonds as defined in this Contract.

Section 5.02. ANNUAL REQUIREMENT. It is acknowledged and agreed that payments to be made under this Contract will be the only source available to the District to provide the Annual Requirement; and that the District has a statutory duty to establish and from time to time to revise the charges for services to be rendered and made available to Participants hereunder so that the Annual Requirement shall at all times be not less than an amount sufficient to pay or provide for the payment of:

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

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

(l) the principal of, redemption premium, if any, and interest on, its Bonds, as such principal, redemption premium, if any, and interest become due (by maturity, redemption, or otherwise), 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 charges of paying agents and registrars for paying principal of, redemption premium, if any, and interest on, all Bonds, and for registering and transferring Bonds.

Section 5.03. PAYMENTS BY PARTICIPANTS. (a) For services to be rendered to each Participant by the District under this Contract and other similar contracts, if any, each Participant has agreed to pay, at the time and in the manner hereinafter provided, its proportionate share of the Annual Requirement, which shall be determined as hereafter described and shall constitute a Participant's Annual Payment or Adjusted Annual Payment. For the Fiscal Year beginning on October 1, 2010, and for each Fiscal Year thereafter each Participant's proportionate share of the Annual Requirement shall, subject to the subsequent provisions hereof, be a percentage obtained by dividing such Participant's estimated contributing flow to the Interceptor System for the next succeeding Fiscal Year or portion thereof by the total estimated contributing flow to the Interceptor System by all Participants during such Fiscal Year or portion thereof. The calculation of each Annual Payment as determined herein, and each Adjusted Annual Payment, shall be determined as provided in this Section. The terms "contributing flow to the Interceptor System" and "contributing flow" as used in this Contract with respect to any Fiscal Year, commencing with the Fiscal Year beginning October 1, 2010, shall mean the greater of (i) the actual metered contributing flow of a Participant or (ii) the minimum annual contributing flow for which a Participant has agreed to pay (regardless of whether such amount was actually discharged into the Interceptor System), which minimum annual contributing flow for Forney is as follows:

Forney	3,415,000 gallons per day

The above minimum annual contributing flow may be adjusted by the District and Forney to include minimum annual contributing flows of Additional Participants should Additional Participants become parties to this Contract, in accordance with Section 8.02 hereof. Each Participant's Annual Payment shall be calculated by the District by multiplying such Participant's estimated percentage of the estimated total contributing flow times the Annual Requirement. Each Participant's Annual Payment shall be made to the 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, commencing with the Fiscal Year beginning October 1, 2010. Such payments shall be made in accordance with a Schedule of Payments for each Fiscal Year which will be supplied to each Participant. At the close of the Fiscal Year which commenced on October 1, 2010, and for each Fiscal Year thereafter, the District shall redetermine each Participant's percentage by dividing each Participant's contributing flow to the Interceptor System by the total contributing flow of all Participants. Each Participant's Adjusted Annual Payment shall be calculated by multiplying each Participant'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 Participant's account with the District and shall be credited or debited to such Participant's next subsequent monthly payment or payments.

(b) If a Participant 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. The District is authorized to discontinue service to any Participant which fails to make any monthly payment, and which, after written notice, does not make such payment.

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

(d) Each Participant's Annual Payment also shall be adjusted and redetermined for the balance of any applicable Fiscal Year, consistent with the provisions of this 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 Interceptor System are placed in service by the District which require an increase and redetermination of the Annual Requirement; or

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

(iii) A Participant's contributing flow to the Interceptor 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 the District, to the extent that such difference in flow will substantially affect such Participant's Budget, and consequently such Participant's Annual Payment to the 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) The District receives significantly more or significantly less revenues or other amounts than those contemplated; or

(vi) 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) During each Annual Payment Period all revenues received by the District from providing services of the Interceptor System to parties which are not Participants, shall (i) first be credited to the Operation and Maintenance Component of the Annual Requirement, and (ii) then any remainder credited to the Bond Service Component of the Annual Requirement, with the results that such credits under (i) and (ii), respectively, shall reduce, to the extent of such credits, the amounts of such Components, respectively, which otherwise would be payable by the Contracting parties pursuant to the method prescribed in (a) above. The District may estimate all such credits which it expects to make during each Annual Payment Period in calculating each Annual Payment.

(f) The District shall give all Participants 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 Participant during any Fiscal Year.

(g) The Annual Payment set forth in this section shall be considered the basic charge for service hereunder, and each Participant shall pay a surcharge in addition to the Annual Payment for excess BOD and/or TSS as provided in Section 4.02, and for excessive discharge in the manner set forth in Section 3.04(c).

(h) The District may establish and maintain a separate fund entitled the "Mustang Creek Wastewater Interceptor System Contingency Fund" (the "Contingency Fund"). The Contingency Fund shall be used solely for the purpose of paying unexpected or extraordinary Operation and Maintenance Expenses of the Interceptor System for which funds are not otherwise available under this Contract. The Contingency Fund shall initially be funded, and any subsequent deficiency shall be restored, with amounts included as Operation and Maintenance Expenses in the Annual Budget.

(i) The facilities and services of the Interceptor System to be provided to each Participant pursuant to this Contract are and will be essential and necessary to the operation of such Participant's combined waterworks and sanitary sewer system, and all payments to be made hereunder by each Participant will constitute reasonable and necessary "operating expenses" of such Participant's combined waterworks and sanitary sewer system, within the meaning of Section 30.030, Texas Water Code, as amended, and Section 1502.056, Texas Government Code, and the provisions of all ordinances authorizing the issuance of all waterworks and sanitary sewer system revenue bond issues of such Participant, with the effect that such Participant's obligation to make payments from its waterworks and sanitary sewer system revenues under this Contract 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 Participant 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 hereunder from funds raised or to be raised from taxation by a Participant. Each Participant's payments hereunder shall be made pursuant to the authority granted by Section 30.030, Texas Water Code, as amended, and Section 1502.056, Texas Government Code. Recognizing the fact that the Participants urgently require the facilities and services covered by this Contract, 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 from the Participants hereunder to pay, secure, and finance the issuance of its Bonds, it is hereby agreed that the Participants 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 this Contract, regardless of whether or not the District actually provides such facilities and services, or whether or not any Participant actually receives or uses such facilities and services, and regardless of the validity or performance of the other parts of this or any other 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 the Participants. Each Participant 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 Section 5.02 of this Contract, so long as the District is willing and able to provide the facilities and services contemplated hereunder to any Participant.(j) As soon as practicable after issuance of the initial series of Bonds, the District shall furnish each Participant with a schedule of monthly payments to be made for the balance of its Fiscal Year commencing October 1, 2010. On or before August l of each year, commencing August 1, 2011, the District will furnish each Participant with a tentative budget and an estimated schedule of monthly payments to be made by such Participant for the ensuing Fiscal Year. On July l of each year, commencing July 1, 2011, the District shall be in a position to furnish any Participant an estimate of the Participant's annual requirement. On or before October l of each year, commencing October 1, 2011, the District shall furnish such Participant with a finalized schedule of the monthly payments to be made by such Participant to the District for the ensuing Fiscal Year. Each Participant 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 Participant shall dispute the Annual Budget, and proceed as provided in Article VII, such Participant nevertheless promptly shall make the payment or payments determined by the District, and if it is subsequently determined by agreement that such disputed payments made by such Participant should have been less, the District shall promptly revise, reallocate, and readjust the charges among all Participants then being served by the District in such manner that such Participant will recover its overpayment. In the event any Participant is assessed a surcharge for excess BOD and/or TSS pursuant to Section 4.02 hereof, the District will bill such Participant for such surcharge on or before the tenth (10th) day of the month following the determination of the surcharge and such Participant shall pay such surcharge on or before the twentieth (20th) day of the month of receipt of any such bill. Any such surcharge collected by the District shall be applied by the District against the total cost of Operation and Maintenance Expense of the Interceptor System.

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

(l) 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 Interceptor System purposes for which the Bonds are issued, or be credited towards the payment of the Bond Service Component.

Section 5.04. ADDITIONAL CAPACITY AND FACILITIES. As the responsible agency for the establishment, administration, management, operation, and maintenance of the Interceptor 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 Interceptor System to receive and transport Wastewater of any Participant, including all Additional Participants, and to issue its Bonds to accomplish such purposes, and all Participants, including Additional Participants, shall be obligated to pay both the Operation and Maintenance Components and the Bond Service Component included in the Annual Requirements with respect to the entire Interceptor System, as expanded, as provided in Section 5.03; provided that this Section shall not be construed so as to reduce or alter the requirements of Sections 5.03 or 8.02 with respect to minimum payments.

ARTICLE VI

GENERAL PROVISIONS

Section 6.01. FORCE MAJEURE. In case by reason of "Force Majeure" the District or any Participant shall be rendered unable wholly or in part to carry out its obligations under this agreement, then if such party shall give notice and full particulars of such "Force Majeure" in writing to the other parties within a reasonable time after occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such Force Majeure (with the exception of the obligation of each Participant to make the payments required in Section 5.03 of this Contract, which in all events shall be made as provided therein) shall be suspended during the continuance of the inability then claimed, but for no longer periods, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein, shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, and inability on the part of a Participant to provide water necessary for operation of its water and Local Wastewater Facilities hereunder, or of the District to receive or transport Wastewater on account of any other causes not reasonably within the control of the party claiming such inability. It is understood and agreed that the settlement of strikes and lockouts shall be entirely within the discretion of the party having the difficulty, and that the above requirement that any Force Majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes and lockouts by acceding to the demands of the opposing party or parties when such settlement is unfavorable to it in the judgment of the party having the difficulty.

Section 6.02. INSURANCE. The District will carry insurance (including self-insurance) for such purposes and in such amounts as are determined by the District to be necessary or advisable.

Section 6.03. REGULATORY BODIES. This Contract shall be subject to all valid rules, regulations and laws applicable hereto passed or promulgated by the United States of America, the State of Texas, or any authorized representative or agency of any of them.

Section 6.04. ANNUAL AUDIT OF SYSTEM. The District shall, at the close of each Fiscal Year, commencing with the Fiscal Year beginning October 1, 2011, cause an annual audit of the Interceptor System to be prepared.

Section 6.05. PUBLICATIONS, REFERENCE WORKS, GOVERNMENTAL REGULATIONS. In each instance herein where reference is made to a publication, reference work or Federal or State regulation, it is the intention of the parties that at any given time the then current edition of any such publication of reference work or Federal or State regulation shall apply. If a publication or reference work is discontinued or ceases to be the generally accepted work in its field or if conditions change or new methods or processes are implemented by the District, new standards shall be adopted which are in compliance with State and Federal laws and any valid rules and regulations issued pursuant thereto.

Section 6.06. OPERATION OF THE INTERCEPTOR SYSTEM. The District covenants that it will operate and maintain the Interceptor System in accordance with accepted good business and engineering practices.

ARTICLE VII

DISTRICT ANNUAL BUDGET

Section 7.01. FILING WITH PARTICIPANT. (a) Not less than sixty (60) days before the commencement of each Fiscal Year while this Contract is in effect, the District shall cause its tentative budget for operation and maintenance of the Interceptor System for the ensuing Fiscal Year to be prepared and a copy thereof filed with each Participant. If no protest or request for a hearing on such tentative budget is presented to the District within thirty (30) days after such filing of the tentative budget by one or more Participants, the tentative budget for the Interceptor System, when adopted by the District's Board of Directors, shall be considered for all purposes as the "Annual Budget" for the Interceptor System ensuing Fiscal Year. But if a protest or request for a hearing is duly filed, it shall be the duty of the District to fix the date and time for a hearing on the tentative budget. The Board of Directors of the District shall consider the testimony and showings made in such hearing. The Board of Directors of the District may adopt the budget or make such amendments thereof as to it may seem proper. The budget thus approved by the Board of Directors of the District shall be the Annual Budget for the next ensuing Fiscal Year.

(b) The Annual Budget may be amended to provide for transfers of budgeted funds between expenditure accounts, provided however that said transfers do not result in an overall increase in budgeted funds as provided in the Annual Budget. The Annual Budget may be amended and increased through formal action by the Board of Directors of the District, if required. Certified copies of any amended Annual Budget and the resolution authorizing same shall be filed immediately by the District with each Participant.

ARTICLE VIII

OTHER CONTRACTS

Section 8.01. OTHER CONTRACTS BETWEEN THE DISTRICT AND THE PARTICIPANTS. Nothing contained in this Contract shall in any way affect any payments to the District by a Participant or rates charged by the District to such Participant for the providing of water, wastewater or other services or facilities pursuant to other contractual relationships between the District and such Participant, including particularly, but not by way of limitation, the Regional Contract.

Section 8.02. DISTRICT CONTRACTS WITH ADDITIONAL PARTICIPANTS. (a) The District reserves the right to contract with subsequent Additional Participants to provide the services of the Interceptor System to such Additional Participants; provided that the terms and provisions of such contracts with Additional Participants shall be, to the extent practicable and applicable, the same as the terms and provisions of this Contract except that such contract shall provide for payments calculated on the basis of adequate minimum flows as hereinafter provided and further provided that, prior to or concurrently with becoming an Additional Participant, such party shall have become a party to the Treatment Contract. The District shall not obligate itself to receive Wastewater into the Interceptor System from any future Additional Participant, in the judgment and discretion of the District, such obligation would jeopardize the District's ability to meet its obligation to receive and transport Wastewater discharged into the Interceptor System by prior Participants.

