



OFFICIAL STATEMENT

(See "CONTINUING DISCLOSURE OF INFORMATION" herein)

Dated March 26, 2015

Ratings:
S&P: "AA+"
Fitch: "AA"
(see "OTHER INFORMATION - Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for 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 corporations.

THE BONDS HAVE NOT BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

\$67,785,000
TRINITY RIVER AUTHORITY OF TEXAS
(TARRANT COUNTY WATER PROJECT)
REVENUE REFUNDING BONDS, SERIES 2015

Dated Date: March 15, 2015

Due: February 1, as shown on Page ii

Interest to accrue from Delivery Date

PAYMENT TERMS . . . Interest on the \$67,785,000 Trinity River Authority of Texas (Tarrant County Water Project) Revenue Refunding Bonds, Series 2015 (the "Bonds") will accrue from the date they are initially delivered (the "Delivery Date") to the underwriters listed below (the "Underwriters"), will be payable on August 1, 2015, and on February 1 and August 1 of each year thereafter until maturity, 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 within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the provisions of Chapter 518, Acts of the 54th Texas Legislature, Regular Session, 1955, as amended, Chapters 1207 and 1371, Texas Government Code, as amended, and other applicable laws, and a bond resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors (the "Board") of the Trinity River Authority of Texas (the "Authority" or "Issuer") on June 25, 2014. In the Bond Resolution, the Board delegated to an officer of the Authority (the "Authorized Officer") the authority to complete the sale of the Bonds. The terms of the sale are included in a "Pricing Certificate" executed by the Authorized Officer, and which completed the sale of the Bonds (the Bond Resolution and the Pricing Certificate are jointly referred to as the "Resolution"). Under the Constitution and the statutes of the State of Texas, the Authority has broad powers to effectuate flood control and the conservation and use for all beneficial purposes of storm and flood waters in the Trinity River watershed, and as a necessary aid to these purposes, the Authority has specific authority to construct, own and operate water and wastewater treatment, collection and transportation systems, and to make contracts in reference thereto with municipalities and others.

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of providing funds (i) to refund certain outstanding revenue bonds related to the Authority's Tarrant County Water Project, as shown on Schedule 1 herein; and (ii) to pay costs associated with the issuance of the Bonds.

CUSIP PREFIX: 89657P
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page ii

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see APPENDIX D, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by Norton Rose Fulbright US LLP, Dallas, Texas, counsel to the Underwriters.

DELIVERY . . . It is expected that the Bonds will be available for delivery through the facilities of DTC on or about May 5, 2015.

RAYMOND JAMES

LOOP CAPITAL MARKETS

PIPER JAFFRAY & CO.

MATURITY SCHEDULE

<u>Maturity (February 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP Suffix⁽¹⁾</u>
2016	\$ 5,640,000	2.000%	0.340%	GD9
2017	5,210,000	4.000%	0.630%	GE7
2018	5,445,000	5.000%	0.980%	GF4
2019	5,725,000	5.000%	1.250%	GG2
2020	6,020,000	5.000%	1.460%	GH0
2021	6,325,000	5.000%	1.670%	GJ6
2022	6,655,000	5.000%	1.900%	GK3
2023	8,170,000	5.000%	2.070%	GL1
2024	8,595,000	5.000%	2.230%	GM9
2025	10,000,000	5.000%	2.330%	GN7

(Interest to accrue from the Delivery Date)

- ⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the Authority, the Financial Advisor or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

REDEMPTION . . . The Bonds are not subject to redemption prior to maturity.

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. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, IF ANY, CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

No dealer, broker, salesman or other person has been authorized by the Authority or the Underwriters to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority or the Underwriters. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

Certain information set forth herein has been obtained from the Authority, the Contracting Parties (as defined herein) and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor or the Underwriters. 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 Authority or the Contracting Parties or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Authority's and Contracting Parties' undertakings to provide certain information on a continuing basis.

NONE OF THE AUTHORITY, ITS FINANCIAL ADVISOR, NOR THE UNDERWRITERS MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN PROVIDED BY THE DEPOSITORY TRUST COMPANY.

This Official Statement includes descriptions and summaries of certain events, matters and documents. Such descriptions and summaries do not purport to be complete and all such descriptions, summaries and references thereto are qualified in their entirety by reference to this Official Statement in its entirety and to each such document, copies of which may be obtained from the Financial Advisor. Any statements made in this Official Statement or the appendices hereto involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

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

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

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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 Preliminary Official Statement.

- THE AUTHORITY**..... The Trinity River Authority of Texas (the “Authority” or “Issuer”) is a governmental agency of the State of Texas and a body politic and corporate, created as a conservation and reclamation district under Article XVI, Section 59 of the Texas Constitution pursuant to Chapter 518, Acts of the 54th Texas Legislature, Regular Session, 1955, as amended. The Authority is governed by a Board (the “Board”) of 25 directors who are appointed by the Governor for six-year terms.
- THE BONDS** The Bonds are issued as \$67,785,000 Trinity River Authority of Texas (Tarrant County Water Project) Revenue Refunding Bonds, Series 2015. The Bonds are issued as serial bonds maturing on February 1 in each of the years 2016 through 2025, inclusive (see “THE BONDS - Description of the Bonds”).
- PAYMENT OF INTEREST** Interest on the Bonds accrues from the date they are initially delivered to the Underwriters, and is payable August 1, 2015, and each February 1 and August 1 thereafter until maturity (see “THE BONDS - Description of the Bonds,”).
- AUTHORITY FOR ISSUANCE** The Bonds are issued pursuant to the provisions of Chapter 518, Acts of the 54th Texas Legislature, Regular Session, 1955, as amended, Chapters 1207 and 1371, Texas Government Code, as amended, and other applicable laws, and a bond resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board on June 25, 2014. In the Bond Resolution, the Board delegated to an officer of the Authority (the “Authorized Officer”) the authority to complete the sale of the Bonds. The terms of the sale are included in a “Pricing Certificate” which has been approved and executed by the Authorized Officer, and which completed the sale of the Bonds (the Bond Resolution and the Pricing Certificate are jointly referred to as the “Resolution”) (see “THE BONDS - Authority for Issuance”).
- SECURITY FOR THE BONDS** The Bonds constitute special obligations of the Authority, payable both as to principal and interest, and secured by a first lien on a pledge of the Net Revenues of the Authority under the Contracts entered into with the Cities of Bedford, Euless, Colleyville, Grapevine and North Richland Hills, Texas (the “Contracting Parties”) (see “THE BONDS - Security and Source of Payment”).
- REDEMPTION** The Bonds are not subject to redemption prior to maturity (see “THE BONDS – 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 statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under the caption “TAX MATTERS” herein, including the alternative minimum tax on corporations.
- USE OF PROCEEDS** Proceeds from the sale of the Bonds will be used for the purpose of providing funds (i) to refund certain outstanding revenue bonds related to the Authority’s Tarrant County Water Project as shown on Schedule 1 herein and (ii) to pay costs associated with the issuance of the Bonds.
- RATINGS** The Bonds are rated “AA+” by Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) and AA by Fitch Ratings (“Fitch”). The Outstanding Parity Bonds of the Authority are rated “AA+” by S&P and AA by Fitch Ratings without regard to credit enhancement (see “OTHER INFORMATION - Ratings”).

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

PAYMENT RECORD Neither the Authority nor any of the Contracting Parties have ever defaulted in payment of their bonds.

For additional information regarding the Authority, please contact:

Ms. Alison A. Mackey, C.P.A.
Trinity River Authority of Texas
P.O. Box 60
Arlington, Texas 76004
(817) 493-5118

or

Mr. W. Boyd London, Jr.
Ms. Mary Williams
First Southwest Company, LLC
325 North St. Paul Street, Suite 800
Dallas, Texas 75201
(214) 953-4000

AUTHORITY OFFICIALS, STAFF AND CONSULTANTS

Board Members	Position	Area Represented
Kim C. Wyatt	President and Member, Executive Committee	Navarro County
Jess A. Laird	Vice President and Member, Executive Committee	Henderson County
Harold L. Barnard	Chairman and Member, Executive Committee	Ellis County
Christina Melton Crain	Chair, Legal Committee, Member Executive Committee	Dallas County
David B. Leonard	Chairman, Resources Dev. Comm., Member, Executive Comm.	Liberty County
Kevin Maxwell	Chairman, Utility Services Committee, Member, Exec. Comm.	Houston County
Shirley K. Seale	Chair, Administration Committee, Member Executive Comm.	Chambers County
Henry Borbolla III	Member, Administration Committee	Tarrant County
William W. Collins Jr.	Member, Administration Committee	Tarrant County
Michael Cronin	Member, Resources Development Committee	Kaufman County
Steve Cronin	Member, Legal Committee	San Jacinto County
Amanda B. Davis	Member, Administration Committee	Leon County
Valerie E. Ertz	Member, Utility Services Committee	Dallas County
Tommy G. Fordyce	Member, Legal Committee	Walker County
Ronald J. Goldman	Member, Resources Development Committee	Director at Large
Martha A. Hernandez	Member, Resources Development Committee	Tarrant County
John W. Jenkins	Member, Utility Services Committee	Director at Large
Dennis "Joe" McCleskey	Member, Utility Services Committee	Trinity County
James W. Neale	Member, Legal Committee	Dallas County
Manny Rachal	Member, Resources Development Committee	Polk County
Amir A. Rupani	Member, Resources Development Committee	Director at Large
Ana Laura Saucedo	Member, Utility Services Committee	Dallas County
Dudley K. Skyrme	Member, Utility Services Committee	Anderson County
C. Dwayne Somerville	Member, Legal Committee	Freestone County
J. Carol Spillars	Member, Administration Committee	Madison County

Management Officers

J. Kevin Ward	General Manager
Fiona M. Allen, P.E.	Regional Manager, Northern Region
Jimmie R. Sims.	Regional Manager, Southern Region
Alison A. Mackey, CPA	Chief Financial Officer
Thomas D. Sanders	Construction Services Manager
Don A. Tucker	General Services Manager
Glenn C. Clingenpeel	Planning and Environmental Services Manager
Howard S. Slobodin	Secretary, Board of Directors and General Counsel

Consultants and Advisors

Authority Counsel.....	Booth, Ahrens & Werkenthin, P.C.....	Austin, Texas
Independent Auditors.....	Weaver and Tidwell, LLP.....	Dallas, Texas
Bond Counsel.....	McCall, Parkhurst & Horton L.L.P.....	Dallas, Texas
Financial Advisor.....	First Southwest Company, LLC	Dallas, Texas

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OFFICIAL STATEMENT

RELATING TO

\$67,785,000

**TRINITY RIVER AUTHORITY OF TEXAS
(TARRANT COUNTY WATER PROJECT)
REVENUE REFUNDING BONDS, SERIES 2015**

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$67,785,000 Trinity River Authority of Texas (Tarrant County Water Project) Revenue Refunding Bonds, Series 2015 (the “Bonds”). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Resolution (defined herein), except as otherwise indicated herein (see “SELECTED PROVISIONS OF THE RESOLUTION”).

There follows in this Official Statement descriptions of the Bonds and certain information regarding the Trinity River Authority of Texas (the “Authority” or “Issuer”) 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 Authority’s Financial Advisor, First Southwest Company, LLC, Dallas, Texas.

Description of the Authority

The Authority is a governmental agency of the State of Texas and a body politic and corporate, created as a conservation and reclamation district under Article XVI, Section 59 of the Constitution pursuant to Chapter 518, Acts of the 54th Legislature of Texas, Regular Session, 1955, as amended. Under the Constitution and the statutes of the State of Texas, the Authority has broad powers to effectuate flood control and the conservation and use, for all beneficial purposes, of storm and flood waters and unappropriated flow waters in the Trinity River watershed, and as necessary aid to these purposes, the Authority has specific authority to construct, own and operate water supply, treatment and distribution facilities, and to make contracts in reference thereto with municipalities and others.

The Authority consists of all the territories in the Counties of Dallas, Tarrant, Ellis, Navarro and Chambers, and the principal watershed portions of Anderson, Freestone, Henderson, Houston, Kaufman, Leon, Madison, Polk, San Jacinto, Trinity, Walker and Liberty Counties. The Authority is governed by a Board (the “Board”) of 25 directors who are appointed by the Governor with the advice and consent of the Texas Senate. The first directors were appointed for staggered terms, and directors thereafter have served six-year terms. Three of the directors are appointed from the area-at-large; three directors are from Tarrant County; four are from Dallas County; and one director is from each of the other counties.

PLAN OF FINANCING

Purpose

Proceeds from the sale of the Bonds will be used for the purpose of providing funds (i) to refund certain outstanding revenue bonds related to the authority’s Tarrant County Water Project (the “Refunded Bonds”); and (ii) to pay costs associated with the issuance of the Bonds.

Refunded Bonds

A description and identification of the Refunded Bonds appears in SCHEDULE I.

The Resolution (hereinafter defined) provides that from the proceeds of the sale of the Bonds received from the Underwriters, together with funds contributed by the Authority, if any, the Authority will deposit with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Escrow Agent") an amount sufficient to accomplish the discharge and final payment of the Refunded Bonds on the redemption date shown in Schedule I. Such funds will be held by the Escrow Agent in an escrow account (the "Escrow Fund") which, under the Escrow Agreement to be entered into by the Authority and the Escrow Agent (the "Escrow Agreement"), is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds. First Southwest Company, LLC will provide a certificate verifying the sufficiency of the Bond proceeds and other cash on hand, if applicable, to pay the principal of and interest on the Refunded Bonds on the redemption date. In the Resolution, the Authority will give irrevocable instructions to the Paying Agent/Registrar for the Refunded Bonds to provide notice to the owners thereof that the Refunded Bonds will be redeemed prior to their stated maturity.

By the deposit of Bond proceeds and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the Authority will have effected the defeasance of all of the Refunded Bonds in accordance with the law. As a result of such defeasance, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Escrow Fund and such Refunded Bonds will not be deemed as being outstanding obligations of the Authority payable from a first lien on the Net Revenues nor for the purpose of applying any limitation on the issuance of debt.

Sources and Uses of Bond Proceeds

Proceeds from the sale of the Bonds are expected to be applied approximately as follows:

Sources of Funds

Par Amount of Bonds	\$ 67,785,000.00
Reoffering Premium	11,060,709.70
Transfer of other available authority funds (release from Debt Service Reserve Fund for Refunded Bonds)	10,472,419.32
Total Sources of Funds	\$ 89,318,129.02

Uses of Funds:

Deposit to Escrow Fund	\$ 79,852,625.00
Underwriter's Discount	327,665.62
Deposit to Debt Service Reserve Fund	8,729,749.71
Costs of Issuance	408,088.69
Total Uses of Funds	\$ 89,318,129.02

THE BONDS

Description of the Bonds

The Bonds are dated March 15, 2015, and mature on February 1 in each of the years and in the amounts shown on page ii hereof. Interest will accrue from the date they are initially delivered to the Underwriters, will be payable on August 1, 2015, and on February 1 and August 1 of each year thereafter until maturity, and will be computed on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System" herein).

Interest on the Bonds is payable to the registered owner appearing on the bond registration books of the Paying Agent/Registrar on the Record Date (as defined below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States Mail, first class postage prepaid, to the address of the registered owner recorded in the bond register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. Principal of and interest on the Bonds at maturity will be payable upon their presentation and surrender to the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "THE BONDS - Book-Entry-Only System" herein. If the date for any payment on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

Authority For Issuance

The Bonds are being issued pursuant to the provisions of Chapter 518, Acts of the 54th Texas Legislature, Regular Session, 1955, as amended, Chapters 1207 and 1371, Texas Government Code, as amended, and other applicable laws, and a bond resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board on June 25, 2014. In the Bond Resolution, the Board delegated to an officer of the Authority (the "Authorized Officer") the authority to complete the sale of the Bonds. The terms of the sale will be included in a "Pricing Certificate" which will be executed by the Authorized Officer, and which will complete the sale of the Bonds (the Bond Resolution and the Pricing Certificate are jointly referred to as the "Resolution"). The Bonds are "Additional Bonds" permitted to be issued by the resolutions of the Board authorizing the issuance of the currently outstanding Tarrant County Water Project Revenue Bonds.

Security and Source of Payment

The Authority has entered into contracts (collectively, the "Contracts") with the Contracting Parties. The Contracting Parties have agreed to pay the Authority its net cost of operation and maintenance and the debt service on the Parity Bonds and any Additional Bonds that are required to complete the construction of the regional water supply system, any future expansions or to refund any such bonds (see "THE SYSTEM"). The Bonds, and interest thereon, together with the other Parity Bonds hereafter issued are on a parity and of equal dignity in all respects, and are payable solely from Net Revenues to be received by the Authority under the terms of the Contracts, and the Authority has pledged these Net Revenues to the punctual payment of these obligations, when due. The term "Net Revenues" is defined in Section 15 of the Resolution (see "SELECTED PROVISIONS OF THE RESOLUTION" herein).

The expense of operating the Authority's Tarrant County Water Project, including administrative overhead and the amount necessary to pay debt service on any outstanding bonds, is reduced to a cost in cents per 1,000 gallons of water delivered by the System. Each Contracting Party is then billed monthly according to its projected annual flow with provisions for adjustment. The fiscal provisions of the Contracts with the Authority are summarized in this Official Statement (see "SUMMARY OF CONTRACT PROVISIONS - Fiscal Provisions" herein).

Actual net cost to the Contracting Parties of water treatment and transportation for fiscal year 2014 was \$2.929 per 1,000 gallons. The projected net cost for fiscal year 2015 is \$2.909 per 1,000 gallons and the projected net cost for fiscal year 2016 (including the Bonds) is \$3.085 per 1,000 gallons.

Reserve Fund

There has previously been created a Reserve Fund to be used to finally retire or to pay when due debt service on designated Parity Bonds and any Additional Bonds to the extent the amounts in the Interest and Sinking Fund are insufficient. The Resolution provides that so long as the market value of the money and investments in the Reserve Fund, or any account therein, are not less than a "Required Amount" equal to the average annual principal and interest requirements of the Parity Bonds and Additional Bonds, no deposit to the Reserve Fund is required. The Bonds are being issued to produce a debt service savings for the Authority and the System and consequently there

will be a reduction of the Required Amount and the portion of the funds or deposit in the Reserve Fund will be withdrawn and deposited to effect the refunding of the Refunded Bonds. No additional deposit will be made to the Reserve Fund from the proceeds of the Bonds (see SELECTED PROVISIONS OF THE RESOLUTION” for additional details on the Reserve Fund).

Redemption

The Bonds are not subject to redemption prior to maturity.

Defeasance

The Resolution provides for the defeasance of the Bonds when the payment of all amounts due with respect to the Bonds to the due date thereof is provided by irrevocably depositing with the Paying Agent/Registrar or authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities to 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 “Defeasance Securities” means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Authority adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Authority adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The Authority has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the Authority moneys in excess of the amount required for such defeasance.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Resolution does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the Authority to take any action amending the terms of the Bonds are extinguished.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by 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 Authority and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Authority and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, 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 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 Securities and Exchange

Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds (the “Securities”). The Securities 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 bond certificate for each maturity will be issued for the Securities, in the aggregate principal amount of such maturity, 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, corporate and municipal debt issues, and money market instrument (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 of DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Authority or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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/Registrar, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the Authority or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Authority or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to 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 Authority or the Underwriters.

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

Paying Agent/Registrar

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Resolution, the Authority retains the right to replace the Paying Agent/Registrar. The Authority 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 Authority 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 will be printed and delivered to the beneficial owners thereof, and thereafter 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 designated amount as the Bonds surrendered for exchange or transfer. See “THE BONDS - Book Entry Only System” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Limitation on Transfer of Bonds

The Paying Agent/Registrar shall not be required to make any transfer, conversion or exchange during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date.

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 fifteenth calendar day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Authority. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Bondholders’ Remedies

The Resolution provides that, in the event of a default or a threatened default in the payment of principal of or interest on the Parity Bonds, any court of competent jurisdiction may, upon petition of holders or owners of 25% of the outstanding Parity Bonds, appoint a receiver with authority to collect and receive all income from the System, employ, and discharge agents, employees, and consultants of the Authority, take charge of pledged funds on hand and manage the proprietary affairs of the Authority without consent or hindrance by the Board of the Authority. Such receiver may also be authorized to make contracts for providing water treatment services or renew such contracts with the approval of the court appointing him. The Court may vest the receiver with such other powers and duties as the court may find necessary for the protection of the holders or owners of the Parity Bonds. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Resolution and the Authority’s obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3rd 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas legislature has effectively waived the Authority’s sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the Authority for breach of the Bonds or Resolution covenants in the absence of Authority action. Chapter 1371, Texas Government Code, which pertains to the issuance of public securities by issuers such as the Authority, permits the Authority to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the Authority has not waived sovereign immunity. Even if a judgment against the Authority could be obtained, it could not be enforced by direct levy and execution against the Authority’s property. Further, the registered owners cannot themselves foreclose on property within the Authority or sell property within the Authority to enforce any lien on property to pay the principal of and interest on the Bonds. Furthermore, the Authority is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, such provision is subject to judicial construction. 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 Authority avail itself of Chapter 9 protection from creditors, the ability to enforce 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 court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

THE SYSTEM

The System

The Tarrant County Water Project (the “System”) consists of a raw water intake and pump station located on Lake Arlington, raw water transmission pipelines, raw water booster pump station, surface water treatment plant, and distribution pumping, transmission and storage facilities. The surface water treatment plant is capable of treating 87 MGD and is a conventional facility consisting of:

- Ozone disinfection.
- Rapid mix/coagulation facility for dispersing coagulants, fluoride (for tooth decay prevention), and lime for pH adjustment to control corrosion.
- Flocculation/sedimentation structures for removing particulate and flocculated materials.
- Filters for removing fine particles and microbials.
- Clearwell structures for additional disinfectant contact and treated water storage.
- High service pumping for conveying water to customer cities and distribution system facilities.

Raw water is supplied to the System through a contract between the Authority and the Tarrant Regional Water District (the “District”). The basic contract was approved by the District and the Authority’s Board in December 1979 and was amended and superseded by an amendatory contract by and among the District, the Authority and the Cities of Fort Worth, Arlington and Mansfield, effective as of March 1980 (the “Water Supply Contract”). The Water Supply Contract is effective for the life of the bonds which were issued by the District to provide water to the parties to the Water Supply Contract and thereafter for the life of the District’s facilities serving the parties to the Water Supply Contract.

Water is provided to the Project from the District’s Cedar Creek Lake and Richland-Chambers Reservoir. The District agrees to use its best efforts to furnish raw water, to the extent available from its system, in an amount sufficient to satisfy the reasonable demands of the parties to the Water Supply Contract. Under the Water Supply Contract the District reserves the right to contract with additional parties so long as it does not jeopardize its ability to supply the needs of the existing contracting parties. The Authority is required to purchase all of its raw water requirements from the District; provided that, upon agreement of the District, the Authority may purchase raw water from other sources if the District is unable to satisfy the System’s demands. Pursuant to the Water Supply Contract, the Authority has a minimum take-or-pay from the District of the greater of 5.5 million gallons per day or the average daily consumption for the previous five-year period.

Future Debt Plans

Additional expansions and improvements to System facilities are planned so as to coincide with increasing demands of the growing Contracting Parties’ service area. The exact timing of expansion beyond 87 MGD is uncertain at this time and will be continually evaluated as the planning efforts are matured. Funding for future planned expansions is also anticipated to be conducted utilizing the issuance of revenue bonds.

Anticipated Issuance of Additional System Revenue Bonds

The Authority has plans to issue an estimated \$20.5 million in bonds (excluding the Bonds) for certain treatment plant, raw water, and distribution system improvements for the System during the next 2 years.

DEBT INFORMATION

Debt Service Requirements

Fiscal Year Ending November 30	Outstanding Parity Bonds Debt Service ⁽¹⁾			Less: Refunded	The Bonds			Total
	Principal	Interest	Total	Bonds Debt Service ⁽²⁾	Principal	Interest	Total	Outstanding Debt Service
2015	\$ -	\$ 3,304,159	\$ 3,304,159	\$ 1,947,625		\$ 756,788	\$ 756,788	\$ 2,113,322
2016	7,315,000	6,434,294	13,749,294	9,394,250	5,640,000	3,111,550	8,751,550	13,106,594
2017	7,665,000	6,077,569	13,742,569	9,395,000	5,210,000	2,950,950	8,160,950	12,508,519
2018	8,040,000	5,699,919	13,739,919	9,391,000	5,445,000	2,710,625	8,155,625	12,504,544
2019	7,990,000	5,306,969	13,296,969	9,391,500	5,725,000	2,431,375	8,156,375	12,061,844
2020	8,405,000	4,899,025	13,304,025	9,390,625	6,020,000	2,137,750	8,157,750	12,071,150
2021	8,835,000	4,468,344	13,303,344	9,387,625	6,325,000	1,829,125	8,154,125	12,069,844
2022	9,280,000	4,013,569	13,293,569	9,391,500	6,655,000	1,504,625	8,159,625	12,061,694
2023	9,770,000	3,535,844	13,305,844	10,536,875	8,170,000	1,134,000	9,304,000	12,072,969
2024	10,195,000	3,037,153	13,232,153	10,541,250	8,595,000	714,875	9,309,875	12,000,778
2025	13,150,000	2,454,431	15,604,431	13,325,000	10,000,000	250,000	10,250,000	12,529,431
2026	11,435,000	1,799,456	13,234,456	-	-	-	-	13,234,456
2027	12,110,000	1,125,438	13,235,438	-	-	-	-	13,235,438
2028	12,820,000	411,400	13,231,400	-	-	-	-	13,231,400
2029	170,000	40,513	210,513	-	-	-	-	210,513
2030	180,000	32,850	212,850	-	-	-	-	212,850
2031	190,000	24,525	214,525	-	-	-	-	214,525
2032	200,000	15,250	215,250	-	-	-	-	215,250
2033	205,000	5,125	210,125	-	-	-	-	210,125
	<u>\$ 127,955,000</u>	<u>\$ 52,685,831</u>	<u>\$ 180,640,831</u>	<u>\$ 102,092,250</u>	<u>\$ 67,785,000</u>	<u>\$ 19,531,663</u>	<u>\$ 87,316,663</u>	<u>\$ 165,865,244</u>

⁽¹⁾ Outstanding Principal by Series as of March 15, 2015:

Refunding Series 2005	77,905,000 ⁽²⁾
Series 2008	45,610,000
Series 2013	4,440,000
Total	<u>\$ 127,955,000</u>

⁽²⁾ See Schedule I.

SELECTED CONTRACT PROVISIONS

Following is a summary of the text of certain provisions contained in each of the contracts between the Authority and the Cities of Bedford, Euless, Colleyville, Grapevine and North Richland Hills (the “Contracts”). The Authority has a separate contract with each City, and, as a consequence, certain provisions may differ slightly between Contracts in order to suit each City’s particular needs. References in this section to “Project” refer to the “System”.

Reference is hereby made to the full and complete Contracts for further information, copies of which are available upon request from the Financial Advisor. Certain provisions, including dates and other time references discussed below, are as expressly specified in the Contracts and have not been revised to reflect more recent dates or time periods.

There are two basic differences in the various Contracts. The first regards service area. All of the corporate limits of Bedford, Euless and Colleyville are serviced by the Project. However, because North Richland Hills and Grapevine have other water supplies, the Project serves defined service areas in such cities which encompass less than their entire corporate limits.

The Contracts with Bedford and Euless also provide that the Authority will notify each city at least one year in advance of the issuance of any bonds, after bonds for the first phase of construction, in accordance with the Engineering Report, have been delivered, provided, that such cities may request the Authority to finance and construct a phase of the Project at any time and Authority may issue bonds without giving one year’s notice in cases of emergency. Any resolution authorizing any bonds shall be submitted to each city for approval as to form and substance, except as to price, interest rate and purchaser. No such resolution shall be binding on either city until approved by ordinance or resolution by such city.

Definition of Terms

Terms and expressions as used in each of the Contracts, unless the context clearly shows otherwise, shall have the meanings below. Terms such as “this contract,” “this agreement,” “herein,” “hereof,” “hereby,” “hereunder” or “hereto” shall refer to each Contract in its entirety and not to this summary. The term “City” refers to each of the cities of Bedford, Euless, Colleyville, Grapevine and North Richland Hills.

A. “Additional Contracting Party” means any party not defined as a Contracting Party with whom Authority makes a contract for supplying treated water through the Project.

B. “Adjusted Annual Payment” means the Annual Payment, as adjusted due to service to Additional Contracting Parties and/or as required during or after each Fiscal Year.

C. “Annual Payment” means the amount of money to be paid to Authority by City as its proportionate share of the Annual Requirement.

D. “Annual Requirement” means the total amount of money required for Authority to pay all Operation and Maintenance Expense of the Project, to pay the debt service on its Bonds and to pay any amounts required to be deposited in any special or reserve funds required to be established and/or maintained by the provisions of the Bond Resolution.