(b) A Person may become an Additional Participant 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 Participant's waterworks and/or sewer systems, if any.

(ii) Such proposed Additional Participant 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 improvements, enlargements, or extensions of the Interceptor System to serve such Additional Participant, their estimated cost, and estimated flows of Wastewater, so as to enable the District to ascertain or estimate the requirements of the proposed Additional Participant for the ensuing five year period.

(c) Each Additional Participant 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 such Additional Participant’s proportionate share of the Annual Requirement.

(d) The provisions of this Section and the payments to be made under an Additional Participant’s contract are further subject to the provisions of Section 5.03 of this Contract.

Section 8.03. USE OF EXCESS CAPACITY. Notwithstanding any other provisions of this Contract, the District may provide any excess available capacity or service of the Interceptor System to any Person; provided that such service does not interfere with or impair the rights of any Participant under this 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 amounts 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 to be credited to the Bond Service Component of the Annual Requirement, plus an additional amount of not less than 20% of the foregoing to cover prior incurred costs. The District is not authorized to issue Bonds, as defined in this Contract, to provide the services of the Interceptor System to any persons other than Participants (including Additional Participants).

ARTICLE IX

REMEDIES

Section 9.01. LEGAL AND EQUITABLE. Any party to this Contract, and any holder of the District's Bonds, may require any party hereto, and its officials and employees, to carry out, respect, and enforce the covenants and obligations of this Contract, 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 such party, and its officials and employees.

ARTICLE X

CONTINUING DISCLOSURE OF INFORMATION

Section 10.01. PARTICIPANTS TO COMPLY. The Participants shall comply or, upon request of the District, shall provide to the District such information as will enable the District to comply, with any continuing disclosure requirements with respect to the Bonds imposed by Securities and Exchange Commission Rule 15c2-12.

ARTICLE XI

EFFECTIVE DATE AND TERM

Section 11.01. EFFECTIVE DATE. This Contract shall become effective as of the date of execution hereof.

Section 11.02. TERM OF CONTRACT. This Contract shall continue in force from the effective date hereof 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 Interceptor System.

ARTICLE XII

NOTICES

Section 12.01. NOTICES. Any notice, request or other communication under this Contract shall be given in writing and shall be deemed to have been given by either party to the other party at the addresses shown below upon any of the following dates:

(a) The date of notice by email, facsimile transmission, or similar telecommunications, which is confirmed promptly in writing;

(b) Three business days after the date of the mailing thereof, as shown by the post office receipt if mailed to the other party hereto by registered or certified mail;

(c) The date of actual receipt thereof by such other party if not given pursuant to (a) or (b) above.

The address for notice for each of the parties shall be as follows:

North Texas Municipal Water District
505 East Brown Street
Wylie, Texas 75098
Attention: Executive Director
Fax #: (972) 442-5405

City of Forney, Texas
101 East Main
Forney, Texas 75126
Attention: City Manager
Fax #: (972) 564-7349

or the latest address specified by such other party in writing.

ARTICLE XIII

SEVERABILITY

Section 13.01. SEVERABILITY. If any clause, provision or Section of this Contract should be held illegal or invalid by any court, the invalidity of such clause, provision or Section shall not affect any of the remaining clauses, provisions or Sections hereof and this Contract shall be construed and enforced as if such illegal or invalid clause, provision or Section had not been contained herein. In case any agreement or obligation contained in this Contract should be held to be in violation of law, then such agreement or obligation shall be deemed to be the agreement or obligation of the Participants or the District, as the case may be, to the full extent permitted by law.

ARTICLE XIV

MODIFICATION

Section 14.01. MODIFICATION. This Contract may be changed or modified only with the consent of the governing bodies of the District and the affected Participant or Participants. No such change or modification may be made which will affect adversely the prompt payment when due of all moneys required to be paid by the Participants under the terms of this Contract.

ARTICLE XV

VENUE

Section 15.01. VENUE. All amounts due under this Contract, including, but not limited to, payments due under this Contract or damages for the breach of this Contract, shall be paid and be due in Collin County, Texas, which is the County in which the principal administrative offices of the District are located. It is specifically agreed among the parties to this Contract that Collin County, Texas, is the place of performance of this Contract; and in the event that any legal proceeding is brought to enforce this Contract or any provision hereof, the same shall be brought in Collin County, Texas.

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IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Contract to be duly executed in several counterparts, each of which shall constitute an original, all as of the ____ day of __________, 2011, which is the date of this Contract.

NORTH TEXAS MUNICIPAL WATER DISTRICT

By: ___________________________________
President, Board of Directors

ATTEST:

____
Secretary, Board of Directors

(SEAL)

CITY OF FORNEY, TEXAS

By: _______________________________
Mayor

ATTEST:

____
City Secretary

(SEAL)

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APPENDIX B

CITY OF FORNEY, TEXAS

MISCELLANEOUS STATISTICAL DATA

FISCAL YEAR ENDED SEPTEMBER 30, 2023

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LOCATION AND HISTORY . . . The City of Forney (the "City") is a farm-to-market center located in northwest Kaufman County, encompassing approximately 14.03 square miles. The City is approximately 21 miles east of downtown Dallas. It is a part of the North Central Texas (the "Metroplex"), which includes the cities of Dallas and Fort Worth with a total population exceeding 3.78 million.

The City was incorporated in 1910 under the general laws of the State of Texas and adopted its home-rule charter in 1997. The City Council is composed of a mayor and six councilmembers elected at large. All City residents vote for all six places. The members are elected for two year staggered terms and elections are held annually in May.

Policy-making and oversight functions are the responsibility of, and are vested in, the City Council. The City Council is required by the charter to appoint a City Manager to serve as the chief administrative and executive officer of the City. The duties of the City Manager include the appointment of City department heads and the daily conduct of City affairs.

POPULATION . . . The City has experienced manageable growth since its incorporation. Population history is as follows:

Year	Poulation	Year	Poulation
1960	1,544	2015	17,480
1970	1,745	2016	17,480
1980	2,483	2017	18,418
1990	4,070	2018	20,280
2000	5,800	2019	23,470
2010	14,661	2020	25,030
2011	15,060	2021	26,820
2012	15,450	2022	28,000
2013	16,030	2023	27,040
2014	16,800	2024	29,459

ECONOMICS . . . The City's location in the Metroplex gives local businesses access to approximately 4 million people, the sixth largest market in the United States.

The City has become best known for its extensive antique industry and has been recognized by the Texas Senate as "The Antique Capital of Texas." Primary manufactures within the City produce corrugated materials and furniture.

EDUCATION . . . Education for the citizens of the City is provided by the Forney Independent School District (the "District") which has an enrollment of approximately 14,314 students. The District conducts programs for K-12 and is fully accredited by the Texas Education Agency.

The District's physical facilities include:

10 elementary schools
6 middle/intermediate schools
2 high schools

Additionally, within a radius of 60 miles, there are a number of colleges and universities including Dallas Baptist University, Dallas County Community College District, East Texas State University, Southwestern Christian College, Southwestern Medical Center, Southern Methodist University, Tarrant County Community College District, Texas Christian University, Texas Wesleyan University, Women's University, Trinity Valley Community College, University of Dallas, University of North Texas, University of Texas at Arlington and University of Texas at Dallas

TRANSPORTATION . . . The City has prime positioning for easy access to major local, regional and national markets. Located only twenty-one miles from the Dallas/Fort Worth Metroplex Area. Interstate Highway 30, the east/west highway located 12 miles north of the City, provides access directly in the Dallas and Fort Worth central business district. Additionally, Interstate Highway 635 (the loop surrounding the City of Dallas) is located approximately 12 miles west of the City.

Air Service for the City is provided by a local private airport. The nearest commercial air service, located approximately 35 miles from the City, is available at Dallas Love Field, northeast of downtown Dallas. The Dallas/Fort Worth International Airport is located approximately 40 miles northwest of the City, and lies between the cities of Dallas and Fort Worth.

Union Pacific Railroad provides rail service and Greyhound Bus Lines provides bus transportation services. Several motor freight carriers service the City including East Texas Motor Freight, Central Freight, Tex-Pac Express, Yellow-Freight and Campbell 66.

MAJOR EMPLOYERS IN THE CITY

Company	Type of Business	Estimated Number of Employees
Forney Independent School District	Education	1,458
Amazon	E-Commerce	650
Wal-Mart	Retail	398
Smurfit Kappa	Paper Mill	260
IntexElectric	Electrical Contractor	250
City of Forney	Local Government	224
Kroger MarketPlace	Grocery/Retail	222
Steve Silver Company	Import/Export	200
Lowe's Home Improvement	Home Improvement Center	165
Goodyear Tire & Rubber	Manufacturing	160

APPENDIX C

EXCERPTS FROM THE

CITY OF FORNEY, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2023

The information contained in this Appendix consists of excerpts from the City of Forney's Annual Financial Report for the Year Ended September 30, 2023, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
and Members of the City Council
City of Forney, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Forney, Texas as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Forney, Texas' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Forney, Texas, as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Forney, Texas' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Forney, Texas' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information, as listed in the table of contents, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Forney, Texas' basic financial statements. The combining and individual nonmajor fund financial statements and budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 combining and individual nonmajor fund financial statements and budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information included in the Annual Comprehensive Financial Report

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2024, on our consideration of the City of Forney's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Forney, Texas' internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 5, 2024

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MANAGEMENT'S
DISCUSSION AND ANALYSIS

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Management’s Discussion and Analysis

As management of the City of Forney (the “City”), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2023. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City’s financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $244,164,004 (net position). Of this amount, $38,797,441 (unrestricted net position) may be used to meet the City’s ongoing obligations to citizens and creditors.

- The City’s total net position increased by $36,781,882. The increase from operations was due to an increase in governmental activities net position largely due to an increase in property tax revenue, sales tax revenue, and capital contributions. The increase in business-type activities net position was due to an increase in capital contributions and developer contributions.

- At the end of the current fiscal year, the City’s governmental funds reported combined fund balances of $47,699,596, an increase of $3,899,904 or 9%, in comparison with the prior year. The majority of this increase is due to an increase in impact fee revenue generated by high levels of development in the area.

- The City’s total bonded debt decreased by $4,030,000, or 15%, during the current fiscal year due to current year debt service payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Basic Financial Statements

The first two statements in the basic financial statements are the government-wide financial statements. They provide both short and long-term information about the City’s financial status.

The next statements are fund financial statements. These statements focus on the activities of the individual parts of the City’s government. These statements provide more detail than the government-wide statements. There are three parts to the fund financial statements: 1) the governmental funds statements; 2) the proprietary fund statements; and 3) the fiduciary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, required supplemental information is provided to show details about the City’s budgetary information and pension plan and OPEB plan.

Government-wide financial statements — The government-wide financial statements are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business. The government-wide statements provide short and long-term information about the City’s financial status as a whole.

The statement of net position presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference between them 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 City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the 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., uncollected taxes and earned but unused compensated absences).

Both the government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales tax and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the utility services offered by the City. The final category is the component unit.

Fund financial statements — The fund financial statements provide a more detailed look at the City's most significant activities. 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 City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The fund financial statements for governmental funds, proprietary funds, and fiduciary funds can be found in the financial section of this report.

Governmental funds — Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, Capital Projects Fund, Roadway Impact Fund, and the ARPA Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the supplementary information.

The City adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the City Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget; 2) the final budget as amended by the Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary funds — The City of Forney has one type of proprietary fund which is the Utility Fund. The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility Fund. The basic proprietary fund financial statements can be found on pages 20-22 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 government-wide and fund financial statements. The notes to the financial statements are on pages 25-49 of this report.

Other Information — In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City's budgetary information and progress in funding its obligation to provide pension benefits and OPEB benefits to its employees and retirees.

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information. Combining statements and individual fund statements can be found on pages 59-60 of this report.

CITY OF FORNEY'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Current and other assets	$ 55,649,374	$ 54,162,154	$ 40,154,063	$ 32,682,380	$ 95,803,437	$ 86,844,534
Capital assets	122,550,134	106,855,767	62,224,571	55,402,942	184,774,705	162,258,709
Total assets	178,199,508	161,017,921	102,378,634	88,085,322	280,578,142	249,103,243
Deferred outflows of resources	4,808,108	2,833,311	663,067	408,188	5,471,175	3,241,499
Long-term liabilities outstanding	29,692,045	29,733,631	3,022,015	2,933,352	32,714,060	32,666,983
Other liabilities	7,760,290	9,218,089	1,165,365	952,121	8,925,655	10,170,210
Total liabilities	37,452,335	38,951,720	4,187,380	3,885,473	41,639,715	42,837,193
Deferred inflows of resources	216,075	1,861,605	29,523	263,822	245,598	2,125,427
Net position:						
Net investment, in capital assets	104,376,390	85,443,652	60,241,089	52,971,217	164,617,479	138,414,869
Restricted	31,264,232	28,190,781	9,484,852	8,099,640	40,749,084	36,290,421
Unrestricted	9,698,584	9,403,474	29,098,857	23,273,358	38,797,441	32,676,832
Total net position	$ 145,339,206	$ 123,037,907	$ 98,824,798	$ 84,344,215	$ 244,164,004	$ 207,382,122

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the City of Forney exceeded the liabilities and deferred inflows of resources by $244,164,004 as of September 30, 2023. The City's net position increased by $36,781,882 for fiscal year ended September 30, 2023.