E. “Bond Resolutions” means the resolutions of Authority which authorize the Bonds.

F. “Bonds” means the revenue bonds heretofore and hereafter issued by Authority, whether one or more issues, and the interest coupons appertaining thereto, in connection with the acquisition, construction, improvement, betterment, and extension of the Project, and any bonds issued to refund any Bonds.

G. “Contracting Parties” means the Cities of Bedford, Euless, Colleyville, Grapevine and North Richland Hills.

H. “Fiscal Year” means the fiscal year of Authority which is December 1 through November 30.

I. "Operation and Maintenance Expense" means all costs of operation and maintenance of the Project including (for greater certainty but without limiting the generality of the foregoing) repairs and replacements for which no special fund is created in the Bond Resolutions, the costs of utilities supervision, engineering, accounting, auditing, legal services, and any other supplies, services, administrative costs and equipment necessary for proper operation and maintenance of the Project, and payments made by Authority in satisfaction of judgments resulting from claims not covered by Authority's insurance or not paid by a Contracting Party or Parties arising in connection with the operation and maintenance of the Project. The term also includes the charges of the bank or banks where the Bonds are payable.

J. "Project" means all water supply facilities described in the engineering report of Knowlton-Ratliff-English-Collins, consulting engineers, certified Report on Proposed Bedford-Eules Water System to Trinity River Authority of Texas, dated July 1971 as such report may be amended or supplemented in the future (the "Engineering Report").

Quantity, Quality, Points of Delivery, Measuring Equipment, Unit of Measurement and Delivery Pressure

A. *Quantity.* Authority agrees to sell and to deliver to City at the Delivery Point or Points hereinafter provided, and City agrees to purchase and take at such Delivery Point or Points all treated water required by City during the period of this agreement for its own use and for distribution to the customers served by City's distribution system, except to the extent otherwise provided herein. Authority will use its best efforts to remain in position to furnish water sufficient for the reasonable demands of City, but its obligations shall be limited to the amount of water available to it under its contract with District* and by its commitments to other Contracting Parties and Additional Contracting Parties. The Authority will not be obligated to furnish water to Additional Contracting Parties which will jeopardize the Authority's ability to provide to Bedford and Eules the Average Demand during Peak Month, as projected by Figure 13 of the Engineering Report, unless such obligation has been agreed to by Council Resolution of the Cities of Bedford and Eules.

B. *Quality.* The water to be delivered by Authority and received by City shall be potable treated water meeting applicable purity standards of the Texas Department of Public Health. City has satisfied itself that such water will be suitable for its needs.

C. *Points of Delivery.* The Point or Points of Delivery into City's distribution system shall be as designated in the Engineering Report.

D. *Measuring Equipment.* (a) Authority shall furnish, install, operate and maintain at its own expense the necessary metering equipment of standard type for measuring properly the quantity of water delivered under this agreement. Such metering equipment shall be located on Authority's supply main at a location to be designated by Authority. Such meter or meters and other equipment so installed shall remain the property of Authority. City shall have access to such main metering equipment at all reasonable times, but the reading, calibration and adjustment thereof shall be done only by the employees or agents of Authority. For the purpose of this agreement, the original record or reading or the main meter shall be the journal or other record book of Authority in its office in which the records of the employees or agents of Authority who take the reading are or may be transcribed. Upon written request of City, Authority will give City a copy of such journal or record book, or permit City to have access to the same in the office of Authority during reasonable business hours.

(b) Not more than once in each calendar year, on a date as near the end of such calendar year as practical, Authority shall calibrate its main meter or meters, if requested in writing by City to do so, in the presence of a representative of City, and the parties shall jointly observe any adjustments which are made to the meter in case any adjustments shall be necessary, and if the check meter hereinafter provided for has been installed, the same shall also be calibrated by City in the presence of a representative of Authority and the parties shall jointly observe any adjustment in case any adjustment is necessary. If City shall in writing request Authority to calibrate its meters and Authority shall give City written notice of the time when any such calibration is to be made and a representative of City is not present at the time set, Authority may proceed with calibration and adjustment in the absence or any representative of City.

* Reference to District means Tarrant Regional Water District.

(c) If either party at any time observes a variation between a main delivery meter and the check meter, if any such checkmeter shall be installed, such party will promptly notify the other party, and the parties hereto shall then cooperate to procure an immediate calibration test and joint observation of any adjustment and the main meter shall then be adjusted to accuracy. Each party shall give the other party forty-eight (48) hours' notice of the time of any test of meter so that the other party may conveniently have a representative present.

(d) If, upon any test, the percentage of inaccuracy of metering equipment is found to be in excess of two percent (2%) registration thereof shall be corrected for a period extending back to the time when such inaccuracy began if such time is ascertainable, and if such time is not ascertainable, then for a period extending back one-half (1/2) of the time elapsed since the last date of calibration, but in no event farther back than a period of six (6) months. If, for any reason, the main meter is out of service or out of repair so that the amount of water cannot be ascertained or computed from the reading thereof, the water delivered through the period such meter is out of service or out of repair, shall be estimated and agreed upon by the parties thereto upon the basis of the best data available. For such purpose, the best data available shall be deemed to be the registration of any checkmeter if the same has been installed and is accurately registering. Otherwise, the best data available shall be deemed any other meters in the transmission line or treatment plant which can be related to the main delivery meter. If no other meters in the system are operational which will allow determination of delivered quantity, then the amount of water delivered during such period may be estimated (i) by correcting the error if the percentage of error is ascertainable by calibration tests or mathematical calculation, or (ii) by estimating the quantity of delivery by deliveries during the preceding periods under similar conditions when the meter was registering accurately.

(e) City may, at its option and its own expense, install and operate a check meter to check the meter installed by Authority, but the measurement of water for the purpose of this agreement shall be solely by the Authority's Meter, except in the case hereinabove specifically provided to the contrary. Such check meter shall be of standard make and shall be subject at all reasonable times to inspection and examination by any employee or agent of the Authority, but the reading, calibration and adjustment thereof shall be made only by the City, except during any period when a check meter may be used under the provisions hereof for measuring the amount of water delivered, in which case the reading, calibration and adjustment thereof shall be made by with like effect as if such check meter had been furnished or installed by Authority.

E. *Unit of Measurement.* The unit of measurement for water delivered hereunder shall be 1,000 gallons of water, U.S. Standard Liquid Measure.

F. *Delivery Pressure.* The water shall be delivered by Authority at the point of delivery at a pressure sufficient to transmit the water into the City's distribution system.

Fiscal Provisions

A. *Financing.* Authority will pay for the cost of constructing and expanding the Project and will issue its Bonds in amounts necessary which, together with other available funds, if any, will be sufficient to accomplish such construction or expansion.

B. *Annual Requirement.* It is acknowledged and agreed that payments to be made under this contract and similar contracts with other Contracting Parties and Additional Contracting Parties will be the only source available to Authority to provide the Annual Requirement; and that the Authority has a statutory duty to establish and from time to time to revise the charges for services to be rendered and made available to City 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) All Operation and Maintenance Expense;

(b) The principal of and the interest on the Bonds, as such principal and interest become due, less interest to be paid out of Bond proceeds as permitted by the Bond Resolution;

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

(d) An amount in addition thereto sufficient to restore any deficiency in any such funds or accounts required to be accumulated and maintained by the provisions of the Bond Resolution.

C. *Payments by City.* (a) For services to be rendered to City by Authority hereunder, City agrees to pay, at the time and in the manner herein provided, its proportionate share of the Annual Requirement, which shall be determined as follows and shall constitute City's Annual Payment:

For each Fiscal Year during the term of this contract, City's proportionate share of the Annual Requirement shall be a percentage obtained by dividing City's estimated treated water requirement for such year by the total estimated treated water requirement of all Contracting Parties for such year.

The following tabulation shall apply for the Fiscal Year 2015, City's Annual Payment for the Fiscal Year 2015 shall be calculated by multiplying City's percentage from the tabulation below times the Annual Requirement.

<u>Contracting Parties</u>	<u>Estimated 2015 Flow (MGD)</u>	<u>Percentage of Total</u>
Bedford	7.70	22.58%
Colleyville	8.20	24.05%
Eules	6.00	17.60%
Grapevine	7.50	21.99%
North Richland Hills	4.70	13.78%

City's Annual Payment for each succeeding Fiscal Year shall be its proportionate share of the Annual Requirement, calculated in the manner specified above. City's Annual Payment shall be made to Authority in twelve equal monthly installments. Such payments shall be made in accordance with and at the times set forth in an annual Schedule of Payment which will be supplied to City. At the close of each Fiscal Year, Authority shall determine City's percentage by dividing City's actual metered usage by the total actual metered usage of the System by all Contracting Parties. City's Adjusted Annual Payment shall be calculated by multiplying City's redetermined percentage times the Annual Requirement. The difference between the Adjusted Annual Payment and the Annual Payment, if any, when determined, shall be applied as a credit or a debit to City's account with Authority and shall be credited or debited to City's next subsequent monthly statement.

(b) If, during any Fiscal Year, Authority begins providing services to an Additional Contracting Party or Parties, City's Annual Payment for each Fiscal Year shall be determined in the following manner:

(i) Such Additional Contracting Party or Parties estimated treated water requirement for such year, or portion thereof, shall be determined by Authority;

(ii) City's proportionate share of the Annual Requirement shall be a percentage, redetermined by dividing City's estimated treated water requirement by the total annual estimated treated water requirement by all Contracting Parties, including that estimated for the Additional Contracting Party or Parties for the remaining portion of such Fiscal Year;

(iii) Authority shall redetermine the Annual Requirement, taking into consideration any costs incurred on account of the Additional Contracting Party or Parties;

(iv) City's Annual Payment shall be redetermined by Multiplying City's redetermined percentage times the redetermined Annual Requirement;

(v) Following the first Fiscal Year or part thereof of service to an Additional Contracting Party, City's Annual Payment shall be determined annually in the manner set forth above, incorporating the Additional Contracting Party in the calculations on the same basis as all parties being served by the System.

(c) City's Annual Payment shall also be redetermined, in the manner set out above, at any time during any Fiscal Year if:

(i) Additions, enlargements or improvements to the Project are constructed by Authority to provide continuing service which in turn requires a redetermination of the Annual Requirement; or

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

(d) On or before November 1 of each year, Authority shall furnish City with a schedule of the monthly payments to be made by such City to the Authority for the ensuing Fiscal Year. City hereby agrees that it will make such payments to the Authority on or before the 10th day of each month of such Fiscal Year. If the City at any time disputes the amount to be paid by it to Authority, City shall nevertheless promptly make the payment or payments determined by Authority, and, if it is subsequently determined by agreement, arbitration or court decision that such disputed payments made by City should have been less, or more, Authority shall promptly revise and reallocate the charges among all parties then being served by Authority in such manner that City will recover its overpayment or Authority will recover the amount due it.

(e) If City's Annual Payment is redetermined as is herein provided, Authority will promptly furnish City with an updated schedule of monthly payments reflecting such redeterminations.

Special Provisions

(a) Authority will proceed to finance and construct the Project to the end that it will be able to deliver treated water to City beginning on June 1, 1974 with respect to Bedford and Euless and on June 1, 1981 with respect to the other Contracting Parties.

(b) Title to all water supplied hereunder shall remain in Authority through the Point(s) of Delivery, and upon passing through the Point(s) of Delivery, such title to the water shall pass to City. Each of the parties hereto agrees to save and hold the other party harmless from all claims, demands and causes of action which may be asserted by anyone on account of the transportation and delivery of said water while title remains in such party.

(c) It is expressly understood and agreed that any obligations on the part of Authority to complete the Project and to provide water to City shall be conditioned upon Authority's ability to obtain all necessary material, labor and equipment and upon the ability of Authority to finance the cost of the Project through the actual sale of Authority's Bonds.

(d) Authority shall never have the right to demand payment by City of any obligations assumed by it or imposed on it under and by virtue of this contract from funds raised or to be raised by taxes levied by City. City's obligations under this contract shall never be construed to be a debt of the City of such kind as to require it under the law of this State to levy and collect a tax to discharge such obligation, it being expressly understood by the parties hereto that all payments due by City hereunder are to be made from water and sewer revenues received by City.

(e) City represents and covenants that all payments to be made hereunder by it shall constitute "Operating Expenses" of its waterworks and sewer system as defined in Article 1113 of the Revised Civil Statutes of Texas, as amended [now codified as Section 1502.056, Texas Government Code], and that all such payments will constitute operating expenses of City's waterworks and sewer system.

(f) City agrees to fix and collect such rates and charges for water and sewer services to be supplied by its waterworks and sewer system as will produce revenues in an amount equal to at least the minimum payments due under this contract and to comply with provisions of ordinances authorizing its outstanding revenue bonds.

(g) It is agreed and understood by the parties to this agreement that the Authority will supply, and City shall take, all of the water to be used during the term of this agreement. However, it is understood that the City may ultimately require supplemental well supply; and therefore, City must maintain its existing wells in good operating condition at all times. The proper maintenance of these wells will require periodic operation and such operation is considered acceptable. Also, at such times as peak demands on the City's water system may exceed the capabilities of the Authority's facilities to deliver treated water or at such times as the Authority's facilities may be totally or partially out of service, the City may furnish additional water needed by using other sources of water supply available to it for such purposes.

(h) Authority shall not be liable to City for any damages occasioned by the inability of Authority to supply all water required by City if such inability is caused by the inability of District to deliver all water required by Authority to meet its contractual obligations.

(i) In the event Authority is sued or is placed on notice of demand for payment of a claim or claims not covered by Authority's insurance or claims not paid by either Euless or Bedford arising in connection with the operation and maintenance of the Project, then in any of said events, Authority shall forthwith notify City in writing as to the nature of the claim or litigation which could result in an increase in operation and maintenance expense. City shall have ten (10) days from receipt of such written notification in which to advise and comment to Authority concerning any claim, suit or demand for payment and Authority shall duly consider City's advice and comments in any final disposition of said claim or demand for payment.

Force Majeure

(a) If by reason of force majeure either party hereto shall be rendered unable wholly or in part to carry out its obligations under this contract, other than the obligation of City to make the payments required under (b) of this section, then if such party shall give notice and full particulars of such force majeure in writing to the other party within a reasonable time after occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas or any civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, and inability on part of Authority to deliver water hereunder for any reason, or the City to receive water hereunder for any reason, or on account of any other causes not reasonably within the control of the party claiming such inability.

- A smaller service area is described in the Grapevine and North Richland Hills Contracts.
- The Grapevine and the North Richland Hills Contracts specify that in order for such cities to supply water to all of their respective water customers, such cities will utilize other sources of water supply available to it for such purposes.

(b) Recognizing that the Authority will use payments received by City and others to pay, secure and finance the issuance of the Bonds, it is hereby agreed that upon the issuance and sale of any Bonds by the Authority to provide funds for the Project, City shall be unconditionally obligated to pay its proportionate share of the debt service on such Bonds, regardless of whether or not the Authority is actually delivering water to City hereunder, or whether or not City actually takes water hereunder, whether due to Force Majeure or otherwise. Under such circumstances, the amount due to Authority from City shall be a percentage of the debt service on the Bonds for the period of any such failure of service hereunder. Such percentage shall be the last percentage used by Authority in determining City's Annual Payment prior to any such failure of service. This covenant by City shall be for the holders of the Bonds.

Limitation of Authority Obligation

This contract is in all things subject to the heretofore described contract between Authority and District. By the execution of this contract, City acknowledges that it has received and reviewed a true copy of such contract. City agrees that it will take no action which would cause a violation of Authority's contract with District. In the event that the amount of water available to Authority under its contract with District is insufficient to supply all requirements of City, City may utilize water from other sources to fulfill its need in amounts which Authority is unable to supply.

Term of Contract; Modification; Notices

A. Term of Contract. This contract shall be effective upon execution hereof and shall continue in force and effect for a period of thirty-five (35) years from the date District is capable of delivering water to Authority and thereafter shall continue in effect until all Bonds and refunding bonds issued in lieu of the Bonds have been paid.

B. Modification. No change or modification of this contract shall be made which will affect adversely the prompt payment when due of all moneys required to be paid by City under the terms of this contract and no such change shall be effective which would cause a violation of any provisions of any resolution of Authority authorizing the issuance of Bonds or any bonds issued to refund any of the Bonds.

C. Notices. All notices or communications provided for herein shall be in writing and shall be either delivered to City or Authority, or, if mailed, shall be sent by registered mail, postage prepaid, addressed to City or Authority at their respective addresses.

D. Severability. The parties hereto agree that if any of the provisions of this contract should be or be held to be invalid or to contravene the laws of this State, or the United States, such fact shall not invalidate the whole agreement, but it shall be construed as though not containing that particular provision, and the rights and obligations of the parties shall be construed and remain in force accordingly.

E. Continued Service. The parties hereto agree that upon the expiration of this contract that City shall have the right to continued service for an additional period of fifty (50) years, or for such other time as may be agreed, upon execution of an appropriate agreement between City and Authority.

SELECTED PROVISIONS OF THE RESOLUTION

Section 5. DEFINITIONS. In each place throughout this Resolution wherein the following terms, or any of them, are used, the same, unless the text shall indicate another or different meaning or intent, shall be construed and are intended to have meanings as follows:

(a) "Act" and "Authority Act" mean Chapter 518, Acts of the Fifty-Fourth Legislature of the State of Texas, Regular Session, 1955, as amended.

(b) "Additional Bonds" means the additional parity revenue bonds as defined and permitted in Sections 36 and 37 of this Resolution.

(c) "Authority" and "Issuer" mean Trinity River Authority of Texas and any other public body or agency at any time succeeding to the property and principal rights, power and obligations of said Authority.

(d) "Board of Authority" and "Board" mean the Board of Directors of the Authority.

(e) "Bonds" means collectively the Bonds as described and defined herein, and all substitute bonds exchanged therefor, as well as all other substitute and replacement bonds, issued as provided in this Resolution.

(f) "Certified Public Accountant" means any certified public accountant, licensed public accountant or firm of such public accountants of suitable experience and qualifications not regularly in the employ of the Authority, selected by the Authority.

(g) "Cities" means the Cities of Bedford, Euless, Colleyville, Grapevine, and North Richland Hills, Texas.

(h) "Code" means the United States Internal Revenue Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto.

(i) "Contracts" means the contracts between the Authority and the Cities as described and defined in the preamble to this Resolution.

(j) "Credit Facility" shall mean a policy of municipal bond insurance, a surety bond or a letter or line of credit, or any other agreement, commitment or contract authorized by the Authority as a Credit Facility issued by a Credit Facility Provider in support of any Parity Bonds.

(k) "Credit Facility Provider" shall mean (i) with respect to any Credit Facility consisting of a policy of municipal bond insurance or a surety bond, an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations such as the Parity Bonds, provided that a Rating Agency having an outstanding rating on the Parity Bonds would rate the Parity Bonds fully insured by a standard policy issued by the issuer in its highest generic rating category for such obligations; and (ii) with respect to any other Credit Facility, any financial institution, provided that a Rating Agency having an outstanding rating on the Parity Bonds would rate the Parity Bonds in its two highest generic rating categories for such obligations if the Credit Facility proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the series of Parity Bonds and the interest thereon.

(l) "Depository" means the bank or banks which the Authority selects (whether one or more), in accordance with law, as its depository.

(m) "Eligible Investments" shall mean those investments in which the Authority is authorized by law, including, but not limited to, the Public Funds Investment Act of 1987 (Chapter 2256, Texas Government Code), as amended, to purchase, sell and invest its funds and funds under its control; and provided further that Eligible Investments shall specifically include, with respect to the investment of proceeds of any Parity Bonds, guaranteed investment contracts fully collateralized by Government Obligations.

(n) "Engineering Report" means the Report dated July 1, 1971, and the supplements thereto with respect to the Authority's Tarrant County Water Project, all as described and defined in the preamble to this Resolution, as such Engineering Report may be further amended or supplemented prior to the execution of construction contracts and changed by change orders entered after construction contracts have been executed, or as such report may be amended or supplemented to provide expanded service in the future.

(o) "Fiscal Year" means the twelve month period beginning December 1 of each year, or such other twelve month period as may in the future be designated as the Fiscal Year of Authority.

(p) "Government Obligations" shall mean direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

(q) "Independent Consulting Engineer" means the Engineer or engineering firm or corporation at the time employed by the Authority under the provisions of Section 31 of this Resolution.

(r) "Outstanding Bonds" shall have the meaning set forth in the preamble.

(s) "Parity Bonds" means collectively the Outstanding Bonds, the Bonds and bonds hereafter issued on a parity therewith.

(t) "Paying Agents" means collectively the banks where the principal of and interest on the Parity Bonds are payable.

(u) "Rating Agency" shall mean any nationally recognized securities rating agency which has assigned a rating to the Parity Bonds.

(v) "Required Amount" shall mean the amount so designated in Section 10 of this Resolution.

- (w) "Reserve Fund" shall mean the Fund so designated in Section 10 of this Resolution.
- (x) "Reserve Fund Obligations" shall mean cash, Eligible Investments, any Credit Facility, or any combination of the foregoing.
- (y) "Resolution" means this Resolution authorizing the Bonds.
- (z) "Series 2005 Bonds" shall have the meaning set forth in the preamble.
- (aa) "Series 2005 Bond Resolution" shall mean the resolution of the Board authorizing the issuance of the Series 2005 Bonds.
- (bb) "System" and "Authority's System" mean all of Authority's facilities constructed pursuant to the Engineering Report, as supplemented or amended.

Section 6. BONDS AND SECURITY THEREFOR. The Parity Bonds are and shall be secured by and payable from a first lien on and pledge of the Net Revenues, as hereinafter defined, and the funds and accounts hereinafter confirmed or created in this Resolution; and the Net Revenues are further pledged to the establishment and maintenance of said funds and accounts as hereinafter provided. The Parity Bonds are and will be secured by and payable only from the Net Revenues, and are not secured by or payable from a mortgage or deed of trust on any properties, whether real, personal, or mixed, constituting the System.

Section 7. REVENUE FUND. All revenues of the System received by the Authority, including the net proceeds to the Authority of the Contracts with the Cities shall be collected and paid over promptly upon collection to the Depository and the Authority hereby covenants and agrees so to do. Such revenues shall be held by the Depository in a special fund known as the "Trinity River Authority of Texas (Tarrant County Water Project) Revenue Bonds Revenue Fund" (hereinafter called the "Revenue Fund"), and shall be disbursed or applied for the purpose of paying Operation and Maintenance Expenses of the System, and for the making of transfers hereinafter required and in the order listed.

Section 8. (a) OPERATION AND MAINTENANCE EXPENSES. The term "Operation and Maintenance Expenses" shall mean all costs of operation and maintenance of the Authority's System including, but not limited to, repairs and replacements for which no special fund is created in any bond resolution, the cost of utilities, supervision, engineering, accounting, auditing, legal services, and any other supplies, services, administrative costs and equipment necessary for proper operation and maintenance of the Authority's System, and payments made by Authority in satisfaction of judgments resulting from claims not covered by Authority's insurance or not paid by one of the Cities arising in connection with the operation and maintenance of the System. The term also includes the fees of the bank or banks where the Parity Bonds are payable. Depreciation shall not be considered an item of Operation and Maintenance Expense.

(b) Except for other transfers herein required, the moneys in the Revenue Fund shall be subject to withdrawal by the Authority for the payment of Operation and Maintenance Expenses only upon checks and vouchers, stating the purpose of the payment (which shall be in accordance with the current Annual Budget of the Authority) signed by the President of the Authority and countersigned by its Treasurer, or signed and countersigned by such officers or employees of the Authority as may from time to time be designated by resolution of the Board of Authority. At the end of each Authority Fiscal Year any surplus funds remaining in the Revenue Fund shall be transferred to the Interest and Sinking Fund.

Section 9. INTEREST AND SINKING FUND. (a) For the sole purpose of paying the principal of and interest on the Parity Bonds, and any Additional Bonds, as the same come due, there has been created and established, and there shall be maintained at a Depository, a separate fund entitled the "Trinity River Authority of Texas (Tarrant County Water Project) Revenue Bonds Interest and Sinking Fund" (hereinafter called the "Interest and Sinking Fund").

(b) The Issuer shall, immediately after the delivery of the Bonds, deposit into the Interest and Sinking Fund, from the proceeds of sale of the Bonds, all accrued interest received upon sale of the Bonds, plus an amount sufficient to pay the interest coming due on the Bonds during construction, as required and determined by the Authorized Officer, if any. Said deposit shall be held and applied solely to pay interest on the Bonds as it becomes due and payable.

(c) It shall be the duty of the Authority to transfer from Net Revenues in the Revenue Fund to the credit of the Interest and Sinking Fund the amounts and at times as follows:

(1) such amounts, in equal monthly installments, made on or before the 15th day of each month hereafter, as will be sufficient, together with any other amounts on deposit therein and available for such purpose, to pay the interest scheduled to come due on all Parity Bonds and any Additional Bonds on the next interest payment date; and

(2) such amounts, in equal monthly installments, made on or before the 15th day of each month hereafter, as will be sufficient, together with any other amounts on deposit therein and available for such purpose, to pay the principal of all Parity Bonds and any Additional Bonds coming due and maturing or required to be redeemed on the next interest payment date.

(d) The Authority shall make such arrangements as are necessary to insure that sufficient funds from the Interest and Sinking Fund are available at each Paying Agent to pay the principal of and interest on all Parity Bonds and Additional Bonds when due.

Section 10. RESERVE FUND. (a) There is hereby confirmed and there shall be maintained on the books of the Authority a special Fund entitled the "Trinity River Authority of Texas Tarrant County Water Project New Reserve Fund" (the "Reserve Fund"), within which there may be established separate accounts to be held for the benefit of specific issues of Parity Bonds and not for the benefit of all Parity Bonds. There shall be deposited into the Reserve Fund any Reserve Fund Obligations so designated by the Authority. Reserve Fund Obligations in the Reserve Fund shall be deposited and maintained in a Depository. Reserve Fund Obligations in the Reserve Fund shall be used solely for the purpose of retiring the last of any Parity Bonds for which the Reserve Fund, or an account within the Reserve Fund, is held as they become due or paying principal of and interest on any such Parity Bonds when and to the extent the amounts in the Interest and Sinking Fund are insufficient for such purpose. Any specific Reserve Fund account shall be maintained in an amount equal to the average annual principal and interest requirements of the specific Parity Bonds to which it relates (the "Required Amount"). The Authority may, at its option, withdraw and transfer to the Revenue Fund, all surplus in the Reserve Fund over the Required Amount. The foregoing notwithstanding, with respect to the issuance of the Bonds, the Authorized Officer may direct the transfer of any surplus in the Reserve Fund to be deposited into the Construction and Acquisition Fund.

(b) The Authority may replace or substitute a Credit Facility for cash or Eligible Investments on deposit in the Reserve Fund or in substitution for or replacement of any existing Credit Facility. Upon such replacement or substitution, cash or Eligible Investments on deposit in the Reserve Fund which, taken together with the face amount of any existing Credit Facilities, are in excess of the Required Amount may be withdrawn by the Authority, at its option, and transferred to the Revenue Fund; provided that the face amount of any Credit Facility may be reduced at the option of the Authority in lieu of such transfer.

(c) If the Authority is required to make a withdrawal from the Reserve Fund for any of the purposes described in subsection (a), the Authority shall promptly notify any applicable Credit Facility Provider of the necessity for a withdrawal from the Reserve Fund for any such purposes, and shall make such withdrawal first from available moneys or Eligible Investments then on deposit in the Reserve Fund, and next from a drawing under any Credit Facility to the extent of such deficiency.

(d) In the event of a deficiency in the Reserve Fund, or in the event that on the date of termination or expiration of any Credit Facility there is not on deposit in the Reserve Fund sufficient Reserve Fund Obligations, all in an aggregate amount at least equal to the Required Amount, then the Authority shall satisfy the Required Amount by depositing Reserve Fund Obligations into the Reserve Fund in monthly installments of not less than 1/60 of the Required Amount made on or before the 15th day of each month following such termination or expiration.

(e) In the event of the redemption or defeasance of any Parity Bonds, any Reserve Fund Obligations on deposit in the Reserve Fund in excess of the Required Amount may be withdrawn and transferred, at the option of the Authority, to the Revenue Fund, as a result of (i) the redemption of any Parity Bonds or (ii) funds for the payment of any Parity Bonds having been deposited irrevocably with the paying agent or place of payment therefor in the manner described in any resolution authorizing the issuance of Parity Bonds, the result of such deposit being that such Parity Bonds no longer are deemed to be Outstanding under the terms of any such resolution.

(f) In the event there is a draw upon the Credit Facility, the Authority shall reimburse the Credit Facility Provider for such draw, in accordance with the terms of any agreement pursuant to which the Credit Facility is issued, from Net Revenues, however, such reimbursement from Net Revenues shall be subordinate and junior in right of payment to the payment of principal of and premium, if any, and interest on the Parity Bonds.