Net Investment in Capital Assets – The largest portion of the City's net position, 67%, reflects the City's net investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Restricted Net Position – The restricted net position of $40,749,084, or 17% of total net position represents resources that are subject to external restrictions or their use, or by enabling legislation. Restricted net position is comprised of state imposed restrictions; namely 43% for impact fees and 49% for courts fees restricted for use within the municipal court.

Unrestricted Net Position – Unrestricted net position of $38,797,441 is available to fund City programs to citizens and obligations to creditors.

CHANGES IN NET POSITION

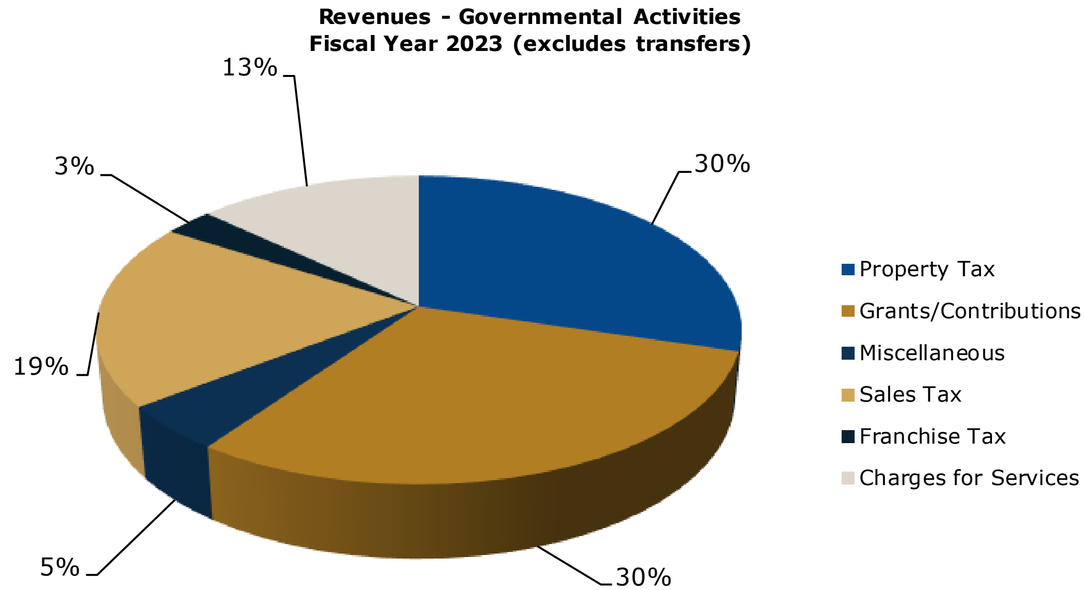
	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	$ 8,112,743	$ 7,577,114	$ 33,875,538	$ 27,549,698	$ 41,988,281	$ 35,126,812
Operating grants and contributions	1,885,135	47,156	-	-	1,885,135	47,156
Capital grants and contributions	16,863,752	9,010,460	7,536,735	4,070,260	24,400,487	13,080,720
General revenues:						
Property taxes	18,357,228	15,063,814	-	-	18,357,228	15,063,814
Franchise taxes	1,779,327	3,527,220	-	-	1,779,327	3,527,220
Sales taxes	12,037,644	11,325,531	-	-	12,037,644	11,325,531
Other taxes	232,262	205,895	-	-	232,262	205,895
Investment income	2,614,354	(1,079,925)	175,782	27,949	2,790,136	(1,051,976)
Miscellaneous	139,267	400,146	257,468	214,255	396,735	614,401
Total revenues	62,021,712	46,077,411	41,845,523	31,862,162	103,867,235	77,939,573
Expenses:						
General government	11,436,267	8,424,525	-	-	11,436,267	8,424,525
Public safety	14,535,677	11,130,641	-	-	14,535,677	11,130,641
Public works	10,672,357	5,217,743	-	-	10,672,357	5,217,743
Public services and operations	1,300,476	973,473	-	-	1,300,476	973,473
Parks and recreation	2,669,083	2,564,170	-	-	2,669,083	2,564,170
Interest on long-term debt	579,475	801,325	-	-	579,475	801,325
Utilities	-	-	25,976,542	22,260,941	25,976,542	22,260,941
Total expenses	41,193,335	29,111,877	25,976,542	22,260,941	67,169,877	51,372,818
Increases in net position before transfers and extraordinary item (expense)	20,828,377	16,965,534	15,868,981	9,601,221	36,697,358	26,566,755
Gain on sale of assets	84,524	-	-	-	84,524	-
Transfers	1,388,398	124,191	(1,388,398)	(124,191)	-	-
Increase (decrease) in net position	22,301,299	17,089,725	14,480,583	9,477,030	36,781,882	26,566,755
Net position, beginning	123,037,907	75,959,087	84,344,215	60,905,084	207,382,122	136,864,171
Prior period adjustment	-	29,989,095	-	13,962,101	-	43,951,196
Net position, ending	$ 145,339,206	$ 123,037,907	$ 98,824,798	$ 84,344,215	$ 244,164,004	$ 207,382,122

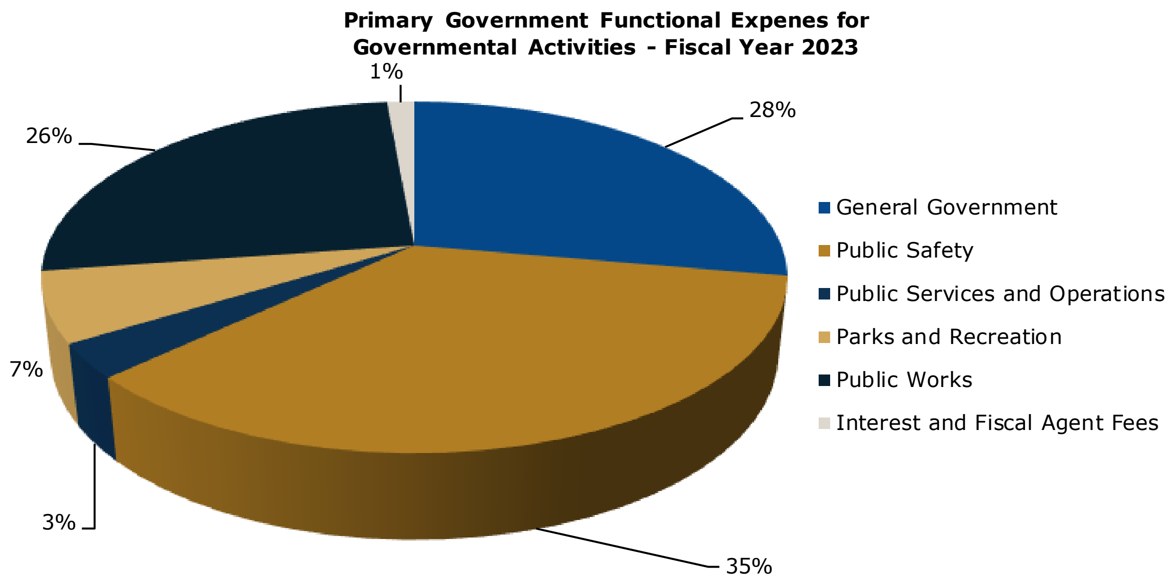
Governmental activities net position before transfers increased by $3,862,843, primarily due to an increase in capital contributions. Property tax revenues increased despite the City adopting a lower tax rate. This was primarily attributed to a 43.15% increase in certified appraised values.

Business-type activities net position before transfers and extraordinary expense increased by $6,267,760. This is primarily due to developer contributions in FY23.

Governmental-type activities – Governmental-type activities increased the City's net position by $22,301,299. Key elements of this increase are as follows:

Property tax revenue increased due to an increase in appraised values. Sales tax revenue continued to increase, keeping in line with the City's current growth. Additionally, the City received $16,863,752 of infrastructure donated by developers.





Business-type activities – Business type activities increased the City of Forney's net position by $14,480,583. Additionally, the City received $7,536,735 in developer contributions in 2023.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental funds – The focus of the City of Forney's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Specifically, unassigned fund balance may serve as a useful measure of the city's net resources available for discretionary use as they represent the portion of fund balance which has not been limited to use for a particular purpose by either an external party, the city itself, or a group or individual authorized by the governing body to assign resources for a particular purpose.

At the close of the current fiscal year, the governmental funds reported combined ending fund balances of $47,699,596, an increase of $3,899,904, or 9% in comparison with the prior year. The components of total fund balances are as follows:

- Restricted fund balances of $31,332,213 consist of amounts with constraints put on their use by externally imposed creditors, grantors, contributions, laws, regulations or enabling legislation. Obligations for bonded debt is $2,212,272, or 7%, and debt proceeds for capital expenditures of $19,955,948, or 64%, account for the majority of restricted fund balances. Restrictions imposed by legislation amounts to $9,163,993 or 29%.

- Committed fund balance of $50,744 is for the police department as imposed by City Council for specific purposes.

- Assigned fund balance of $12,567,732 is for general reserve and use in the subsequent year's budget as imposed by City Council or City Management for specific purposes.

As a measure of the General Fund's liquidity, it is useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance equates to 13% of total General Fund expenditures.

Significant changes in fund balances of major funds are as follows:

- The General Fund's fund balance increased by $786,305 or 5%, due to additional building permit revenue and associated fees.

- The Debt Service Fund's fund balance increased by $474,503, or 27%, due to collections for properties under protest at the time of tax roll certification.

- The Roadway Impact Fund's fund balance increased by $2,349,744, or 40%, due to an increase in impact fees received.

- The Capital Projects Fund's fund balance increased by $464,259, or 2%, largely due to a $6.2 million transfer in from the General Fund.

<u>Proprietary Funds</u>

The City of Forney's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the proprietary funds at the end of the fiscal year amounted to $29,098,857.

General Fund Budgetary Highlights

During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and (3) increases in appropriations that become necessary to maintain services.

Revenues were more than the budgeted amounts mainly in the areas of property tax, sales tax, franchise tax, and license and permit revenues. Expenditures were less than budgeted in the majority of departments for salary and benefits.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets—The City's investment in capital assets for its governmental and business-type activities as of September 30, 2023, amounted to $184,774,705 (net of accumulated depreciation). These assets include land, buildings, improvements, machinery and equipment, vehicles and construction in progress. This amount represents a net increase (including additions and deductions) of $22,515,996 (net of accumulated depreciation) from the prior fiscal year.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Roadway improvements
- Water and sewer line improvements

CITY OF FORNEY'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Land	$8,448,940	$8,444,675	$703,953	$703,953	$9,152,893	$9,148,628
Infrastructure	80,417,220	69,518,100	58,051,806	52,444,029	138,469,026	121,962,129
Buildings and improvements	18,532,361	19,226,002	-	-	18,532,361	19,226,002
Machinery and equipment	6,745,774	4,449,309	1,375,074	1,182,801	8,120,848	5,632,110
Construction in progress	8,405,839	5,217,681	2,093,738	1,072,159	10,499,577	6,289,840
Total	$ 122,550,134	$ 106,855,767	$ 62,224,571	$ 55,402,942	$ 184,774,705	$ 162,258,709

More detailed information about capital assets is presented on pages 35-36 in the notes to the financial statements.

CITY OF FORNEY'S OUTSTANDING BONDS AND NOTES PAYABLE AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
General obligation bonds and certificates of obligation	$ 17,035,000	$ 19,725,000	$ 2,030,000	$ 2,485,000	$ 19,065,000	$ 22,210,000
Pass-through toll revenue and limited tax bonds	3,760,000	4,645,000	-	-	3,760,000	4,645,000
Tax Notes	320,000	630,000	-	-	320,000	630,000
Notes payable	127,437	174,231	-	-	127,437	174,231
Total	$ 21,242,437	$ 25,174,231	$ 2,030,000	$ 2,485,000	$ 23,272,437	$ 27,659,231

The City's long term debt decreased by $4,386,794 due to payments made throughout the year. More detailed information about the long-term obligations is presented on pages 37-40 in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Although the economy is the primary factor, the City's elected and appointed officials considered many factors when setting the fiscal year 2024 budget, tax rates, and fees that will be charged for the business-type activities. The City will finish FY 2023 with an unexpected surplus in funds as Forney has continued to experience unprecedented growth in building permits and associated fees.

The property tax base in Forney has continued to grow at a rapid rate with a 144% increase in values in the last 5 years. Fiscal year 2023 included the final annexation of the Luminant power plant which equates to 15% of taxable value in the city. The increased values and early redemption of debt have allowed for a decrease in the property tax rate of just over $0.21 in the same period. This budget proposes a tax rate of $0.366533 and will raise an additional $2,920,776 or 22.74% in property tax revenue from FY 2023.

Both sales tax and building permit revenue depend on the health of the economy. Therefore, the fiscal year 2024 budget includes a conservative 7% increase in sales tax over the amount budgeted in fiscal year 2023 and a 50% increase in building permit revenue. Commercial and retail permit sales continue to be strong and residential permit sales are expected to increase with a new major planned development.

Forney's continued growth and increased revenue will allow the funding of additional staff and supplies required to meet the needs of the citizens. The fiscal year 2024 budget includes 12 new positions and adjusted pay plans for all City Employees. All employees will receive a 4% cost of living adjustment and non-uniformed employees will be eligible for a possible 3% merit adjustment.