(g) Upon the issuance of Additional Bonds the monies in the Reserve Fund shall, to the extent necessary, be increased to the newly-established Required Amount.

Section 11. CONSTRUCTION AND ACQUISITION FUND. There has been created and there shall be established and maintained at the Depository a separate fund to be entitled the "Trinity River Authority of Texas (Tarrant County Water Project) Revenue Bonds Construction and Acquisition Fund" (hereinafter called the "Construction and Acquisition Fund"). The net proceeds (after paying costs of issuance and making other required deposits) from the sale of all "Improvement Bonds" in the future shall be deposited in the Construction and Acquisition Fund and such Fund shall be subject to and charged with a lien in favor of the holders of all such "Improvement Bonds" until the money in said Fund has been paid out as herein provided. Interest earnings derived from investment of the Construction and Acquisition Fund shall become part thereof for all purposes; provided, however, that any such earnings required to be rebated to the United States shall not be considered as interest earnings for the purposes of this Resolution. The Depository shall be required to secure the Construction and Acquisition Fund in its possession by pledging obligations of or obligations unconditionally guaranteed by the United States; such obligations at all times shall be at least equal in market value to the amount in the Construction and Acquisition Fund in its possession.

Section 12. DISBURSEMENTS FROM CONSTRUCTION AND ACQUISITION FUND. (a) Money in the Construction and Acquisition Fund shall be subject to disbursement by the Authority for payment of Project Costs to be incurred in the acquisition and construction of any project for which "Improvement Bonds" are issued. Such disbursements shall be made only upon checks stating the purpose of the payment signed and countersigned by such officers of the Authority as may from time to time be designated by the Authority by resolution, and duly certified to the Depository. Disbursements for payments to construction contractors and disbursements for construction material, supplies, and equipment shall be approved by a registered professional engineer.

(b) "Project Costs" as used herein includes all acquisition costs and construction costs as those terms are generally understood in standard accounting practice as applied to projects of this nature, and without limiting the generality of the foregoing, it shall include purchase of equipment, property, rights in property, capitalized interest, costs of land, easements, and rights of way, including damages to land and property, engineering, financing, financial consultants, administrative, auditing, and legal expenses incurred in connection with the performance of the Contracts. The costs for engineering, financial consultants, administrative, and legal expense paid from bond proceeds incurred by the Authority shall be reasonable and at usual and customary rates. Damages to land and property, whenever accruing, adjusted under Article I, Section 17 of the Constitution of Texas shall constitute a part of Project Costs. After completion of any Project improvements, any residue remaining in the Construction and Acquisition Fund shall be deposited in the Interest and Sinking Fund.

Section 13. TRUST FUNDS. The Interest and Sinking Fund and the Reserve Fund shall constitute trust funds and shall be held in trust by a Depository for the benefit of the holders of the Parity Bonds and Additional Bonds permitted hereunder.

Section 14. SECURITY OF FUNDS. The Authority shall cause the Depository to secure and keep secured, in the manner required by law, all funds on deposit with it, and will cause each paying agent to secure all funds deposited with it or them as other trust funds are secured. The Authority covenants and agrees that no money will be allowed to be or remain deposited with the Depository unless secured as above provided.

Section 15. PLEDGE. The Contracts provide for the payment by the Cities to the Authority (a) an amount equal to all Operation and Maintenance Expenses, (b) the amount necessary to pay all the principal of and the interest coming due on "Bonds" (as defined in the Contracts) on each principal and/or interest payment date, (c) 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 Resolutions", and (d) an amount in addition thereto sufficient to restore any deficiency in any of such funds or accounts required to be accumulated and maintained by the provisions of any "Bond Resolutions". The term "Net Revenues" as used in this Resolution shall mean and be defined as all of the gross revenues or payments received by the Authority (i) from the Cities under the Contracts and (ii) from the parties, if any, with whom the Authority may contract in the future for supplying treated water from the System, after deducting therefrom the amounts paid to the Authority for the purpose of paying Operation and Maintenance Expenses, with the result that the Net Revenues shall consist of the amounts necessary to pay all principal and/or interest coming due on the Parity Bonds on each principal and/or interest payment date, and any amounts payable under (c) and (d) above. The Parity Bonds and the interest thereon are and shall be payable from and secured by a first lien on and pledge of said Net Revenues, and said Net Revenues are hereby pledged for such purpose and to the establishment and maintenance of the Interest and Sinking Fund and the Reserve Fund.

Section 16. INVESTMENT OF FUNDS. The money in all Funds maintained hereunder shall be invested and reinvested in Eligible Securities which mature in not more than fifteen (15) years from the date of their purchase. The foregoing notwithstanding, the Reserve Fund and Construction and Acquisition Fund may be invested as described in Sections 10 and 11, respectively. All income and profits from the investment of all funds hereunder shall be deposited in the Interest and Sinking Fund not later than the January 15 or July 15 next following the receipt thereof.

Section 17. PREPARATION OF BUDGET. Not less than forty (40) days before the commencement of each Fiscal Year while any of the Parity Bonds are outstanding and unpaid, the Authority will prepare and file with the Cities the annual budget (herein called "Annual Budget") of Operation and Maintenance Expenses for the ensuing Fiscal Year, and, except as otherwise provided, the total expenditures in any division thereof will not exceed the total expenditures in the corresponding division in the Annual Budget. The Authority covenants that the current Operation and Maintenance Expenses incurred in any Fiscal Year will not exceed the reasonable and necessary amount of such expenses, and that it will not expend any amount or incur any obligation for maintenance, repair, and operation in excess of the amounts provided for current Operation and Maintenance Expenses in the Annual Budget; provided, however, that if at any time the Board of Authority shall determine that the amount of the appropriation for any item in the Annual Budget is in excess of the amount which will be required for such term, the Board of Authority may reduce such appropriation and make appropriation for any item or items not covered by the Annual Budget or increase the appropriation for any other item or items by an amount not exceeding the amount of such reduction; and provided further, that the Board of Authority may at any time adopt an amended or supplemental budget for the remainder of the then current Fiscal Year in case of an emergency caused by some extraordinary occurrence which shall be clearly defined in such resolution. Any such supplemental budget shall be filed immediately with the Cities.

Section 18. ACCOUNTING AND REPORTING. The Authority covenants that proper books of record and account will be kept in which true, full, and correct entries will be made of all income, expense, and transactions of and in relation to the System, and each and every part thereof. Within three months after each full Fiscal Year, a statement certified as correct by a Certified Public Accountant showing the Gross Revenues and the Operation and Maintenance Expenses for such Fiscal Year, shall be furnished to the Cities, and to the original purchasers of the Bonds. Each such audit will be available during regular office hours at the administration offices of the Authority for inspection by any holder of any of the Bonds.

Section 19. PUBLIC INSPECTION. The Authority further covenants and agrees that the System, and each and every part thereof, and all books, records, accounts, documents, and vouchers relating to the construction, operation, maintenance, repair, improvement, and extension thereof, will at all times be open to inspection by the Cities.

Section 20. PAYMENT OF PARITY BONDS AND INTEREST THEREON. The Authority covenants and agrees that, out of the pledged Net Revenues, it will duly and punctually pay, or cause to be paid, the principal of every Parity Bond and the interest thereon, on the date and at the place and in the manner specified in the Parity Bonds, and that it will faithfully do and perform and at all times fully observe any and all covenants, undertakings, and provisions contained herein or in any Parity Bond.

Section 21. LEGAL ABILITY. The Authority represents that it is a conservation and reclamation district, a political subdivision of the State of Texas, and a governmental agency and body politic and corporate, duly created, organized, and existing under the Constitution and laws of the State of Texas and has proper authority from all other public bodies and authorities, if any, having jurisdiction thereof to construct, acquire, operate, maintain, improve, extend, better, repair, renew, and replace the System as herein described, and to levy and collect rates, tolls, rents, fees, and other charges, and to pledge its revenues in the manner and form as herein done or intended, and that all corporate action on its part to that end has been duly and validly taken. The Authority covenants and agrees that it will at all times maintain its corporate existence and maintain a lawful Board of Directors, and at all times function and act in the best interest of the System and the owners and holders of the Parity Bonds.

Section 22. CONSTRUCTION AND OPERATION. The Authority further covenants that it will forthwith proceed to acquire and construct the improvements, betterments, extensions, and replacements to the System for which the Bonds are being issued as soon as practicable in accordance with plans and specifications which have been prepared by the Independent Consulting Engineer, and thereafter each and every part of the System will be continuously operated by the Authority in an efficient and economical manner and will be kept in thorough repair and maintained in a high state of operating efficiency and in such manner that the interest of the Cities, the people of the State of Texas, the bondholders or owners, and the Authority will be promoted.

Section 23. OPERATION OF THE SYSTEM. The Authority shall use its best efforts to see that the System is properly and efficiently operated.

Section 24. CONTRACTORS. Authority shall require each person, firm, or corporation with whom (or which) it may contract for construction in connection with the System to furnish a performance bond in the full amount of any contract and a payment bond as required by law, and to carry such workmen's compensation or employers' liability insurance as may be required by law and such public liability, property damage, and builders' risk insurance, if any, as may be appropriate and necessary. The Authority further covenants and agrees that the proceeds of any such performance bond will forthwith, upon receipt of such proceeds, be applied toward the completion of the contract in connection with which such performance bond shall have been furnished.

Section 25. COVENANT TO MAINTAIN SUFFICIENT INCOME. To the end that Authority income will be sufficient to pay the Parity Bonds and the interest thereon when due, the Authority will keep in effect and enforce the Contracts, and will cause the System to be operated and maintained at an annual cost that will be within its income other than the income required to pay the Parity Bonds and the interest thereon and the fees of each paying agent and Paying Agent/Registrar. The Authority will not voluntarily consent to any amendment to the Contracts which would reduce the amounts payable thereunder or extend the time of the payment of such amounts or which would in any manner impair or adversely affect the rights of the holders or owners of the Parity Bonds from time to time. If any of the Cities fails to make payments as required by the Contracts and if it shall appear that enforcement of the Contracts has become ineffective or will be ineffective to the extent that a default in payment of principal or interest on the Parity Bonds occurs or is threatened, the Authority will take all necessary action to preserve and protect the rights of the holders or owners of the Parity Bonds and to assure payment of the principal thereof and the interest thereon.

Section 26. NO OTHER LIENS. The Authority further covenants that there is not now outstanding, except as regards any Parity Bonds, and that the Authority will not at any time while the Parity Bonds are outstanding, create or allow to accrue or to exist any lien upon the System, or any rights owned, or the revenues pledged herein to the payment of the principal of and interest on the Parity Bonds, at any time derived from the operation thereof, or any of its Funds, except as authorized by Sections 36 and 37 of this Resolution in connection with Additional Bonds and other bonds; that the security of the Parity Bonds will not be impaired in any way as a result of any action or any non-action on the part of the Authority, its Board of Directors, or officers, or any thereof,

and that the Authority has, and will, subject to the provisions hereof, continuously preserve good and indefeasible title to the System and each and every part thereof.

Section 27. KEEP FRANCHISES AND PERMITS IN EFFECT. The Authority further covenants that no franchises, permits, privileges, or easements will be allowed to lapse or be forfeited so long as the same shall be necessary for the proper operation of the System.

Section 28. GOVERNMENTAL REQUIREMENTS; LIENS; CLAIMS. The Authority covenants that it will duly observe and comply with all valid requirements of any governmental authority relative to the System or any part thereof, and that it will pay or cause to be discharged, or will make adequate provision to satisfy and discharge, all lawful claims and demands for labor, materials, supplies, or other objects which if unpaid, might by law become a lien upon such System or any part thereof or the revenue therefrom; provided, however, that nothing in this Section contained shall require the Authority to pay or cause to be discharged, or make provision for, any such lien or charge, so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

Section 29. FURTHER ASSURANCE. The Authority covenants that it will take such further action as may be required to carry out the purposes of this Resolution and to assure its validity.

Section 30. SALE AND LEASE OF PROPERTY. (a) The Authority covenants that so long as any of the Parity Bonds or interest payable thereon shall be outstanding, and except as in this Section otherwise permitted, it will not sell, lease, or otherwise dispose of or encumber any part of the System except as provided herein.

(b) The Authority may from time to time dispose of any rights, machinery, fixtures, apparatus, tolls, instruments, or other movable property and any materials used in connection therewith, if the Authority shall determine that such are no longer needed or are no longer useful in connection with the operation and maintenance of the System. The Authority may from time to time sell such real estate that is not needed or serves no useful purposes in connection with the maintenance and operation of the System. The proceeds of any sale of real or personal property acquired from the proceeds of the Parity Bonds shall be deposited in the Revenue Fund.

(c) The Authority may lease any of its lands for any purpose, if such lease or the use of such lands will not be detrimental to the operation and maintenance of the System. It may also lease any of its real property for oil, gas, and mineral purposes. No lease shall be made which will result in any damage to or substantial diminution of the value of other property of the Authority. The rental to be charged under all such leases shall be not less than the fair and reasonable rental in relation to the character and value of the property leased. All rentals, revenues, receipts, and royalties derived by the Authority from any and all leases so made, shall be deposited in the Revenue Fund.

(d) It is covenanted and agreed by Authority that no such property of any nature shall be sold or leased by Authority unless, prior to any action taken by Authority concerning such sale or leasing, Authority shall procure the advice and recommendation in writing of a registered professional engineer concerning such proposed sale or leasing.

Section 31. INDEPENDENT ENGINEER. (a) The Authority covenants that, until the Parity Bonds and the interest thereon shall have been paid or provision for such payment shall have been made, it will, for the purpose of performing and carrying out the duties imposed on the Independent Consulting Engineer by this Resolution, employ an independent engineer or engineering firm or corporation having a favorable repute for skill and experience in such work.

(b) The Authority covenants that it will at all appropriate times cause the Independent Consulting Engineer to submit and give all necessary or desirable advice and recommendations concerning renewals, replacements, extensions, betterments, and improvements for the System, to the end that the System shall be operated and maintained in the most efficient and satisfactory manner. Further, Authority shall cause the Independent Consulting Engineer to make in writing a full survey, review, and report on the physical condition of the System once every three years.

(c) Authority further covenants that it will cause the Independent Consulting Engineer to make an annual report to it which shall set forth such Engineer's recommendations and advice as to (1) the proper maintenance, repair, and operation of the System, including their findings as to whether or not the properties of the System have been maintained in good repair and sound operating condition; (2) the extensions, improvements, renewals, and replacements which should be made during the ensuing Fiscal Year; (3) the amounts and types of insurance which should be carried by the Authority on the properties; and (4) any revisions or changes of rates, fees, and charges.

(d) The expense incurred under this Section 31 shall constitute Operation and Maintenance Expenses.

Section 32. PARITY BONDS AND INTEREST NOT PAYABLE FROM TAXES. The holders and owners of the Parity Bonds and the interest payable thereon shall never have the right to demand payment thereof out of funds raised or to be raised by taxation, or from any source other than the Net Revenues as defined and described herein.

Section 33. INSURANCE COVERAGE. The Authority covenants that it will at all times keep insured such of the System's plants, structures, buildings, stations, machinery, equipment, apparatus, pipelines, and equipment as are usually 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, and will also at all times maintain workmen's compensation insurance and insurance against public liability and property damages, in a reasonable amount with responsible insurance companies; provided, however, that at any time while any contractor engaged in construction work shall be fully responsible therefor, the Authority shall not be required to carry such insurance. All such policies shall be open to the inspection of the bondholders and their representatives at all reasonable times.

Section 34. INSURANCE PROCEEDS. In the event of any loss of or damage to the System the Authority covenants that it will reconstruct or repair the destroyed or damaged portion of the property and will apply the proceeds of the insurance policies covering such loss or damage solely for that purpose. The Authority covenants that it will begin such work of reconstruction or repair promptly after such loss or damage shall occur and will continue and properly complete the same as expeditiously as possible and will pay or cause to be paid all costs and expenses in connection therewith so that the same shall be so completed and the property be free and clear of all mechanics' and other liens and claims. The Authority agrees that it will procure the advice and recommendation in writing of a registered professional engineer concerning such reconstruction before it is undertaken.

Section 35. UNUSED INSURANCE PROCEEDS. Any insurance proceeds remaining after the completion of and payment for any such reconstruction or repair shall be deposited in the Revenue Fund.

Section 36. ADDITIONAL BONDS. As used in this resolution, the following additional definitions shall apply:

(a) "Completion Bonds" means any bonds issued to complete construction of the System to enable the Authority to provide water supply services to the Cities and to others, as the System is described in the Engineering Report defined in the Contracts.

(b) "Improvement Bonds" means bonds issued for improvements, betterments, extensions, and replacements of the System.

(c) "Special Project Bonds" means any bonds issued to finance construction and/or acquisition of facilities which will not constitute a part of the System and which will not be paid out of revenues from the Contracts.

(d) "Refunding Bonds" means any bonds issued for the purpose of refunding all or a part of the Prior Lien Bonds, Parity Bonds or Additional Bonds.

(e) "Additional Bonds" means and includes Completion Bonds, Improvement Bonds, and Refunding Bonds.

Section 37. COMPLETION BONDS AND IMPROVEMENT BONDS. The Authority reserves the right to issue Completion Bonds and Improvement Bonds payable from and secured by a pledge of the Net Revenues, on a parity of lien with the Parity Bonds, or junior to the Parity Bonds, or a portion of them may be such first lien bonds and a portion may such junior lien bonds. The Completion Bonds and Improvement Bonds may be issued in one or more series or installments, and from time to time as authorized by the Board of Authority, provided, however, that no installment or series of Completion Bonds or Improvement Bonds, if it is on a parity with the lien of the Parity Bonds, shall be issued unless:

(a) A certificate is executed by the President and Secretary of the Board of Authority to the effect that no default exists in connection with any of the covenants or requirements of the resolutions authorizing the issuance of all then outstanding bonds which are secured by and payable from the Net Revenues;

(b) A certificate is executed by the President and the Secretary of the Board of Authority to the effect that the Interest and Sinking Fund and the Reserve Fund contain the amounts then required to be on deposit therein;

(c) The then proposed Completion Bonds or Improvement Bonds are made to mature on August 1 and/or February 1 of each of the years in which they are scheduled to mature.

Section 38. SPECIAL PROJECT BONDS. Special Project Bonds payable from and secured by revenues may be issued by the Authority for the purpose of providing additional facilities to enable the Authority to render service to other users, provided that such Special Project Bonds are not payable from or secured by a pledge of Net Revenues. Special Project Bonds may be additionally secured by a mortgage or deed of trust lien upon only the physical properties of the project purchased or constructed with the proceeds of such bonds.

Section 39. INCREASE IN RESERVE FUND. If Completion Bonds or Improvement Bonds are issued as Parity Bonds, the amount required to be deposited and maintained in the Reserve Fund shall, if necessary to maintain the Required Amount in the Reserve Fund, be increased so that the aggregate amount to be accumulated in the Reserve Fund shall be no less than the Required Amount for all then outstanding Parity Bonds and for the installment or series of parity Completion Bonds or Improvement Bonds then proposed to be issued. Such average annual requirements shall be calculated as of the date of any such Additional Bonds. Provided, as of the date of any such Additional Bonds, it shall be sufficient if the aggregate amount in the Reserve Fund is equal to the average annual requirement on the Parity Bonds and Additional Bonds outstanding and to be outstanding, and if the amount exceeds such average annual requirement, any surplus in the Reserve Fund may be transferred to the Revenue Fund, unless otherwise required by any bond resolution.

Section 40. TAX BONDS. No provisions in this Resolution shall in any way affect the statutory right of the Authority to issue bonds supported wholly by ad valorem taxes.

Section 41. REFUNDING BONDS. The Authority reserves the right to issue Refunding Bonds to refund any outstanding bonds secured by a pledge of the Net Revenues from the Contracts and any amendments thereof.

Section 42. DEFAULT PROVISIONS AND REMEDIES. In the event of a default or a threatened default in the payment of principal of or interest on the Parity Bonds, any court of competent jurisdiction may, upon petition of holders or owners of twenty-five per cent of the outstanding Parity Bonds, appoint a receiver with authority to collect and receive all income from the System, employ, and discharge agents, employees, and consultants of the Authority, take charge of pledged funds on hand and manage the proprietary affairs of the Authority without consent or hindrance by the Board of Authority. Such receiver may also be authorized to make contracts for providing water treatment services or renew such contracts with the approval of the court appointing him. The Court may vest the receiver with such other powers and duties as the court may find necessary for the protection of the holders or owners of the Parity Bonds.

Section 43. OTHER REMEDIES; REMEDIES NOT WAIVED. No remedy herein specified is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy available to the holders or owners of the said Parity Bonds, or now or hereafter existing at law or in equity, or by statute. No delay or omission to exercise any right or power shall impair

any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and so often as may be deemed expedient.

Section 44. AMENDMENTS OF RESOLUTION BY AUTHORITY. Without any prior action by or notice to the holders or owners of the Parity Bonds, Authority may, from time to time, and at any time, amend this Resolution:

(a) to add to the covenants and undertakings of the Authority contained in this Resolution such additional covenants and undertakings as may be authorized or permitted by law; and

(b) to cure any ambiguous, defective, or inconsistent provisions of this Resolution and to accomplish any other purposes not inconsistent with the provisions of this Resolution and which shall not impair the security afforded hereby.

Section 45. AMENDMENTS BY CONSENT. The holders and owners of Parity Bonds and Additional Bonds aggregating in principal amount two-thirds of the aggregate principal amount of the Parity Bonds and Additional Bonds at the time outstanding (but not including in any case any Parity Bonds or Additional Bonds which may then be held or owned by or for the account of the Authority) shall have the right from time to time to approve an amendment of this Resolution which may be deemed necessary or desirable by the Authority; provided, however, that no amendment, without the consent of the holders and owners of all of the outstanding Parity Bonds and Additional Bonds, shall:

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

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

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

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

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

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

Section 46. NOTICE REQUIRED. If at any time the Authority shall desire to amend this Resolution under Section 45, the Authority shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in the City of New York, New York, once during each calendar week for at least four 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 with each paying agent for the Parity Bonds and Additional Bonds and with the Secretary of the Board of Authority for inspection by all holders or owners of Parity Bonds and Additional Bonds. Such publication is not required, however, if notice in writing is given to each holder and owner of Parity Bonds and Additional Bonds.

Section 47. ADOPTION OF AMENDMENT. Whenever at any time not less than thirty (30) days and within one year from the date of the first publication of said notice or other service of written notice the Authority shall receive an instrument or instruments executed by the holders and owners of at least two-thirds in aggregate principal amount of 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 with the paying agents and Authority, the Authority may adopt the amendatory resolution in substantially the same form.

Section 48. EFFECTIVE UPON ADOPTION. Upon the adoption of any amendatory resolution pursuant to the provisions hereof, this Resolution shall be deemed to be amended in accordance with such amendatory resolution, and the respective rights, duties, and obligations under this Resolution of the Authority and all the

holders or owners of outstanding Parity Bonds and Additional Bonds shall thereafter be determined, exercised, and enforced hereunder, subject in all respects to such amendments.

Section 49. REVOCATION OF CONSENT. Any consent given by the holder or owner of a Parity Bond or Additional Bond pursuant to the provisions hereof shall be irrevocable for a period of six months from the date of the first publication of the notice provided for herein, and shall be conclusive and binding upon all future holders and 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 the paying agent and the Authority, but such revocation shall not be effective if the holders or owners of two-thirds aggregate principal amount of the Parity Bonds and Additional Bonds outstanding as herein defined have, prior to the attempted revocation, consented to and approved the amendment.

Section 50. PROOF OF OWNERSHIP. The fact of the holding of Parity Bonds and Additional Bonds by any Bondholder and the amount and numbers of such Parity Bonds and Additional Bonds, and the date of his holding same may be proved by the affidavit of the person claiming to be such holder or owner, or by a certificate executed by any trust company, bank, banker, or any other depository, wherever situated showing that on 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 Authority may conclusively assume that such ownership continues until written notice to the contrary is served upon the Authority. All matters relating to the ownership of fully registered Parity Bonds and Additional Bonds shall be ascertained from the registration books therefor kept by the registrar.

Section 51. DEFEASANCE OF BONDS. (a) Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Bond") within the meaning of 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 or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument (the "Future Escrow Agreement") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Net Revenues as provided in this Resolution, and such principal and interest shall be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of this Resolution to the contrary, it is hereby provided that any determination not to redeem Defeased Bonds that is made in conjunction with the payment arrangements specified in subsection 51(a)(i) or (ii) shall not be irrevocable, provided that: (1) in the proceedings providing for such payment arrangements, the Issuer expressly reserves the right to call the Defeased Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the Defeased Bonds immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

(b) Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Issuer also be invested in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent/Registrar that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Issuer, or deposited as directed in writing by the Issuer. Any Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in subsection 51(a)(i) or (ii). All income from such Defeasance Securities received by the Paying Agent/Registrar which is not required for the payment of the Defeased Bonds, with respect to which such money has been so deposited, shall be remitted to the Issuer or deposited as directed in writing by the Issuer.

(c) The term "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds.

(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.

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

Section 52. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS. (a) Replacement Bonds. In the event any outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new bond of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

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

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

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

(e) Authority for Issuing Replacement Bonds. In accordance with Subchapter B, Chapter 1206, Texas Government Code, this Section 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 4 for Bonds issued in conversion and exchange for other Bonds.

Section 53. FEDERAL TAX COVENANTS. (a) General Tax Covenants Regarding Tax Exemption of Interest on the Bonds. The Issuer covenants to take any action necessary to assure, or refrain from any action which would adversely affect, 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:

(a) 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 to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the projects financed

therewith are so used, such amounts, whether or not received by the Issuer, with respect to such private business use, do not, under the terms of 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;

(b) to take any action to assure that in the event that the "private business use" described in subsection (a) hereof exceeds 5 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 5 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;

(c) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 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;

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

(e) 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;

(f) 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 --

(1) proceeds of the Bonds invested for a reasonable temporary period until such proceeds are needed for the purpose for which the bonds are issued,

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

(3) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Bonds;

(g) 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) and, to the extent applicable, section 149(d) of the Code (relating to advance refundings);

(h) 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; and

In order to facilitate compliance with the above covenant (h), 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.

For purposes of the foregoing (a) and (b), 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 the proceeds of the refunded bonds expended prior to the date of issuance of the Bonds. It is the understanding of the Issuer that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated 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 Authority, or the Authorized 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. This Resolution is intended to satisfy the official intent requirements set forth in section 1.150-2 of the Treasury Regulations.

(b) Interest Earnings on Bond Proceeds. Interest earnings derived from the investment of proceeds from the sale of the Bonds shall be used along with other bond proceeds for the purpose for which the Bonds are issued set forth in Section 1 hereof; provided that after completion of such purpose, if any of such interest earnings remain on hand, such interest earnings shall be deposited in the Interest and Sinking Fund. It is further provided, however, that any interest earnings on bond proceeds which are required to be rebated to the United States of America pursuant to Section 53(a) hereof in order to prevent the Bonds from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section 53(b).

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

Section 54. CUSTODY, APPROVAL, BOND COUNSEL'S OPINION, CUSIP NUMBERS AND INSURANCE. The President of the Board of Directors and the General Manager of the Issuer are hereby authorized to have control of the Bonds issued hereunder and all necessary records and proceedings pertaining to the Bonds pending their delivery and the approval of the Bonds by the Attorney General of the State of Texas. The Comptroller of Public Accounts is requested to cause the Bonds to be registered in accordance with law. 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 Bonds 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 Bonds shall bear, as appropriate and applicable, a legend concerning insurance as provided by the Insurer.

Section 55. FURTHER PROCEDURES. The President, Vice President and Secretary of the Board of Directors of the Issuer, the General Manager (as the "Authorized Officer" 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 a Letter of Representation with DTC regarding the Book-Entry Only System, the Paying Agent/Registrar Agreement with the Paying Agent/Registrar and all other instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Resolution, the Letter of Representation, the Bonds, the sale of the Bonds and the Official Statement. Notwithstanding anything to the contrary contained herein, while the Bonds are subject to DTC's Book-Entry Only System and to the extent permitted by law, the Letter of Representation is hereby incorporated herein and its provisions shall prevail over any other provisions of this Resolution in the event of conflict. In case any officer whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

Section 56. CONTINUING DISCLOSURE OF INFORMATION. (a) As used in this Section, the following terms have the meanings ascribed to such terms below:

"MSRB" means the Municipal Securities Rulemaking Board.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

(b) Pursuant to a Continuing Disclosure Agreement by and between the Issuer and the Cities, the Issuer and the Cities have undertaken for the benefit of the beneficial owners of the Bonds, to the extent set forth therein, to provide continuing disclosure of financial information and operating data with respect to the Cities in accordance with the Rule as promulgated by the SEC.

(c) The Issuer shall notify the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of holders of the Bonds, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer;
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material.