North Texas Municipal Water District (NTMWD) is increasing the cost of water purchases by $.30 per 1,000 gallons or 9% for Fiscal Year 2024. The FY 2024 budget proposes passing the cost increase on to all water customers to include residential, commercial, wholesale, and industrial.

Additionally, NTMWD is increasing the cost of wastewater treatment and transmission, and this cost will be passed on to customers through a 10% increase in all sewer charges.

The City recently renewed the contract for solid waste disposal services, and the contract includes a provision that there will be no rate increase to the City for a period of three years. This is the fourth year of the contract, and the city is anticipating a 5% increase that will be passed on to all customers.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need additional information, contact the Finance Division, City of Forney, P.O. Box 826, Forney, Texas 75126-0826.

BASIC
FINANCIAL STATEMENTS

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CITY OF FORNEY, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Forney EDC
ASSETS				
Cash and investments	$ 53,140,652	$ 23,068,213	$ 76,208,865	$ 8,571,275
Receivables (net of allowances)				
Taxes receivable	2,345,054	-	2,345,054	722,380
Accounts receivable	163,668	3,914,384	4,078,052	150
Lease receivable	-	-	-	35,506
Restricted assets:				
Cash and investments	-	13,171,466	13,171,466	-
Capital assets, not being depreciated	16,854,779	2,797,691	19,652,470	404,263
Capital assets, being depreciated, net	105,695,355	59,426,880	165,122,235	2,992,449
Total assets	178,199,508	102,378,634	280,578,142	12,726,023
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on bond refunding	355,778	54,718	410,496	-
Pension related	4,385,231	599,181	4,984,412	67,698
OPEB related	67,099	9,168	76,267	1,036
Total deferred outflows of resources	4,808,108	663,067	5,471,175	68,734
LIABILITIES				
Accounts payable	685,226	496,439	1,181,665	73,581
Accrued liabilities	744,320	101,410	845,730	13,529
Due to other governments	28,162	-	28,162	-
Unearned revenue	4,812,868	73,426	4,886,294	-
Accrued interest payable	120,635	5,442	126,077	7,839
Customer & developer deposits	1,369,079	488,648	1,857,727	-
Noncurrent liabilities:				
Due within one year:				
Long-term debt	3,183,131	465,000	3,648,131	120,000
Compensated absences	185,044	18,375	203,419	2,116
Due in more than one year:				
Long-term debt	19,106,391	1,573,200	20,679,591	1,185,000
Compensated absences	555,130	55,124	610,254	6,347
Net pension liability	6,482,227	885,705	7,367,932	100,071
Total OPEB liability	180,122	24,611	204,733	2,781
Total liabilities	37,452,335	4,187,380	41,639,715	1,511,264
DEFERRED INFLOWS OF RESOURCES				
Lease related	-	-	-	35,352
Pension related	60,757	8,301	69,058	938
OPEB related	155,318	21,222	176,540	2,398
Total deferred inflows of resources	216,075	29,523	245,598	38,688
NET POSITION				
Net investment in capital assets	104,376,390	60,241,089	164,617,479	2,091,712
Restricted:				
Use of impact fees	8,220,838	9,484,852	17,705,690	-
Debt service	2,144,291	-	2,144,291	-
Municipal court use	78,257	-	78,257	-
Capital improvements	19,955,948	-	19,955,948	-
Public improvement district	816,660	-	816,660	-
Tourism	48,238	-	48,238	-
Unrestricted	9,698,584	29,098,857	38,797,441	9,153,093
Total net position	$ 145,339,206	$ 98,824,798	$ 244,164,004	$ 11,244,805

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

CITY OF FORNEY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

		Program Revenue	
	Expenses	Charges for Services	Operating Grants and Contributions
Function/Program Activities			
Primary Government			
Governmental activities:			
General government	$ 11,436,267	$ 124,995	$ -
Public safety	14,535,677	3,043,555	1,885,135
Public services and operations	1,300,476	-	-
Parks and recreation	2,669,083	289,321	-
Public works	10,672,357	4,654,872	-
Interest and charges on long-term debt	579,475	-	-
Total governmental activities	41,193,335	8,112,743	1,885,135
Business-type activities:			
Utility fund	25,976,542	33,875,538	-
Total Business-type activities	25,976,542	33,875,538	-
Total primary government	67,169,877	41,988,281	1,885,135
Component unit:			
Economic development	2,994,597	55,078	-
Total Component unit	$ 2,994,597	$ 55,078	$ -

General revenues:
Property taxes
Sales taxes
Franchise taxes
Other taxes
Miscellaneous
Investment income
Gain on sale of assets
Transfers
Total general revenues and transfers
Change in net position
Net position -- beginning
Net position -- ending

Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position, Primary Government: Governmental Activities	Business-Type Activities	Total	Component Unit: Forney EDC
$ -	$ (11,311,272)	$ -	$ (11,311,272)	$ -
-	(9,606,987)	-	(9,606,987)	-
-	(1,300,476)	-	(1,300,476)	-
-	(2,379,762)	-	(2,379,762)	-
16,863,752	10,846,267	-	10,846,267	-
-	(579,475)	-	(579,475)	-
16,863,752	(14,331,705)	-	(14,331,705)	-
7,536,735	-	15,435,731	15,435,731	-
7,536,735	-	15,435,731	15,435,731	-
24,400,487	(14,331,705)	15,435,731	1,104,026	-
-				(2,939,519)
$ -				$ (2,939,519)
	18,357,228	-	18,357,228	-
	12,037,644	-	12,037,644	4,012,549
	1,779,327	-	1,779,327	-
	232,262	-	232,262	-
	139,267	257,468	396,735	1,440
	2,614,354	175,782	2,790,136	13,115
	84,524	-	84,524	-
	1,388,398	(1,388,398)	-	-
	36,633,004	(955,148)	35,677,856	4,027,104
	22,301,299	14,480,583	36,781,882	1,087,585
	123,037,907	84,344,215	207,382,122	10,157,220
	$ 145,339,206	$ 98,824,798	$ 244,164,004	$ 11,244,805

CITY OF FORNEY, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2023

	General Fund	Debt Service Fund	Roadway Impact Fund
ASSETS			
Cash and investments	$ 16,929,474	$ 2,208,879	$ 8,220,838
Taxes receivable, net	2,289,007	56,047	-
Accounts receivable	163,668	-	-
Total assets	19,382,149	2,264,926	8,220,838
LIABILITIES			
Accounts payable	520,168	-	-
Accrued salaries and wages	744,320	-	-
Due to other governments	28,162	-	-
Developer deposits	1,369,079		
Unearned revenues	17,311	-	-
Total liabilities	2,679,040	-	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	257,469	52,654	-
Total deferred inflows of resources	257,469	52,654	-
FUND BALANCES			
Restricted for:			
Debt service	-	2,212,272	-
Use of impact fees	-	-	8,220,838
Capital improvements	-	-	-
Municipal court use	78,257	-	-
Tourism	-	-	-
Public Improvement District	-	-	-
Committed for:			
Police	50,744	-	-
Assigned for:			
General reserve	4,970,618	-	-
Subsequent year's budget	7,597,114	-	-
Unassigned	3,748,907	-	-
Total fund balances	16,445,640	2,212,272	8,220,838
Total liabilities, deferred inflows, and fund balances	$ 19,382,149	$ 2,264,926	$ 8,220,838

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

Capital Projects Fund	ARPA Fund	Total Nonmajor Funds	Total Governmental Funds
$ 20,117,036	$ 4,785,661	$ 878,764	$ 53,140,652
-	-	-	2,345,054
-	-	-	163,668
20,117,036	4,785,661	878,764	55,649,374
151,192	-	13,866	685,226
-	-	-	744,320
-	-	-	28,162
	-		1,369,079
9,896	4,785,661	-	4,812,868
161,088	4,785,661	13,866	7,639,655
-	-	-	310,123
-	-	-	310,123
-	-	-	2,212,272
-	-	-	8,220,838
19,955,948	-	-	19,955,948
-	-	-	78,257
-	-	48,238	48,238
-	-	816,660	816,660
-	-	-	50,744
-	-	-	4,970,618
-	-	-	7,597,114
-	-	-	3,748,907
19,955,948	-	864,898	47,699,596
$ 20,117,036	$ 4,785,661	$ 878,764	$ 55,649,374

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CITY OF FORNEY, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION

SEPTEMBER 30, 2023

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

Total fund balances - governmental funds		$ 47,699,596
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		122,550,134
Revenue reported as unavailable revenue in the governmental fund financial statements was recorded as revenue in the government-wide financial statements		
Property taxes	151,875	
Court fines and fees	158,248	
Subtotal		310,123
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an expenditure is reported when due.		(120,635)
Certain long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Also, the loss on refunding of bonds, the premium on issuance of bonds and deferred resource outflows (inflows) related to the net pension liability are not reported in the funds.		
Bonds payable	(20,795,000)	
Premiums and discounts on bonds payable	(1,047,085)	
Notes payable	(447,437)	
Compensated absences	(740,174)	
Net pension liability	(6,482,227)	
Net other post-employment benefit liability	(180,122)	
Deferred loss on bond refunding	355,778	
Deferred outflows and inflows related to pension	4,324,474	
Deferred outflows and inflows related to other post-employment benefit	(88,219)	
Subtotal		(25,100,012)
Net position of governmental activities		$ 145,339,206

CITY OF FORNEY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Debt Service Fund	Roadway Impact Fund
REVENUES			
Property taxes	$ 10,704,365	$ 4,100,488	$ -
Sales taxes	12,037,644	-	-
Hotel/motel taxes	-	-	-
Franchise taxes	1,779,327	-	-
Beverage taxes	93,765	-	-
Licenses and permits	5,134,720	-	-
Intergovernmental revenues	193,540	863,500	-
Charges for services	1,988,604	65	-
Impact fees	-	-	3,177,895
Fines and forfeitures	180,833	-	-
Investments earnings	2,211,129	155,013	93,971
Contributions and donations	8,000	-	-
Miscellaneous	140,086	-	-
Total revenues	34,472,013	5,119,066	3,271,866
EXPENDITURES			
Current:			
General government	7,392,420	-	-
Public safety	13,733,338	-	-
Public works	4,690,363	-	922,122
Public services and operations	1,129,611	-	-
Culture and recreation	2,140,998	-	-
Debt service:			
Principal	-	3,931,794	-
Interest	-	763,877	-
Capital outlay	-	-	-
Total expenditures	29,086,730	4,695,671	922,122
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,385,283	423,395	2,349,744
OTHER FINANCING SOURCES (USES)			
Transfers in	1,578,398	51,108	-
Transfers out	(6,244,841)	-	-
Insurance recoveries	-	-	-
Sale of capital assets	67,465	-	-
Total other financing sources (uses)	(4,598,978)	51,108	-
NET CHANGE IN FUND BALANCE	786,305	474,503	2,349,744
FUND BALANCE - BEGINNING	15,659,335	1,737,769	5,871,094
FUND BALANCE - ENDING	$ 16,445,640	$ 2,212,272	$ 8,220,838

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

Capital Projects Fund	ARPA Fund	Total Nonmajor Funds	Total Governmental Funds
$ 2,878,695	$ -	$ 766,793	$ 18,450,341
-	-	-	12,037,644
-	-	138,497	138,497
-	-	-	1,779,327
-	-	-	93,765
-	-	-	5,134,720
162,404	1,797,595	18,111	3,035,150
674,696	-	-	2,663,365
-	-	-	3,177,895
-	-	-	180,833
141,177	-	13,064	2,614,354
-	-	-	8,000
-	-	-	140,086
3,856,972	1,797,595	936,465	49,453,977
-	1,797,595	836,372	10,026,387
-	-	-	13,733,338
2,700,000	-	-	8,312,485
-	-	-	1,129,611
-	-	-	2,140,998
-	-	-	3,931,794
-	-	-	763,877
6,992,763	-	-	6,992,763
9,692,763	1,797,595	836,372	47,031,253
(5,835,791)	-	100,093	2,422,724
6,329,841	-	-	7,959,347
(51,108)	-	(275,000)	(6,570,949)
21,317	-	-	21,317
-	-	-	67,465
6,300,050	-	(275,000)	1,477,180
464,259	-	(174,907)	3,899,904
19,491,689	-	1,039,805	43,799,692
$ 19,955,948	$ -	$ 864,898	$ 47,699,596

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CITY OF FORNEY, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Net change in fund balances - total governmental funds:	$ 3,899,904
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlays for the fiscal year.	20,599,371
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(4,703,625)
Other miscellaneous transactions involving capital assets, including disposals and adjustments, are reported in the statement of activities and statement of net position. However, these transactions do not require the use of current financial resources, and are therefore not reported in the governmental fund financial statements.	(201,379)
Current year long-term debt principal payments on contractual obligations, bonds payable and capital leases are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	
Principal paid on bonds	3,931,794
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.	(7,175)
Premiums, discounts and deferred losses on refunding are recognized in the fund financial statements as other and shown as an increase in financial resources. In the government-wide financial statements, the gain or loss is calculated and reported.	191,577
Current year changes in long-term liabilities for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.	(210,749)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	(947,710)
Certain pension and other post-employment (OPEB) expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows and inflows. These items relate to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows and inflows related to the pension and OPEB liabilities were amortized.	(250,709)
Change in net position - statement of activities	$ 22,301,299

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

CITY OF FORNEY, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUND

SEPTEMBER 30, 2023

	Business-Type Activities Utility Fund
ASSETS	
Current assets:	
Cash and cash equivalents	$ 13,051,401
Investments	10,016,812
Restricted cash and cash equivalents	13,171,466
Accounts receivable, net	3,914,384
Total current assets	40,154,063
Noncurrent assets:	
Capital assets not being depreciated	2,797,691
Capital assets (net of accumulated depreciation)	59,426,880
Total noncurrent assets	62,224,571
Total assets	102,378,634
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on bond refunding	54,718
Deferred outflow related to pensions	599,181
Deferred outflow related to other post-employment benefit	9,168
Total deferred outflows of resources	663,067
LIABILITIES	
Current liabilities:	
Accounts payable	496,439
Accrued liabilities	101,410
Accrued interest payable	5,442
Unearned revenue	73,426
Bonds and notes payable- current	465,000
Compensated absences - current	18,375
Customer deposits	488,648
Total current liabilities	1,648,740
Noncurrent liabilities:	
Bonds payable	1,573,200
Compensated absences	55,124
Net pension liability	885,705
Net other post-employment benefit liability	24,611
Total noncurrent liabilities	2,538,640
Total liabilities	4,187,380
DEFERRED INFLOWS OF RESOURCES	
Deferred resource inflow related to pension	8,301
Deferred resource inflow related to other post-employment benefit	21,222
Total deferred inflows of resources	29,523
NET POSITION	
Net investment in capital assets	60,241,089
Restricted for user impact fees	9,484,852
Unrestricted	29,098,857
Total net position	$ 98,824,798

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

CITY OF FORNEY, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-Type Activities
	Utility Fund
OPERATING REVENUES	
Charges for services:	
Water and sewer sales	$ 29,914,196
Refuse collection	1,305,986
Impact fees	2,655,356
Miscellaneous revenue	257,468
Total operating revenues	34,133,006
OPERATING EXPENSES	
Personnel services	2,878,459
Supplies and materials	92,323
Maintenance and repair	1,624,330
Contracted services	1,005,081
Water purchases	14,889,921
Interceptor fees	2,285,775
Refuse collection	871,623
Depreciation	2,292,572
Total operating expenses	25,940,084
OPERATING INCOME	8,192,922
NON-OPERATING REVENUES (EXPENSES)	
Capital contributions	7,536,735
Investment earnings	175,782
Interest expense	(36,458)
Total nonoperating revenues (expenses)	7,676,059
INCOME BEFORE TRANSFERS	15,868,981
TRANSFERS IN (OUT)	
Transfers out	(1,388,398)
CHANGE IN NET POSITION	14,480,583
TOTAL NET POSITION - BEGINNING	84,344,215
TOTAL NET POSITION - ENDING	$ 98,824,798

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

CITY OF FORNEY, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-Type Activities Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 32,664,857
Payments to suppliers and service providers	(20,560,304)
Payments to employees for salaries and benefits	(2,830,731)
Net cash provided by (used for) operating activities	9,273,822
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(1,388,398)
Net cash provided by (used for) noncapital financing activities	(1,388,398)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(1,577,466)
Payments on long-term debt	(455,000)
Interest paid on capital debt	(41,053)
Net cash provided by (used for) capital and related financing activities	(2,073,519)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	175,782
Purchase of investments	1,064,999
Net cash provided by (used for) investing activities	1,240,781
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,052,686
CASH AND CASH EQUIVALENTS - BEGINNING	19,170,181
CASH AND CASH EQUIVALENTS - ENDING	26,222,867
Reconciliation of operating income (loss) to net cash provided (used for) operating activities:	
Operating income (loss)	8,192,922
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	2,292,572
(Increase) decrease in accounts receivable	(1,483,996)
Increase (decrease) in accounts payable	169,743
Increase (decrease) in accrued liabilities	13,807
Increase (decrease) in customer deposits	25,199
Increase (decrease) in unearned revenues	15,847
Increase (decrease) in net pension liability	19,811
Increase (decrease) in net OPEB liability	3,389
Increase (decrease) in compensated absences	24,528
Total adjustments	1,080,900
Net cash provided by (used for) operating activities	$ 9,273,822
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Contributions of capital assets	$ 7,536,735

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Forney ("City") was originally incorporated in 1910 and operates under a home rule charter adopted in an election held November 4, 1997 and a Council/Manager form of government with a City Council comprised of the Mayor and six Council members. Some of the services provided are public safety (police and fire protection), municipal court, streets, engineering, water distribution, sewer collection, recreation, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America ("GAAP") applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accounts in the publication entitled State and Local Governments-Audit and Accounting Guide and by the Financial Accounting Standards Board when applicable. The more significant accounting policies of the City are described below:

A. Reporting Entity

The City is a municipal corporation governed by an elected Mayor and six-member council and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by GASB in its Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39 "Determining Whether Certain Organizations are Component Units."

Component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component unit may be discretely presented in a separate column from the primary government or blended with the financial statements of primary government. GASB 39 added clarification to GASB 14 by including entities which meet all three of the following requirements.

1. The economic resources received or held by the separate organization are entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to other access, are significant to the primary government.

The financial statements of the following component unit have been "discretely presented" in the accompanying report because (i) their governing boards are not substantially the same as the governing body of the City, or (ii) the component unit provides services entirely or almost entirely to the citizenry and not the City.

Discretely Presented Component Unit

The City has one component unit, Forney Economic Development Corporation ("EDC"). The EDC was incorporated September 15, 1994 and is governed by a seven-member board appointed by and serving at the pleasure of the City Council. Thus, the EDC is legally separate, but due to the City appointing the voting majority of the EDC board, it is classified as a discretely presented component unit. The funding for the EDC occurs by the City transferring ¼ of City sales tax collections to the EDC. Adding the creation of the EDC to the resources currently available will more than double the current ability to assist economic development prospects. All of the EDC funding can be used for direct assistance to business prospects and continued development of infrastructure. The nature and significance of the relationship between the primary government and the organization is such that exclusion would cause the City's financial statements to be misleading or incomplete. The EDC does not issue separate financial statements.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public Works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property and sales taxes, franchise fees, and interest income).

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues, or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a separate column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories and the component units. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. <u>Measurement Focus, Basis of Accounting and Financial Statement Presentation</u>

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurement made, regardless of the measurement applied. The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary fund financial statements. The economic resources measurement focus means all assets, deferred outflows/inflows of resources, and liabilities (whether current or noncurrent) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. In applying the susceptible to accrual concept to intergovernmental revenue, the legal and contractual requirements of the numerous individual programs are used as guidance. Generally, monies must be expended on a specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. Ad valorem taxes are recognized as revenues in the year for which they are levied. Sales taxes, franchise taxes, hotel occupancy taxes, charges for services and fines are recognized as revenue as earned, when measurable and available. Licenses, permits, and miscellaneous revenues (except earnings on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Funds

The focus of governmental fund measurement (in the fund financial statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

The City reports the following major governmental funds:

The ***<u>General Fund</u>*** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvements costs that are not paid through other funds are paid from this fund.

The ***<u>Debt Service Fund</u>*** is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The ***Roadway Impact Fund*** special revenue fund accounts for the resources accumulated in the form of roadway impact fees for maintenance and operations of infrastructure and future projects.

The ***Capital Projects Fund*** accounts for the acquisition or construction of infrastructure and building projects being financed from bond proceeds, grants, and transfers from other funds.

The ***ARPA Fund*** accounts for federal funds granted through the American Rescue Plan Act.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows, which is similar to businesses. The following is a description of the major proprietary funds of the City:

The ***Utility Fund*** accounts for the operation of the City's water and sanitary sewer utility and trash collection which are self-supporting activities rendering services on a user-charge basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's governmental and business-type activities. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When both restricted and unrestricted resources are available for use, it is the City's policy to use the restricted resources first, and then use the unrestricted resources as needed.

D. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Fund Balance or Net Position

1. Cash and Investments

Cash of all funds is pooled into a common interest-bearing bank account in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash has equity therein, and interest earned on these monies is allocated based upon relative equity at each month end.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the City are reported at fair value, except for the position in investment pools. The City's investment in pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

For purposes of the statement of cash flows, proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Inventories and prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

3. **Interfund Transactions, Receivables and Payables**

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts and are reported as "due to/from other funds."

4. **Property Taxes and Other Receivables**

Property Taxes

The City's property tax is levied each October 1, on the assessed value listed as of the prior January 1 for all real property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review established appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1 of each year, to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due October 1 immediately following the levy date and are delinquent after the following January 31st. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within 60 days following the close of the fiscal year have been recognized as a revenue at the fund level.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraisal values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, of the no new revenue rate, including tax rates for bonds and other contractual obligations, adjusted for new improvements, exceed the rate of the previous year by more than 3.5%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 3.5% above the tax rate of the previous year.

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits the ad valorem tax rate to $2.50 per $100 assessed value. The City's property tax rate for the current fiscal year is $0.43455 per $100 assessed value.

Allowances for Uncollectible Accounts

Governmental trade and property tax receivables are shown net of an allowance for uncollectible. All other allowances for uncollectible accounts are based on historical collection rates. The property tax receivable allowance is based on the average collection rate of delinquent taxes over the last 20 years.

The allowance for uncollectible accounts for utility billing in the enterprise fund is estimated based on a percentage of aged balances outstanding.

5. **Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of the other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the proprietary fund represent cash and cash equivalents and investments set aside for repayment of customer's water/sewer deposits, impact fees, specific capital additions and various bond covenants.

Impact fees are the capital recovery fees that are, by law, restricted to the projects these funds may be used to support.

Customer deposits received for water and wastewater services are, by law, to be considered restricted assets. These activities are included in the Utility Fund.

6. Capital Assets

Capital assets, which include land, buildings, equipment, and improvements, purchased or acquired, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and proprietary fund financial statements. The City defines capital assets as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical if historical cost is not available. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expenses.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Infrastructure	10-40
Buildings	20-50
Building Improvements	10-25
Vehicles	5
Office Equipment	5
Machinery and Equipment	5-10

7. Compensated Absences

It is the City’s policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. All vacation and comp time is accrued at the close of the fiscal year end in the government-wide and proprietary fund financial statements.

8. Long-term Debt

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. The City has compared this method to the effective interest method and found the difference between the two methods to be immaterial. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year they are incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three types of items, which arise only under a full accrual basis of accounting that qualify for reporting in this category. Accordingly, the items deferred loss on bond refunding and deferred resource outflows related to the City’s pension and other post-employment benefit plans are reported in the statement of net position. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become available.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to that time. The City has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and court fines receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Additionally, the City has two types of deferred inflow of resources that are required to be reported under the full accrual basis of accounting. These items, deferred resource inflows related to the City's pension and other post-employment benefit plans, are reported in the statement of net position.

10. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

11. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City Council can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash within the next year.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or City Manager per the City's Fund Balance Policy.

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

It is the City's goal to achieve and maintain an unassigned fund balance in the General Fund equal to 5% of yearly expenditures. The City considers a balance of less than 5% to be cause for concern, barring unusual or deliberate circumstances. In the event that the unassigned fund balance is calculated to be less than the policy stipulates, the City shall plan to adjust budget resources in subsequent fiscal years to restore the balance.

12. Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

13. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

14. Leases

The EDC is a lessor for noncancellable leases and recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the EDC initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the EDC determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The EDC uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The EDC monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

The City has not entered into any lease agreements.

15. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

16. Other Post-Employment Benefits

TMRS Supplemental Death Benefits Fund. The City participates in the Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF), which is an optional single-employer defined benefit life insurance plan that is administered by TMRS. It provides death benefits to active and, if elected, retired employees of participating employers. Contribution rates are determined annually for each participating municipality as a percentage of that City's covered payroll. The death benefit for retirees is considered an other postemployment benefit (OPEB). The OPEB program is an unfunded trust because the SDBF trust covers both actives and retirees and is not segregated. The Total OPEB Liability of the plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the Total OPEB Liability, deferred inflows and outflows of resources, and OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms.

II. BUDGETS AND BUDGETARY ACCOUNTING

The City's Home Rule Charter provides for the submission of the budget to the City Council by the City Manager. The City's fiscal year runs October 1 through September 30.

The following procedures are followed in establishing the budgetary data:

- No later than August 15th, the City management submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.

- Public hearings are conducted to obtain taxpayer comments.

- Prior to September 30, the budget is legally enacted through passage of an ordinance.

- The level of control (the level at which expenditures may not exceed budget) is the fund level. The City Manager or Director of Finance is authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter the total of any fund must be approved by the City Council.

- Budgets for the General Fund, Debt Service Fund, Roadway Impact Fund, Capital Projects Fund, and Hotel/Motel Tax Fund are legally adopted on a basis consistent with generally accepted accounting principles. The City does not legally adopt a budget for the Fox Hollow PID Fund. The majority of the City's Capital Projects Funds are budgeted on an annual basis. For budgeted capital projects not expended during the fiscal year, the City will roll those balances into the following year's budget.

- According to the City Charter, total estimated expenditures of the General Fund are to be budgeted.