Section 57. SECURITY INTEREST. Chapter 1208, Government Code, applies to the issuance of the Bonds and the pledge of the Net Revenues granted by the Issuer under Sections 6 and 15 of this Resolution, and is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the Net Revenues granted by the Issuer under Sections 6 and 15 of this Resolution is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the Issuer agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 58. EXPIRATION OF AUTHORIZATION. The authority of the General Manager, as Authorized Officer, to sell the Bonds as described in Section 2 of this Resolution shall expire on the one-year anniversary date of the adoption of this Resolution by the Board.

Section 59. REPEAL OF CONFLICTING RESOLUTIONS. All resolutions and all parts of any resolutions which are in conflict or inconsistent with this Resolution are hereby repealed and shall be of no further force or effect to the extent of such conflict or inconsistency.

THE AUTHORITY

The Authority’s Activities

1. Master Planning. After a series of public hearings, the Authority adopted the original master plan in April 1958. The purpose of the Master Plan is to define and provide a course of action for the Authority to achieve water and soil conservation goals for which purpose the Authority was established by the State of Texas Legislature. The Master Plan goals can generally be described as: to improve the quality of water within the Trinity River Basin in order to provide supplies of good quality water for all beneficial purposes, conserve water and soil resources, reduce flooding, promote water oriented recreation, preserve natural areas, promote the diversity and productivity of aquatic life, and foster an understanding of the complex interrelationships among people, resources, economy and the environment in the basin. The Authority’s Board of Directors reviews the status of the master plan annually and amends the master plan periodically when it is deemed necessary.

2. Federal Projects. By various resolutions, the Authority has agreed to serve as the local sponsor of the Navarro Mills Reservoir, Bardwell Reservoir, Joe Pool Lake and the Wallisville Salt Water Barrier Project in cooperation with local municipalities or districts that benefit from these projects.

3. Revenue Based Projects. The Authority, without collecting any property taxes, has implemented service projects serving cities, communities and other special districts throughout the Trinity River Basin. The majority of these funds for these projects have come from the sale of tax exempt contract service revenue bonds, service payments from customers, federal grants and long term federal loans. The Authority has responsibility for operating certain of these projects (referred to below as “Operating”). Projects referred to below as “Non-Operating” require a limited amount of Authority personnel involvement and are primarily financing arrangements with the entities. These projects and those served include:

The Authority’s Revenue-Based Projects

Project Name (Operating)	Cities and Communities Served or to be Served
Central Regional Wastewater System	Addison, Arlington, Bedford, Carrollton, Cedar Hill, Colleyville, Coppel, Dallas, Dallas/Fort Worth International Airport Board, Duncanville, Euless, Farmers Branch, Fort Worth, Grand Prairie, Grapevine, Hurst, Irving, Keller, Mansfield, North Richland Hills, and Southlake
Ten Mile Creek Regional Wastewater System	Cedar Hill, DeSoto, Duncanville, Ferris, and Lancaster
Denton Creek Regional Wastewater Treatment System	Argyle, Circle T Municipal Utility District No. 1, Circle T Municipal Utility District No. 3, Flower Mound, Fort Worth, Haslet, Keller, Northlake, Roanoke, Southlake and Westlake.
Red Oak Creek Regional Wastewater Project	Cedar Hill, DeSoto, Glenn Heights, Lancaster, Ovilla, and Red Oak
Mountain Creek Regional Wastewater System	Grand Prairie, Midlothian and Venus
Tarrant County Water Supply Project	Bedford, Colleyville, Euless, Grapevine, and North Richland Hills
Huntsville Regional Water Supply System	Huntsville
Livingston Regional Water Supply System	Livingston

Trinity County Regional Water Supply System	Glendale Water Supply Corp, Groveton, Riverside Water Supply Corp, Trinity, Trinity Rural Water Supply Corp and Westwood Shores MUD.
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Lake Livingston—Wallisville Project	Houston, 21 lakeside communities (and two industries)
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Livingston Recreation Facilities	Serving the General Public
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Project Name (Non-Operating)	Cities and Entities Served
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Walker-Calloway Branches Outfall Line	Hurst and North Richland Hills
Northeast Lakeview Project	Cedar Hill, Grand Prairie
Lakeview Regional Water Supply Project	Cedar Hill, Duncanville, and Grand Prairie
Summit Regional Water Storage Project	Cedar Hill and Duncanville
Navarro Mills Reservoir	Coolidge, Corsicana, Dawson, and Hubbard (and one industry)
Bardwell Reservoir	Ennis and Ellis County WCID #1
Joe Pool Lake Project	Cedar Hill, Duncanville, Grand Prairie, and Midlothian
Ellis County Regional Water Supply Project	Cities of Ferris, Italy, Maypearl, Midlothian, Palmer and Red Oak; Ellis County WC&ID No. 1, Rockett Special Utility District, Avalon Water and Sewer Service Corporation, Boyce, Bristol, Nash-Forreton, and Buena Vista-Bethel Water Supply Corporations.
Freestone Raw Water Supply Project	Freestone Power Generation LP
Ennis Raw Water Supply Project	Ennis
Midlothian Raw Water Supply Project	Midlothian
Huntsville Wastewater Treatment Facilities	Huntsville
Big Bear Creek Interceptor Project	Fort Worth, Keller and Southlake
Southlake Sewer Project	Southlake
Lancaster Water and Sewer Project	Lancaster
Denton Creek Wastewater Interceptor System	Fort Worth, Haslet, and Roanoke
Denton Creek Wastewater Pressure Interceptor	Southlake
Cade Branch Interceptor	Fort Worth, Keller
Denton Creek Wastewater Interceptor System (Fort Worth Project)	Fort Worth
Fort Worth Sendera Ranch Project	Fort Worth
Pollution Control Facilities	Community Waste Disposal, Inc and Texas Utilities Electric Co.
Denton Creek Wastewater Transportation Project	Argyle, Flower Mound and Northlake

The Future Role of the Authority

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

1. Master Planning.

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

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

3. Tributary Lakes. The revised master plan calls for the construction, as needed, of thirteen lakes on mid basin tributaries. Of these thirteen, the Authority will serve as the planning and implementing agency for eleven: Upper Keechi, Big Elkhart, Hurricane Bayou, Lower Keechi, Bedias, Nelson, Harmon, Gail, Mustang, Caney, and Long King.

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

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

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

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

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

Pension Plan

The Authority has a defined contribution pension plan for its employees. All full-time and permanent part time employees are eligible for participation after six months of service, provided that they work for the Authority at least 1,000 hours per year. The Authority contributes an amount equivalent to 12% of the employee's salary annually to the plan with each employee having the option to contribute up to 10% of annual salary. An employee becomes 20% vested in the plan after three years and 100% vested in the plan after seven years, or at age 55. An employee is 100% vested in all personal contributions to the plan when made.

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Other Outstanding Indebtedness of the Authority

The Authority has Outstanding Bonds which are listed below. The Outstanding Bonds are System or Project specific and payable from each of the related System's or Project's Pledged Revenues. See "Security and Source of Payment".

	Outstanding 3/15/2015*
Total Outstanding Principal by System/Project:	
Central Regional Wastewater System	\$891,285,000
Denton Creek Regional Wastewater Treatment System	140,045,000
Denton Creek Wastewater Interceptor(Fort Worth Project)	665,000
Denton Creek Wastewater Pressure Interceptor System	750,000
City of Fort Worth Water & Wastewater Transmission Contract (Sendera Ranch Project)	4,885,000
Trinity River Authority of Texas (General Improvement Project of The Authority)	5,203,626
Huntsville Regional Water Supply System	20,570,000
Livingston Regional Water Supply Project	22,510,000
Mountain Creek Regional Wastewater System	12,350,000
Northeast Lakeview Wastewater Transportation Project	12,655,000
Red Oak Creek Regional Wastewater System	52,330,000
Tarrant County Water Project	50,050,000 ⁽¹⁾
Ten Mile Creek Regional Wastewater System	121,725,000
Town of Flower Mound Wastewater Transportation Project	4,080,000
Trinity County Regional Water Supply System Project	975,000
SUB-TOTAL	\$1,340,078,626
The Bonds	67,785,000
TOTAL	\$1,407,863,626

* Does not include debt service on the \$175,000,000 Extendable Commercial Paper Bonds (“ECP Bonds”) program which the Authority has authorized. The ECP Bonds are secured by and payable from a first lien on the Net Revenues of the System created in the resolution authorizing their issuance; provided that the pledge of Net Revenues securing the ECP Bonds is expressly made junior and subordinate to the pledge of Net Revenues securing First Lien Bonds as described herein. The ECP Bonds are and shall be secured by and payable only from the Net Revenues, from the proceeds from the sale of ECP Bonds to refinance maturing ECP Bonds (i.e., "roll") and the proceeds of Refunding Bonds to be issued by the Authority.

⁽¹⁾ Excludes the Refunded Bonds. See Schedule I.

The Authority has entered into agreements with various companies to issue debt for the benefit of the companies. The companies make payments to service the debt through a trustee. The Authority has no obligation for this debt.

	Outstanding March 15, 2015
Conduit Debt - Pollution Control Bonds	
Community Waste Disposal, Inc.	\$ 31,185,000
Texas Utilities Electric Company Pollution Control	51,075,000
TOTAL	\$ 82,260,000

In addition to the preceding statement of indebtedness, the Trinity River Authority has four outstanding contracts with the U. S. Army Corp of Engineers related to water rights and flood control. Contractual revenues collected annually from the entities identified next to the projects below are used to pay debt service on these contracts.

Project:	Outstanding March 15, 2015
Bardwell Reservoir (City of Ennis and Ellis Co. WCID#1)	\$ 1,103,714
Joe Pool Lake (Cities of Cedar Hill, Duncanville, Grand Prairie and Midlothian)	80,251,997*
Wallisville Lake (City of Houston)	9,027,736
TOTAL	\$ 90,383,447

* As local sponsor for Joe Pool Lake, the Authority serves as a financial intermediary between parties that have contracted to purchase water from the lake and the U.S. Army Corps of Engineers (USACE), which owns and operates the lake. The three parties that have contracted with the Authority to purchase water from Joe Pool Lake are the Cities of Cedar Hill and Grand Prairie and the Midlothian Water District. The City of Grand Prairie and Midlothian Water District are currently diverting water from Joe Pool Lake, which obligates those parties to make payments to the Authority for both USACE capital costs (plus interest) associated with the project and annual operations and maintenance (O&M) expenses. The Authority in turn pays the amounts it collects from those parties to USACE. Pursuant to the Authority's USACE contract, the Authority's repayment obligations are contingent upon and proportionate to the amount of water diverted by the Authority's customers in Joe Pool Lake. The City of Cedar Hill has not initiated diversions from Joe Pool Lake, and the Authority is therefore not obligated to make debt service and O&M payments to USACE for the water contractually reserved for the City of Cedar Hill.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the Issuer, will render its 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 to the Issuer will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See APPENDIX C - Form Bond Counsel's Opinion.

In rendering its opinion, Bond Counsel to the Issuer will rely upon (a) the Issuer's federal tax certificate and (b) covenants of the Issuer with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds, the Sufficiency Certificate of First Southwest Company, LLC and certain other matters. Failure of the Issuer 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.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Bonds or the Project. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the Issuer that it deems relevant to render such opinion and is not a guarantee of a result. 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 following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

Interest on the Bonds will be includable as an adjustment for “adjusted current earnings” to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

Interest on the Bonds may be subject to the “branch profits tax” imposed by section 884 of the Code on the effectively-connected earnings and profits of a foreign corporation doing business in the United States.

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.

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.

CONTINUING DISCLOSURE OF INFORMATION

In Continuing Disclosure Agreements entered into between the Authority and each of the Contracting Parties, each has made the following respective agreements for the benefit of the holders and beneficial owners of the Bonds. The Contracting Parties and the Authority are required to observe the agreements for so long as the Contracting Parties remain obligated to advance funds to pay the Bonds. Under the agreements, the Contracting Parties will be obligated to provide certain updated financial information and operating data annually, and the Authority and the Contracting Parties will be obligated to provide timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the “MSRB”).

Annual Reports

The Authority and the Contracting Parties will provide certain updated financial information and operating data to the MSRB annually. The information to be provided and updated by the Contracting Parties includes all quantitative financial information and operating data with respect to the Contracting Parties of the general type included in APPENDIX B to this Official Statement and each Contracting Party's audited financial statements, when and if available. Each of the Contracting Parties will file such information with the MSRB through its Electronic Municipal Market ("EMMA") system within six months after the end of each respective Contracting Party's fiscal year, beginning with the fiscal year ending in 2015. In addition, the Authority will file its audited financial statements with the MSRB through its EMMA system within six months after the end of the Authority's fiscal year, beginning with the fiscal year ending in 2015.

The financial information and operating data to be provided and updated by the Contracting Parties may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by the Rule. The updated information will include audited financial statements, if the Authority and/or the Contracting Parties commission an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Authority and/or each Contracting Party will provide unaudited financial statements within the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with generally accepted accounting principles in effect at the time or that the Authority or the Contracting Parties may be required to employ from time to time pursuant to State law or regulation.

The Authority's fiscal year end is November 30 and each of the Contracting Party's fiscal year end is September 30. Accordingly, each Contracting Party must provide updated information by March 31 in each year and the Authority must provide updated information by May 31 in each year, unless any Contracting Party or the Authority, as applicable, changes its fiscal year. If any Contracting Party or the Authority change their fiscal year, such Contracting Party or the Authority, as applicable, will notify the MSRB of the change.

Disclosure Event Notices

The Authority and the Contracting Parties will provide timely notices of certain events to the MSRB. The Authority will provide notice in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event), of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Authority; (13) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material.

As used in clause (12) in the preceding paragraph, the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if jurisdiction has been assumed by leaving the Board and officials or officers of the Authority in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially

all of the assets or business of the Authority. In addition, the Contracting Parties will provide timely notice of any failure by the Contracting Parties to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.” The Authority or the Contracting Parties will provide each notice described in this paragraph to the MSRB.

Availability of Information

The Authority and the Contracting Parties have agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

The Authority and the Contracting Parties have agreed to update information and to provide notices of certain events only as described above. The Authority and the Contracting Parties have not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Authority and the Contracting Parties make 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 Authority and the Contracting Parties disclaim any contractual or tort liability for damages resulting in whole or in part from any breach of their continuing disclosure agreement or from any statement made pursuant to their agreement, although holders of Bonds may seek a writ of mandamus to compel the Authority or the Contracting Parties to comply with its agreement.