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Expenditures Exceeding Appropriations

For the year ended September 30, 2023, total expenditures exceeded appropriations in the following funds:

Fund	Budget Overage
Capital Projects	$ 1,528,934
Roadway Impact	922,122

These overages were funded with existing fund balance.

IV. CASH AND INVESTMENTS

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

The City 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.

As of September 30, 2023, the City had the following investments:

	9/30/2023	Fair Value Measurement Using (Level 1)	Fair Value Measurement Using (Level 2)	Weighted Average Maturity (Days)
Primary government				
Investment pools:				
TexPool	$ 19,989,095			37
TexStar	5,253,455			39
Total investment pools	25,242,550			
Investments by fair value level:				
Debt securities:				
U.S. Treasury Bonds	$ 33,837,640	$ 33,837,640	$ -	388
Federal Home Loan Bank Bonds	19,380,249	-	19,380,249	481
Federal Farm Credit Bank Bonds	9,770,929	-	9,770,929	1108
Freddie Mac	2,274,331	-	2,274,331	758
Fannie Mae	2,502,965	-	2,502,965	1424
Total debt securities	67,766,114	33,837,640	33,928,474	
Total investments of the primary government	$ 93,008,664	$ 33,837,640	$ 33,928,474	
Portfolio weighted average maturity (days)				425
Component unit				
Certificates of deposit	$ 6,895			
Investment pools:				
TexPool	217,622			37
Total investments of the component unit	224,517			
Total investments of the reporting entity	$ 93,233,181			

Of the City's total fair value investments, $9,770,929 were valued using the present value of expected future cash flow model, $21,687,279 were valued using option-adjusted discounted cash flow model, and $36,307,906 were valued using documented trade history in exact security. The City invests in external investment pools with a credit rating of AAAm.

Analysis of Specific Deposit and Investment Risks

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year-end, the City was not significantly exposed to credit risk.

Custodial Credit Risk – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

As of September 30, 2023, the City's deposit balances were fully collateralized by securities held by the financial institution in the City's name or by Federal Deposit Insurance Corporation ("FDIC") insurance by.

Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

Foreign Currency Risk – This is the risk that exchange rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to foreign currency risk.

V. RECEIVABLES

Receivables as of year-end for the City's individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds		Proprietary	
	General	Debt Service	Utility	Total
Accounts	$ 796,660	$ -	$ 4,350,992	$ 5,147,652
Taxes	2,347,395	86,408	-	2,433,803
Gross Receivables	3,144,055	86,408	4,350,992	7,581,455
Less: Allowance for uncollectibles	(691,380)	(30,361)	(436,608)	(1,158,349)
Net receivables	$ 2,452,675	$ 56,047	$ 3,914,384	$ 6,423,106

VI. LEASE RECEIVABLES

A summary of leases receivable as of September 30, 2023, are as follows:

Purpose of Lease	Interest Rate	Initial Year of Lease	Amount of Initial Receivable	Revenue Current Year	Receivable 9/30/2023
Component Unit - Forney EDC:					
Right to Use:					
Building	0.475%	2022	$ 82,489	23,568	35,506
Total leases receivable				$ 23,568	$ 35,506

VII. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023, was as follows:

Governmental activities:	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	$ 8,444,675	$ 4,265	$ -	$ 8,448,940
Construction in progress	5,217,681	4,707,266	(1,519,108)	8,405,839
Total assets not being depreciated	13,662,356	4,711,531	(1,519,108)	16,854,779
Capital assets, being depreciated:				
Buildings and improvements	26,358,168	-	5,941	26,364,109
Machinery and equipment	12,739,615	2,372,395	1,138,634	16,250,644
Infrastructure	86,923,401	13,515,445	-	100,438,846
Total capital assets being depreciated	126,021,184	15,887,840	1,144,575	143,053,599
Less accumulated depreciation:				
Buildings and improvements	(7,132,166)	(699,582)	-	(7,831,748)
Machinery and equipment	(8,290,306)	(1,387,718)	173,154	(9,504,870)
Infrastructure	(17,405,301)	(2,616,325)	-	(20,021,626)
Total accumulated depreciation	(32,827,773)	(4,703,625)	173,154	(37,358,244)
Total capital assets being depreciated, net	93,193,411	11,184,215	1,317,729	105,695,355
Governmental activities capital assets, net	$ 106,855,767	$ 15,895,746	$ (201,379)	$ 122,550,134

Business-type activities:	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	$ 703,953	$ -	$ -	$ 703,953
Construction in progress	1,072,159	1,021,579	-	2,093,738
Total assets not being depreciated	1,776,112	1,021,579	-	2,797,691
Capital assets, being depreciated:				
Sewer plant & infrastructure	30,563,517	4,054,446	-	34,617,963
Water plant & infrastructure	35,016,093	3,482,289	-	38,498,382
Machinery and equipment	3,418,757	555,887	-	3,974,644
Total capital assets being depreciated	68,998,367	8,092,622	-	77,090,989
Less accumulated depreciation:				
Sewer plant & infrastructure	(4,016,718)	(830,517)	-	(4,847,235)
Water plant & infrastructure	(9,118,863)	(1,098,441)	-	(10,217,304)
Machinery and equipment	(2,235,956)	(363,614)	-	(2,599,570)
Total accumulated depreciation	(15,371,537)	(2,292,572)	-	(17,664,109)
Total capital assets being depreciated, net	53,626,830	5,800,050	-	59,426,880
Business-type activities capital assets, net	$ 55,402,942	$ 6,821,629	$ -	$ 62,224,571

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 1,184,719
Public safety	565,571
Public works	2,298,728
Public services and operations	147,448
Culture and recreation	507,159
Total	$ 4,703,625
Business-type activities:	
Utility	$ 2,292,572
Total	$ 2,292,572

Capital asset activity for the discretely presented component unit, Forney EDC, as of September 30, 2023, is as follows:

Component Unit - Forney EDC	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	$ 404,263	$ -	$ -	$ 404,263
Total assets not being depreciated	404,263	-	-	404,263
Capital assets, being depreciated:				
Buildings and improvements	3,068,367	616,150	-	3,684,517
Machinery, furniture and equipment	50,416	-	-	50,416
Total capital assets being depreciated	3,118,783	616,150	-	3,734,933
Less accumulated depreciation:				
Buildings and improvements	(580,984)	(124,049)	-	(705,033)
Machinery, furniture and equipment	(30,044)	(7,407)	-	(37,451)
Total accumulated depreciation	(611,028)	(131,456)	-	(742,484)
Total capital assets being depreciated, net	2,507,755	484,694	-	2,992,449
Business-type activities capital assets, net	$ 2,912,018	$ 484,694	$ -	$ 3,396,712

VIII. CONSTRUCTION COMMITMENTS

The City has several active construction projects as of September 30, 2023. The projects include street infrastructure, water/sewer infrastructure improvements, park improvements, and building improvements.

A summary of these projects as of September 30, 2023 included the following:

Project	Remaining Commitment
Street improvements	$ 4,947,642
Facilities improvements	6,716,097
Technology projects	691,828
Water/sewer line infrastructure projects	11,469,440
Total	$ 23,825,007

IX. LONG-TERM OBLIGATIONS

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2023, is as follows:

Governmental activities:	Beginning Balance	Increases	Reductions	Ending Balance	Due Within One Year
General obligation bonds and certificates of obligation	$ 19,725,000	$ -	$ (2,690,000)	$ 17,035,000	$ 2,700,000
Pass-through toll revenue and limited tax bond	4,645,000	-	(885,000)	3,760,000	115,000
Tax Notes	630,000		(310,000)	320,000	320,000
Plus:					
Issuance premiums	1,506,224	-	(276,809)	1,229,415	-
Less:					
Issuance discounts	(207,592)	-	25,262	(182,330)	-
Financing arrangements	174,231	-	(46,794)	127,437	48,131
Total long-term debt	26,472,863	-	(4,183,341)	22,289,522	3,183,131
Compensated absences	529,425	929,390	(718,641)	740,174	185,044
Total governmental long-term liabilities	$ 27,002,288	$ 929,390	$ (4,901,982)	$ 23,029,696	$ 3,368,175

Business-type activities:	Beginning Balance	Increases	Reductions	Ending Balance	Due Within One Year
Utility Fund:					
General obligation and certificate of obligation	$ 2,485,000	$ -	$ (455,000)	$ 2,030,000	$ 465,000
Plus:					
Issuance premiums	12,301	-	(4,101)	8,200	-
Total long-term debt	2,497,301	-	(459,101)	2,038,200	465,000
Compensated absences	48,971	104,654	(80,126)	73,499	18,375
Total business-type long-term liabilities	$ 2,546,272	$ 104,654	$ (539,227)	$ 2,111,699	$ 483,375

Other Information

The liability for compensated absences is liquidated by the General Fund with an estimated 86% and the Utility Fund is responsible for the remaining 14%.

The City's notes payable contains a provision that in the event of default, outstanding amounts become immediately due. The City's general obligation bonds, certificates of obligation, and tax notes contain a provision that in an event of default, creditors may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to debt. As outstanding debt does not become immediately due, the remedy of mandamus may have to be relied upon from year to year.

Governmental Long-Term Debt

Description	Interest Rates	Amounts Issued	Amounts Outstanding September 30, 2023
Certificates of Obligation, Series 2012	1.0% - 3.0%	1,030,000	550,000
Certificates of Obligation, Series 2014	2.0% - 4.0%	4,945,000	3,295,000
General Obligation Bonds, Series 2014	2.0% - 3.5%	3,440,000	485,000
General Obligation Bonds, Series 2015	3.5% - 4.0%	8,585,000	7,605,000
Certificates of Obligation, Series 2016	2.0% - 3.0%	2,500,000	1,790,000
Pass-through Toll Revenue & Limited Tax Refunding Bonds, Series 2017	3.0% - 5.0%	11,465,000	3,760,000
General Obligation Bonds, Series 2020	1.29%	3,885,000	3,310,000
Total Bonds Payable		$ 35,850,000	$ 20,795,000

Debt service requirements are as follows:

Year Ending September 30,	Governmental Activities Principal	Interest	Total
2024	2,815,000	718,753	$ 3,533,753
2025	2,905,000	625,731	3,530,731
2026	3,005,000	527,849	3,532,849
2027	2,850,000	421,807	3,271,807
2028	1,545,000	342,429	1,887,429
2029-2033	6,835,000	827,668	7,662,668
2034-2036	840,000	29,003	869,003
Total	$ 20,795,000	$ 3,493,240	$ 24,288,240

A brief discussion of each bond issuance follows:

- $1,030,000 Series 2012 Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificate of Obligations issued November 6, 2012 for the purpose of land acquisition.
- $2,235,000 Series 2012 General Obligation bonds issued November 6, 2012 for the purpose of refinancing the 2000B CO portions of the 2003 CO.
- $4,945,000 Series 2014 Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificate of Obligations issued November 4, 2014 for the purpose of constructing and equipping a new fire station and an animal shelter.
- $3,440,000 Series 2014 General Obligation Refunding Bonds issued November 1, 2014 for the purpose of refinancing portions of the 2005A Certificates of Obligations.
- $8,585,000 Series 2015 General Obligation Refunding Bonds issued June 1, 2015 for the purpose of refinancing portions of the 2007 General Obligation Bonds.
- $2,500,000 Series 2016 Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation issued for the purpose of improvement to certain roadways.
- $8,220,000 Series 2016 General Obligation Refunding Bonds issued August 2, 2016 for the purpose of refinancing portions of the 2007 General Obligation Bonds.
- $11,465,000 Series 2017 Subordinate Lien Pass-through Toll Revenue and Limited Tax Refunding Bonds issued August 15, 2017 for the purpose of refinancing portions of the 2008 Pass-through Toll Revenue and Limited Tax Revenue Bonds.
- $3,885,000 Series 2020 General Obligation Refunding bonds November 19, 2020 for the purpose of refinancing portions of the General Obligation Bonds, Series 2011 and all of the Certificates of Obligation, Series 2011.

Tax Notes Payable

The City issued Series 2017 Tax Notes with BNY Mellon in the amount of $2,055,000 for the purpose of acquisition of public safety equipment on August 15, 2017.

Debt service requirements for this tax note are as follows:

Year Ending September 30,	Governmental Activities Principal	Interest	Total
2024	320,000	4,800	$ 324,800
Total	$ 320,000	$ 4,800	$ 324,800

Financing Arrangements

In fiscal year 2018, the City purchased land previously known as Pinson Farm and entered into a financing agreement in the amount of $406,000.

Debt service requirements for this financing arrangement are as follows:

Year Ending September 30,	Governmental Activities Principal	Interest	Total
2024	$ 48,131	$ 4,314	$ 52,445
2025	49,507	2,977	52,484
2026	29,799	283	30,082
Totals	$ 127,437	$ 7,574	$ 135,011

Business-type Long-term Debt

Description	Interest Rate Payable	Amounts Issued	Amounts Outstanding September 30, 2023
General Obligation Bonds, Series 2014	2.25%-3.5%	$ 1,290,000	$ 295,000
General Obligation Bonds, Series 2014A	2.25%-3.5%	1,350,000	300,000
General Obligation Bonds, Series 2020 WS	1.29%	1,820,000	1,435,000
		$ 4,460,000	$ 2,030,000

Debt service requirements are as follows:

Year Ending September 30,	Business-type Activities Principal	Interest	Total
2024	$ 465,000	$ 30,671	$ 495,671
2025	475,000	19,684	494,684
2026	175,000	12,932	187,932
2027	180,000	10,643	190,643
2028	180,000	8,231	188,231
2029-2032	555,000	10,739	565,739
Total	$ 2,030,000	$ 92,900	$ 2,122,900

A brief discussion of each bond issuance follows:

- $1,290,000 Series 2014 General Obligation Refunding Bonds issued November 1, 2014 for the purpose of refinancing portions of the 2005A Certificates of Obligations.
- $1,350,000 Series 2014A General Obligation Refunding Bonds issued November 1, 2014 for the purpose of refinancing portions of the 2005B Certificates of Obligations.
- $1,820,000 Series 2020 General Obligation Refunding bonds November 19, 2020 for the purpose of refinancing portions of the Certificates of Obligation, Series 2011.

Component Unit Long-term Debt

On September 19, 2013, the Forney EDC issued $2,000,000 of Sales Tax Revenue Bonds, Series 2013. These bonds were issued for the acquisition, improvement and equipment of land, buildings, and facilities to lease or sell to businesses in downtown Forney. Interest rates on the debt are set at 4.25% and final maturity will be in fiscal year 2032.

	Beginning Balance	Increases	Reductions	Ending Balance	Due Within One Year
Component Unit - Forney EDC:					
Series 2013 Sales Tax Revenue Bond	$ 1,420,000	$ -	$ (115,000)	$ 1,305,000	$ 120,000
Total long-term debt	1,420,000	-	(115,000)	1,305,000	120,000
Compensated absences	8,463	6,918	(6,889)	8,492	2,123
Total business-type long-term liabilities	$ 1,428,463	$ 6,918	$ (121,889)	$ 1,313,492	$ 122,123

Debt service requirements are as follows:

Year Ending September 30,	Component Unit - Forney EDC Principal	Interest	Total
2024	120,000	62,715	182,715
2025	125,000	57,615	182,615
2026	130,000	51,990	181,990
2027	135,000	46,140	181,140
2028	145,000	39,728	184,728
2029-2032	650,000	84,445	734,445
Total	$ 1,305,000	$ 342,633	$ 1,647,633

X. INTERFUND TRANSFERS

Interfund Transfers

The primary purpose of interfund transfers is the transfer of funds from one fund to support expenditures of another fund in accordance with the authority established for the individual fund.

A summary of interfund transfers by fund type is as follows:

Transfers from	Transfers to	Amount
General fund	Capital Projects fund	$ 6,244,841
Utility fund	Capital Projects fund	85,000
Utility fund	General fund	1,303,398
Nonmajor governmental fund	General fund	275,000
Capital Projects fund	Debt Service fund	51,108
Total		$ 7,959,347

Transfers to and from the various funds to the capital projects fund are made in order to fund capital projects or other capital purchases. Transfers made from the utility fund to the general fund were made in order to fund capital projects. The transfer made from capital projects to debt service fund is to cover debt service payments.

XI. DEFINED BENEFIT PENSION

Plan Description

The City of Forney participates as one of 909 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at *www.tmrs.com*.

All eligible employees of the city are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated service credit	100% Repeating
Annuity increase to retirees	70% of CPI, repeating

Employees covered by benefit terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	99
Active employees	213
Total	344

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Forney were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Forney were 14.32% and 14.48% in the calendar years 2022 and 2023, respectively. The city's contributions to TMRS for the year ended September 30, 2023, were $2,443,770, and were $29,836 less than the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Within the governmental activities, the General Fund typically liquidates the net pension liability.

Actuarial assumptions

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net position plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Global Equity	35.0%	7.55%
Real Estate	12.0%	6.85%
Other public & private markets	12.0%	7.22%
Hedge funds	5.0%	5.35%
Private Equity	10.0%	10.00%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

Primary Government:	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2021	$ 36,573,423	$ 33,760,109	$ 2,813,314
Changes for the year:			
Service cost	2,728,713	-	2,728,713
Interest	2,535,494	-	2,535,494
Difference between expected and actual experience	(17,923)	-	(17,923)
Contributions - employer	-	2,118,029	(2,118,029)
Contributions - employee	-	1,042,631	(1,042,631)
Net investment income	-	(2,473,116)	2,473,116
Benefit payments, including refunds of employee contributions	(749,847)	(749,847)	-
Administrative expense	-	(21,325)	21,325
Other changes	-	25,447	(25,447)
Net changes	4,496,437	(58,181)	4,554,618
Balance at 12/31/2022	$ 41,069,860	$ 33,701,928	$ 7,367,932

Component Unit-Forney EDC:	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2021	$ 496,740	$ 458,530	$ 38,210
Changes for the year:			
Service cost	37,061	-	37,061
Interest	34,437	-	34,437
Difference between expected and actual experience	(243)	-	(243)
Contributions - employer	-	28,767	(28,767)
Contributions - employee	-	14,161	(14,161)
Net investment income	-	(33,590)	33,590
Benefit payments, including refunds of employee contributions	(10,184)	(10,184)	-
Administrative expense	-	(290)	290
Other changes	-	346	(346)
Net changes	61,071	(790)	61,861
Balance at 12/31/2022	$ 557,811	$ 457,740	$ 100,071

The following presents the net pension liability of the City and EDC, calculated using the discount rate of 6.75%, as well as what the City and EDC's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (6.6%)	Current Single Discount Rate (7.6%)	1% Increase in Discount Rate (8.6%)
Primary government	$ 14,703,397	$ 7,367,932	$ 1,197,990
Discretely presented component unit	199,701	100,071	16,271
Total Net Pension Liability	$ 14,903,098	$ 7,468,003	$ 1,214,261

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. The report may be obtained on the Internet at *www.tmrs.com*.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2023 the City and EDC recognized pension expense of $2,331,857, $318,615, and $35,999 in the governmental activities, business-type activities, and EDC, respectively.

At September 30, 2023 the City and EDC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Primary Government:	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 805,872	$ 67,717
Changes in actuarial assumptions	96,015	1,341
Difference between projected and actual investment earnings	2,292,728	-
Contributions subsequent to the measurement date	1,789,797	-
Total	$ 4,984,412	$ 69,058

Component Unit - Forney EDC:	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 10,945	$ 920
Changes in actuarial assumptions	1,304	18
Difference between projected and actual investment earnings	31,140	-
Contributions subsequent to the measurement date	24,309	-
Total	$ 67,698	$ 938

$1,789,797 and $24,309 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2024 for the City and EDC, respectively.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended, September 30,	Primary Government	Component Unit
2023	$ 412,287	$ 5,600
2024	804,537	10,927
2025	816,383	11,088
2026	1,072,436	14,566
2027	21,905	298
Thereafter	(1,991)	(28)

Within the governmental activities, the General Fund generally liquidates the net pension liability. In the business-type activities, the net pension liability is liquidated by the Utility Fund.

Health Care Coverage

During the year ended September 30, 2023, employees of the City were covered by a health insurance plan ("Plan"). The City contributed $518 per month per employee. The City also contributes to the cost of dependent coverage on the following scale: 50% for employees with a base salary that is less than $50,000 annually, 40% for employees with a base salary between $50,001 and $75,000 annually, 30% for employees with a base salary between $75,001 and $100,000 annually and 25% for employees with a base salary over $100,000. The City Manager and City Attorney received 100% of the cost for dependents as agreed in their contracts. Employees, at their option, authorized payroll withholdings to pay contributions for their dependents. All contributions were paid to United Healthcare. The Plan was authorized by Article 3.51-2, Texas Insurance code, and is documented by contractual agreement.

Insurance Coverage

In accordance with state statue, the City was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Municipal League, a commercial insurer licensed or eligible to do business in Texas, in accordance with the Texas Insurance code. Stop-loss coverage was in effect for individual claims exceeding $125,000 and for aggregate loss. According to the latest actuarial opinion dated October 1, 2013, the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred, but not reported.

XII. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description

The City voluntarily participates in a single-employer other postemployment benefit (OPEB) plan administered by TMRS. The Plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City's pension plan. SDBF includes coverage for both active and retired members, and assets are commingled for the payment of such benefits. Therefore, the Plan does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement No. 75.

Benefits Provided

The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of $7,500.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	27
Inactive employees entitled to but not yet receiving benefits	23
Active employees	213
Total	263

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.10% and 0.20% for 2022 and 2023, of which 0.02% and 0.02%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2023 and 2022 were $29,836 and $14,189, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Actuarial Assumptions

The Total OPEB Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation rate	2.50% per annum
Projected salary increases	3.50% to 11.5% including inflation
Discount rate	1.84%

Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Discount Rate

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 1.84% was used to measure the total OPEB liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2021.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (1.84%) in measuring the total OPEB lliability.

	1% Decrease in Discount Rate (3.05%)	Current Single Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
Primary government	$ 256,419	$ 204,733	$ 165,902
Discretely presented component unit	3,483	2,781	2,253
Total	$ 259,902	$ 207,514	$ 168,155

Total OPEB Liability

At September 30, 2023, the City and EDC reported a liability of $207,514 for its total OPEB liability. The total OPEB liability was determined by an actuarial valuation as of December 31, 2021. Changes in assumptions and other inputs reflect a change in the discount rate from 1.84% to 4.05%.

Within the governmental activities, the General Fund typically liquidates the total OPEB liability. In the business-type activities, the total OPEB liability is liquidated by the Utility Fund.

Changes in the Total OPEB Liability

	Total OPEB Liability	
	Primary Government	Component Unit
Balance at 12/31/2021	$ 301,636	$ 4,097
Changes for the year:		
Service cost	46,175	626
Interest	5,947	81
Difference between expected and actual experience	(7,162)	(97)
Changes of assumptions	(138,884)	(1,886)
Benefit payments	(2,979)	(40)
Net changes	(96,903)	(1,316)
Balance at 12/31/2022	$ 204,733	$ 2,781

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

For the year ended September 30, 2023 the City and EDC recognized OPEB expense of $35,718, $4,880, and $551 in the governmental activities, business-type activities, and EDC, respectively.

At September 30, 2023, the City and EDC reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government:		
Differences between expected and actual economic experience	$ -	$ 46,002
Changes in actuarial assumptions	73,761	130,538
Contributions subsequent to the measurement date	2,506	-
Totals	$ 76,267	$ 176,540

	Deferred Outflows of Resources	Deferred Inflows of Resources
EDC:		
Differences between expected and actual economic experience	$ -	$ 625
Changes in actuarial assumptions	1,002	1,773
Contributions subsequent to the measurement date	34	-
Totals	$ 1,036	$ 2,398

$2,506 and $34 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2024 for the City and EDC, respectively. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended, September 30,	Primary Government	Component Unit
2023	$ (11,523)	$ (157)
2024	(11,523)	(157)
2025	(11,523)	(157)
2026	(12,431)	(169)
2027	(12,229)	(166)
Thereafter	(43,550)	(590)

XIII. RISK MANAGEMENT

The City of Forney is exposed to various risks of loss related to tort liability, theft of and damage to property and destruction of assets; public officials' errors and omissions; bodily injury and property damage; injury to employees and natural disasters. The City has general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium for TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category has its own level of reinsurance. The City continued to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

XIV. COMMITMENTS AND CONTINGENCIES

The City is a defendant in several pending lawsuits. City management estimates, based on the advice of legal counsel, that the potential claims against the City, in excess of insurance coverage, would not materially affect the basic financial statements of the City.

The City participates in a number of federal and state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability that may arise as the result of these audits is not believed to be estimable or probable.

XV. ADDITIONAL WATER AND SEWER INFORMATION

The City of Forney secures its water supply and sewer services from the North Texas Municipal Water District ("District"), a district authorized by the Texas Constitution, Article XVI, Section 59; created by the Texas Legislature, Article 8280-141; and authorized to act by the confirming vote of the majority of the qualified voters in each of the cities comprising the District. The District has police, taxation and eminent domain powers and is authorized to issue revenue and/or tax bonds upon approval by the Attorney General of the State of Texas and functions as a political subdivision of the State of Texas independent of the City. The District is governed by a 17-member board ("Board"). The Board has full power and discretion to establish its budget and to set the rates for the services it provides by contract with its member cities and customers. The Board is empowered by statue and contract, or otherwise permitted by laws, to discontinue a facility or service in order to prevent abuse or to enforce payment of an unpaid charge, fee or rental due to the District. Because of the factors mentioned above, the District is not included in the City's basic financial statements.

The City purchases its water from the North Texas Municipal Water District ("NTMWD"). Each year, NTMWD calculates the cost of water based upon the previous year's usage. The City currently pays $3.39 per thousand gallons for water with total cost for this current fiscal year being $9,428,667.

The City entered into a contract for wastewater treatment services with the District. The District has been designated by the Texas Water Quality Board 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, which includes the City of Forney and other cities located in Collin, Dallas, Kaufman and Rockwall Counties, Texas. Relative thereto, the City of Forney and other cities have entered into wastewater system contracts with the District, which provide for the establishment, operation and maintenance of a Regional Wastewater System for the purpose of providing facilities to adequately receive, transport, treat and dispose of wastewater for the cities. In order to provide said service, the contract provides that (a) the District will acquire, design, construct and complete the system, repair, replace and/or extend the system to provide service to the cities; (b) in consideration of payments to be made under the contract, each of the cities shall have the right to discharge all of its wastewater from its sewage system into the District's system, subject to certain quality requirements set forth in the contract; (c) the District will issue its bonds, in amounts and at times determined by the District, to provide for the wastewater treatment facilities; (d) each city agrees to pay its proportionate share of the annual requirement sufficient to pay or provide for the payment of an "Operation and Maintenance Component" and a "Bond Service Component."

Each city's proportionate share of the annual requirement shall be a percentage obtained by dividing such city's estimated contributing flow to the system by the total estimated contributing flow to the system by all cities during such fiscal year. No city will exercise oversight responsibility for the District and no city is liable for the District's debt. The City of Forney's payment for the current fiscal period was $2,242,627.

XVI. TAX ABATEMENTS

The City negotiates property tax abatement agreements and direct sales tax reimbursement agreements on an individual basis. The City has tax abatement agreements with three entities as of September 30, 2023:

Purpose	Percentage of Taxes Abated during the Fiscal Year	Amount of Taxes Abated during the Fiscal Year
Bloomfield Homes	60%	$ 3,903
Highland Homes	80%	8,252
First Texas Homes	80%	86,225
Trophy Signature Homes	80%	12,958

Purpose	Percentage of Taxes Abated during the Fiscal Year	Amount of Taxes Abated during the Fiscal Year
Bloomfield Homes	60%	$ 3,903
Highland Homes	80%	8,252
First Texas Homes	80%	86,225
Trophy Signature Homes	80%	12,958

XVII. NEW ACCOUNTING PRINCIPLES

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the District include the following:

Statement No. 99, Omnibus 2022 – The objective of this Statement is to correct practice issues identified during implementation and application of certain GASB Statements and financial reporting for financial guarantees. There are various effective dates 1.) upon issuance 2.) fiscal years beginning after June 15, 2022 and 3.) fiscal years beginning after June 15, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62 - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

GASB Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

GASB Statement No. 102, *Certain Risk Disclosures* - This Statement requires governments to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints. Concentrations and constraints may limit a government's ability to acquire resources or control spending. The requirements of Statement No. 102 are effective for fiscal years beginning after June 15, 2024, and the impact has not yet been determined.

The Government Accounting Standards Board (GASB) has amended the existing standards regarding capitalization thresholds for assets. The amended guidance for the capitalization threshold comes from GASB Implementation Guide 2021-1, Question 5.1. Capitalization policies adopted by governments include many considerations such as finding an appropriate balance between ensuring that all significant capital assets, collectively, are capitalized and minimizing the cost of recordkeeping for capital assets. A government should capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant. Computers, classroom furniture and library books are examples of asset types that may not meet a capitalization policy on an individual basis yet could be significantly collectively. In this example, if the $150,000 aggregate amount (100 computers costing $1,500 each) is significant, the government should capitalize the computers. The amended guidance is effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

REQUIRED
SUPPLEMENTARY INFORMATION

CITY OF FORNEY, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Property taxes	$ 10,238,043	$ 10,710,500	$ 10,704,365	$ (6,135)
Sales taxes	12,001,251	11,795,889	12,037,644	241,755
Franchise taxes	1,300,000	1,460,000	1,779,327	319,327
Beverage taxes	50,000	90,000	93,765	3,765
Licenses and permits	2,163,000	4,840,260	5,134,720	294,460
Intergovernmental revenues	-	84,400	193,540	109,140
Charges for services	1,826,578	1,991,133	1,988,604	(2,529)
Fines and forfeitures	222,900	184,175	180,833	(3,342)
Investments earnings	135,000	1,990,300	2,211,129	220,829
Contributions and donations	-	7,950	8,000	50
Miscellaneous	80,000	211,181	140,086	(71,095)
Total revenues	28,016,772	33,365,788	34,472,013	1,106,225
EXPENDITURES				
Current:				
General government:				
Administration and public information	8,079,057	6,961,716	7,030,871	(69,155)
Municipal court	384,698	349,590	361,549	(11,959)
Public safety:				
Police	6,872,179	6,885,879	6,784,883	100,996
Fire	7,346,260	6,947,037	6,948,455	(1,418)
Public works:				
Streets	2,331,020	2,104,862	2,247,140	(142,278)
Planning and development	978,089	774,792	738,074	36,718
Facilities maintenance	1,058,180	977,897	958,895	19,002
Fleet management	695,800	726,710	746,254	(19,544)
Public services and operations:				
Building inspections	686,174	711,506	692,369	19,137
Animal control	513,868	442,144	437,242	4,902
Culture and recreation:				
Parks	2,221,318	2,289,826	2,140,998	148,828
Total expenditures	31,166,643	29,171,959	29,086,730	85,229
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,149,871)	4,193,829	5,385,283	1,191,454
OTHER FINANCING SOURCES (USES)				
Transfers in	3,084,398	3,084,398	1,578,398	(1,506,000)
Transfers out	(7,644,841)	(7,644,841)	(6,244,841)	1,400,000
Sale of capital assets	-	67,465	67,465	-
Total other financing sources (uses)	(4,560,443)	(4,492,978)	(4,598,978)	(106,000)
NET CHANGE IN FUND BALANCE	(7,710,314)	(299,149)	786,305	1,085,454
FUND BALANCE - BEGINNING	15,659,335	15,659,335	15,659,335	-
FUND BALANCE - ENDING	$ 7,949,021	$ 15,360,186	$ 16,445,640	$ 1,085,454

CITY OF FORNEY, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ROADWAY IMPACT FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
REVENUES				
Impact fees	$ 1,100,000	$ 1,100,000	$ 3,177,895	$ 2,077,895
Investment earnings	10,000	10,000	93,971	83,971
Total revenues	1,110,000	1,110,000	3,271,866	2,161,866
EXPENDITURES				
Current:				
Public works	-	-	922,122	(922,122)
Total expenditures	-	-	922,122	(922,122)
NET CHANGE IN FUND BALANCE	1,110,000	1,110,000	2,349,744	1,239,744
FUND BALANCE - BEGINNING	5,871,094	5,871,094	5,871,094	-
FUND BALANCE - ENDING	$ 6,981,094	$ 6,981,094	$ 8,220,838	$ 1,239,744

CITY OF FORNEY, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Measurement period ended December 31,	**2022**	**2021**	**2020**
A. Total pension liability			
Service Cost	$ 2,765,774	$ 2,195,120	$ 2,191,597
Interest (on the Total Pension Liability)	2,569,930	2,287,374	2,047,040
Difference between expected and actual experience	(18,166)	150,131	148,543
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(760,031)	(703,838)	(953,034)
Net change in total pension liability	4,557,507	3,928,787	3,434,146
Total pension liability - beginning	37,070,163	33,141,376	29,707,230
Total pension liability - ending (a)	41,627,670	37,070,163	33,141,376
B. Plan fiduciary net position			
Contributions - Employer	2,146,796	1,705,039	1,663,587
Contributions - Employee	1,056,792	842,887	843,849
Net Investment Income	(2,506,706)	3,745,475	1,916,861
Benefit payments, including refunds of employee contributions	(760,031)	(703,838)	(953,034)
Administrative Expenses	(21,615)	(17,279)	(12,372)
Other	25,794	118	(482)
Net change in plan fiduciary net position	(58,970)	5,572,402	3,458,409
Plan fiduciary net position - beginning	34,218,637	28,646,235	25,187,826
Plan fiduciary net position - ending (b)	34,159,667	34,218,637	28,646,235
C. Net pension liability - ending (a) - (b)	$ 7,468,003	$ 2,851,526	$ 4,495,141
D. Plan fiduciary net position as a percentage of total pension liability	82.06%	92.31%	86.44%
E. Covered payroll	15,097,022	12,036,030	12,054,990
F. Net position liability as a percentage of covered payroll	49.47%	23.69%	37.29%

Note - GASB 68 requires 10 years of data to reported in this schedule. Additional years will be reported in subsequent years as the data becomes available.

2019	2018	2017	2016	2015	2014
$ 2,057,484	$ 1,816,160	$ 1,556,135	$ 1,371,142	$ 1,293,191	$ 1,126,842
1,771,516	1,537,377	1,357,656	1,237,661	1,191,818	1,046,739
747,700	549,560	261,390	(256,339)	(744,030)	103,186
203,100	-	-	-	(58,600)	-
(577,019)	(533,060)	(752,237)	(582,288)	(240,931)	(333,832)
4,202,781	3,370,037	2,422,944	1,770,176	1,441,448	1,942,935
25,504,449	22,134,412	19,711,468	17,941,292	16,499,844	14,556,909
29,707,230	25,504,449	22,134,412	19,711,468	17,941,292	16,499,844
1,517,709	1,327,677	1,181,687	1,078,254	1,028,802	847,353
788,740	701,994	609,566	535,304	507,987	484,123
3,149,666	(582,901)	2,241,927	959,168	19,002	643,314
(577,019)	(533,060)	(752,237)	(582,288)	(240,931)	(333,832)
(17,757)	(11,246)	(11,605)	(10,821)	(11,571)	(6,714)
(533)	(587)	(587)	(583)	(572)	(552)
4,860,806	901,877	3,268,751	1,979,034	1,302,717	1,633,692
20,327,020	19,425,143	16,156,392	14,177,358	12,874,641	11,240,949
25,187,826	20,327,020	19,425,143	16,156,392	14,177,358	12,874,641
$ 4,519,404	$ 5,177,429	$ 2,709,269	$ 3,555,076	$ 3,763,934	$ 3,625,203
84.79%	79.70%	87.76%	81.96%	79.02%	78.03%
11,267,711	10,028,490	8,708,084	7,647,196	7,256,961	6,916,048
40.11%	51.63%	31.11%	46.49%	51.87%	52.42%

CITY OF FORNEY, TEXAS

SCHEDULE OF CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Fiscal year ended September 30,	**2023**	**2022**	**2021**
Actuarial determined contribution	$ 2,473,606	$ 2,015,209	$ 1,677,715
Contributions in relation to the actuarially determined contribution	$ 2,443,770	$ 2,015,209	$ 1,677,715
Contribution deficiency (excess)	29,836	-	-
Covered payroll	17,131,841	14,189,108	11,927,171
Contributions as a percentage of covered payroll	14.26%	14.20%	14.07%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	14 years
Asset Valuation Method	10 Year smoothed fair value; 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes	There were no benefit changes during the year.

2020	2019	2018	2017	2016	2015	2014
$ 1,561,131	$ 1,478,423	$ 1,294,007	$ 1,153,873	$ 1,098,573	$ 979,573	$ 847,216
$ 1,561,131	$ 1,478,423	$ 1,294,007	$ 1,153,873	$ 1,098,573	$ 979,573	$ 847,216
-	-	-	-	-	-	-
11,377,923	11,020,021	9,274,693	8,428,945	7,779,767	6,916,048	6,004,927
13.72%	13.42%	13.95%	13.69%	14.12%	14.16%	14.11%

CITY OF FORNEY, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFITS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Measurement period ended December 31,	**2022**	**2021**	**2020**
A. Total OPEB liability			
Service Cost	$ 46,800	$ 25,289	$ 24,110
Interest (on the Total OPEB Liability)	6,028	6,120	6,679
Difference between expected and actual experience	(7,259)	(29,595)	(15,945)
Changes of assumptions	(140,770)	11,750	49,526
Benefit payments, including refunds of employee contributions	(3,019)	(2,408)	(1,205)
Net change in Total OPEB liability	(98,220)	11,156	63,165
Total OPEB liability - beginning	305,734	294,578	231,413
Total OPEB liability - ending (a)	207,514	305,734	294,578
B. Covered-employee payroll	15,097,022	12,036,030	12,054,990
C. Total OPEB liability as a percentage of covered-employee payroll	1.37%	2.54%	2.44%

Note: This schedule is required to have 10 years of information, but the information prior to 2017 is not available.

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

2019		2018		2017	
$	16,902	$	19,054	$	14,804
	6,676		5,841		5,233
	(9,513)		(2,816)		-
	46,388		(16,414)		16,789
	(1,127)		(1,003)		(871)
	59,326		4,662		35,955
	172,087		167,425		131,470
	231,413		172,087		167,425
	11,267,711		10,028,490		8,708,084
	2.05%		1.72%		1.92%

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APPENDIX D

FORM OF BOND COUNSEL'S OPINION

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October 24, 2024

NORTH TEXAS MUNICIPAL WATER DISTRICT
MUSTANG CREEK WASTEWATER INTERCEPTOR SYSTEM
CONTRACT REVENUE BONDS,
SERIES 2024,
DATED SEPTEMBER 15, 2024
$________

AS BOND COUNSEL for the North Texas Municipal Water District (the "Issuer"), in connection with the issuance of the Mustang Creek Wastewater Interceptor System Contract Revenue Bonds, Series 2024 (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 Initial Bond and Definitive 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, are 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 Issuer's Mustang Creek Interceptor System, and including specifically certain payments to be received by the Issuer from the City of Forney, Texas (the "Participant"), under the "Mustang Creek Wastewater Interceptor System Contract", dated March 24, 2011 (the "Contract"), among the Participant and the Issuer, and any payments to be received by the Issuer under all similar contracts with any Additional Participants as defined and permitted in the Contract, and (ii) the Contract is authorized by law, has been duly executed, is valid, and is legally binding upon and enforceable by the parties thereto in accordance with their respective terms and provisions.

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 federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

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

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer or the 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,

Municipal Advisory Services
Provided By

HilltopSecurities
A Hilltop Holdings Company