The Authority or the Contracting Parties may amend their 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 Contracting Parties, 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 outstanding Bonds consent to the amendment or (b) any person unaffiliated with the Authority or the Contracting Parties (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. The Authority or the Contracting Parties may also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the Authority or the Contracting Parties so amend the agreement, the Contracting Parties have agreed to include with the next financial information and operating data provided in accordance with their respective 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

In its past continuing disclosure undertakings relating to its Outstanding Parity Bonds, the Authority assumed certain responsibilities and the Contracting Parties assumed certain responsibilities. During the last five years, the Authority has complied in all material respects with all continuing disclosure undertakings made by it relating to its Outstanding Parity Bonds in accordance with the Rule.

During the last five years, the Contracting Parties have complied in all material respects with all continuing disclosure undertakings made by them in accordance with the Rule, however, certain of the Contracting Parties did not provide timely notice of certain rating changes related to their underlying or insured revenue or general obligation debt.

OTHER INFORMATION

Ratings

The Bonds are rated “AA+” by Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) and “AA” by Fitch Ratings (“Fitch”) . The Outstanding Parity Bonds of the Authority are rated “AA+” by S&P and “AA” by Fitch, without regard to credit enhancement. An explanation of the significance of these ratings may be obtained from the company furnishing the rating. The ratings reflect only the views of such organizations and the Authority 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 such rating companies, if in the judgment of such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

Litigation

It is the opinion of the Authority Attorney and Authority Staff that there is no pending litigation against the Authority that would have a material adverse financial impact upon the Authority or its operations. No pending litigation against the Contracting Parties that would have a material adverse financial impact upon the Authority or its operations of the System has been brought to the attention of the Authority.

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

Registration And Qualification of Bonds for Sale

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The Authority 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, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act requires that the Bonds be assigned a rating of at least “A” or its equivalent as to investment quality by a national rating agency (see “OTHER INFORMATION - Ratings” above). In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with 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 of Texas, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the Authority has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

The Authority has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The Authority

has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Legal Matters

The Authority will furnish a complete transcript of proceedings relating to the authorization and issuance of the Bonds, including the approving legal opinion of the Attorney General of Texas approving the Bonds and to the effect that the Bonds are valid and legally binding special obligations of the Authority and, based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax on corporations. Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the Authority in the issuance of the Bonds. 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 and of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information in the Official Statement under the captions “PLAN OF FINANCING” (excluding the information under the subcaption “Sources and Uses of Bond Proceeds”), “THE BONDS” (excluding the information under the subcaption “Book-Entry-Only System”), “SELECTED CONTRACT PROVISIONS,” “SELECTED PROVISIONS OF THE RESOLUTION,” “TAX MATTERS,” “CONTINUING DISCLOSURE OF INFORMATION” (excluding the information under the subcaption “Compliance with Prior Undertakings”), and the subcaptions “Registration and Qualification of Bonds for Sale,” “Legal Investments and Eligibility to Secure Public Funds in Texas” and “Legal Matters” (excluding the last sentence of the first paragraph thereof) under the caption “OTHER INFORMATION,” and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Resolution. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Dallas, Texas, whose legal fee for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds.

The various 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 the 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 Authority 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.

Financial Advisor

First Southwest Company, LLC is employed as Financial Advisor to the Authority 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. First Southwest Company, LLC in its capacity as Financial Advisor, 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 also from time to time sell investment securities to the Authority for the investment of bond proceeds or other funds of the Authority upon the request of the Authority.

The Financial Advisor to the Authority 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 responsibilities to the Authority 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.

Underwriting

Raymond James & Associates, Inc., as representative of the Underwriters, has agreed, subject to certain conditions, to purchase the Bonds from the Authority at a purchase price of \$78,518,044.08, which represents the par amount of the Bonds, plus a net premium of \$11,060,709.70, less an Underwriters' discount of \$327,665.62, and no accrued interest. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Bonds if any of the Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed from time to time by the Underwriters.

Loop Capital Markets has entered into distribution agreements (each a "Distribution Agreement") with each of UBS Financial Services Inc. ("UBSFS"), Deutsche Bank Securities Inc. ("DBS") and Credit Suisse Securities LLC ("CS") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Distribution Agreement (if applicable to this transaction), each of UBSFS, DBS and CS will purchase Bonds from Loop Capital Markets at the original issue prices less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

Piper Jaffray & Co. and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the "Agreement") which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper Jaffray & Co., including the Bonds. Under the Agreement, Piper Jaffray & Co. will share with Pershing LLC a portion of the fee or commission paid to Piper Jaffray & Co.

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

Forward-Looking Statements Disclaimer

The statements contained in this Official Statement, and in any other information provided by the Authority that are not purely historical, are forward-looking statements, including statements regarding the Authority'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 Authority on the date hereof, and the Authority assumes no obligation to update any such forward-looking statements. The Authority'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 Authority. 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 Pricing Certificate, which was executed by an Authorized Officer of the Authority and is a part of the Resolution authorizing the issuance of the Bonds, approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Bonds by the Underwriters.

TRINITY RIVER AUTHORITY OF TEXAS

/s/ J. Kevin Ward

J. KEVIN WARD

General Manager

SCHEDULE I

SCHEDULE OF REFUNDED BONDS

**Trinity River Authority of Texas
(Tarrant County Water Project)
Improvement and Refunding Revenue Bonds, Series 2005**

<u>Original Maturity</u>	<u>Interest Rates</u>	<u>Amount Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
2/1/2016	5.000%	\$ 5,640,000	8/1/2015	100%
2/1/2017	5.000%	5,930,000	8/1/2015	100%
2/1/2018	5.000%	6,230,000	8/1/2015	100%
2/1/2019	5.000%	6,550,000	8/1/2015	100%
2/1/2020	5.000%	6,885,000	8/1/2015	100%
2/1/2021	5.000%	7,235,000	8/1/2015	100%
2/1/2022	5.000%	7,610,000	8/1/2015	100%
2/1/2023	5.000%	9,175,000	8/1/2015	100%
2/1/2024	5.000%	9,650,000	8/1/2015	100%
2/1/2025	5.000%	<u>13,000,000</u>	8/1/2015	100%
Total		<u>\$ 77,905,000</u>		

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APPENDIX A

BIOGRAPHICAL INFORMATION

Board of Directors
and
Management Officers

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BOARD OF DIRECTORS

KIM C. WYATT of Corsicana, Texas (president and member, executive committee). Wyatt is president and chief executive officer of the Community National Bank & Trust of Texas. He holds a bachelor's degree from Texas A&M University and graduated from the Southwest Graduate School of Banking. He is a member of the First United Methodist Church, a member of the Corsicana Optimist Club and a member of the Independent Order of Odd Fellows. Wyatt is treasurer of the Corsicana Livestock and Agricultural Center, a board member of the Garitty Charity Association and a member of the board of the Navarro Community Foundation. He is a member of the board of Navarro Regional Hospital and a board member of Texas Healthcare Trustees. Wyatt is a former member of the planning and zoning board of the city of Corsicana, a past president of the Corsicana Area Chamber of Commerce, past president of the Navarro County United Way and past president of the Optimist Club. He is a past three-term chairman of the Navarro County Youth Exposition. He is also a past board member of Camp Fire Girls, the Navarro County Agency for Retarded Citizens and the Corsicana YMCA. Wyatt is past president of the Navarro College Booster Club and past board member and treasurer of the Navarro College Foundation. Wyatt was reappointed as director for Navarro County in 2009.

JESS A. LAIRD of Athens, Texas (vice president, member, executive committee and chairman, administration committee). Laird is chief executive officer and president of First State Bank in Athens, Texas. He serves on the boards of directors of First State Bank in Athens, the Independent Bankers Association of Texas, the Athens Economic Development Corporation and the Trinity Valley Community College Foundation. He is also treasurer of the Henderson County Salvation Army. Previously, Laird served as president of the Athens Rotary Club, as president and director of the Cain Center and as president and director of the American Heart Association. He served on the board of managers for the East Texas Medical Center, and he has served on the board of directors for the Region VII Education Service Center, the Henderson County United Way and Keep Athens Beautiful. He earned a bachelor's degree from Texas A&M University and a master's degree from the University of Texas in Tyler. Laird was reappointed as director for Henderson County in 2013.

HAROLD L. BARNARD of Waxahachie, Texas (chair, executive committee). Barnard is president and managing officer of Ellis County Abstract and Title Company Inc. In addition to being a member of the Texas Land Title Association and the Texas Association of Abstract and Title Agents, he is past president of the Waxahachie Chamber of Commerce and past director and president of the Ellis County Museum board of directors. He is a past director and president of the Waxahachie Foundation Inc. Barnard earned a bachelor's degree from the University of Texas at Arlington. He was reappointed as director for Ellis County in 2013.

CHRISTINA MELTON CRAIN of Dallas, Texas (chair, legal committee). Crain is an attorney and president of Christina Melton Crain, PC. She is a director of the State Bar of Texas and a trustee of the Dallas Bar Foundation. She is a member of the Texas Transportation Advisory Committee, the University of Texas at Austin Chancellor's Council and the College of Liberal Arts Advisory Council. Crain is an executive board member of Big Brothers Big Sisters Lone Star and co-founder of Amachi Texas, a mentoring program for children of the incarcerated. She is director of the Texas Regional Advisory Board for the National Center for Missing and Exploited Children. She is chairwoman of Dallas DOORS, a nonprofit organization serving the formerly incarcerated and their families. She is chairwoman of the Dallas County Criminal Justice Advisory Board Re-entry Council. Crain is a member of the University of Texas at Dallas Center for Vital Longevity Advisory Council and a member of Altrusa International Inc. of Downtown Dallas. Crain serves as the prison representative to the UT Southwestern Medical Center Institutional Review Board. She is director of the Oklahoma City University School of Law Executive Board as well as director of the Patriot PAWS Service Dogs Organization. Crain is past chairwoman of the Texas Board of Criminal Justice and of the Windham School District board of trustees. She is past president of the Dallas Bar Association, the Dallas Women Lawyers Association and the Dallas Association of Young Lawyers. She is a former member of the Texas Correctional Managed Healthcare Committee and an alumna of Leadership Texas and Leadership Dallas. She is a former director of the Baylor Healthcare System Foundation. Crain is a sustainer of the Junior League of Dallas and a former member of the Texas Exes Council of the University of Texas at Austin. Crain received a bachelor's degree from the University of Texas at Austin and a law degree from the Oklahoma City University School of Law. Crain was appointed as director for Dallas County in 2013.

DAVID B. LEONARD of Liberty, Texas (member, resources development committee). Leonard is the general manager and owner of Liberty-Dayton Chrysler, an auto dealership. He is a member of the Liberty-Dayton Chamber of Commerce and a member and past president of the Liberty Lions Club. Leonard is the director of the Knights of Columbus and a member of the Liberty Elks Lodge. He is past director of the Trinity Valley Exposition. He attended Lee College and was reappointed as director for Liberty County in 2013.

KEVIN MAXWELL of Crockett, Texas (chair, utility services committee). Maxwell is president of S.C. Maxwell Co. Inc., a construction, real estate and ranching business. Maxwell is a member of the Texas Wildlife Association, a member of the Sharon Temple Shriners and a 32nd degree Scottish Rite mason. He is president of the Crockett Athletic Booster Club and a member of the Houston Livestock Show and Rodeo Go Texan Committee. In the past, Maxwell has been chairman of the Crockett Area Chamber of Commerce, president of the Crockett Merchants Little League, master of the Lothrop Masonic Lodge and member of

the Crockett Rotary Club. He earned a bachelor's degree from Sam Houston State University. Maxwell was reappointed as director for Houston County in 2009.

HENRY BORBOLLA III of Fort Worth, Texas (member, administration committee). Henry Borbolla is a Fort Worth native and graduate of TCU. He is a banker with BB&T - Branch Banking & Trust and provides a wide range of financing, treasury management and risk management services to business clients in the greater Tarrant County area. His community involvements include board or committee positions with Big Brothers Big Sisters, Bobby Bragan Youth Foundation, Casa Manana, Catholic Charities, Community Hospice of Texas, Fort Worth Stock Show, Tarrant County Housing Partnership, and the University of North Texas Health Science Center Foundation. Others include the Fort Worth Visitors and Convention Bureau, Downtown Design Review Board, and the Trinity River Authority. He is a member of the Rotary Club of Fort Worth and the Fort Worth Stock Show Syndicate. Borbolla was reappointed as director for Tarrant County in 2013.

SHIRLEY K. SEALE of Anahuac, Texas (chair, administration committee). Seale is a financial advisor for Edward Jones, an investments company. Seale is a member of the Chambers County Economic Development Board and a member of the West Chambers County Chamber of Commerce. She was a member of the board of directors for the Gulf Coast Waste Disposal Authority from 1997 to 2007. Seale served as a board member for the Chambers County Industrial Development Board and as fundraiser chairman for the Chambers County American Heart Association. She is a member of the Chambers County Republican Women where she served as treasurer, vice president and delegate to the State Republican Women's Association. Seale is a member of the First Baptist Church of Anahuac and has served as church treasurer for ten years. Seale is a graduate of the Southwestern Graduate School of Banking and attended Lee College, Lamar University and Bank Operations School at East Texas State University. Seale was reappointed as director for Chambers County in 2009.

WILLIAM W. COLLINS JR. of Fort Worth, Texas (member, administration committee). Collins is an attorney in private practice. He is a member of the State Bar of Texas and the Tarrant County Bar Association. He has served as chairman of the Texas Motor Vehicle Commission, as a commissioner of the Texas Commission on the Arts, and as a member of the Executive Committee of the Fort Worth Transportation Authority. Collins is a former chairman of the American Cancer Society-Fort Worth and has served as a trustee of the Modern Art Museum of Fort Worth. He is a life member of the University of Texas Alumni Association and the Tarrant County Historical Society. Collins earned a Bachelor of Business Administration degree from the McCombs School of Business at the University of Texas at Austin and a law degree from the University of Tennessee. He was appointed as director for Tarrant County in 2010.

MICHAEL CRONIN of Terrell, Texas (chairman, resources development committee). Cronin is vice chairman of the board of directors of American National Bank of Texas. He is a member of the Independent Bankers Association of Texas and the Texas Bankers Association. He is a past president of the Terrell Economic Development Corporation, the Terrell Industrial Foundation and the Terrell Chamber of Commerce. He currently serves as a director of the Kaufman County Tax Increment Financing Board. Cronin earned a bachelor's degree from the University of North Texas. He was reappointed as director for Kaufman County in 2013.

STEVE CRONIN of Shepherd, Texas (member, legal committee). Cronin is an Agricultural Science teacher at Shepherd Independent School District and the owner of Magnolia Farms Sheep Farm. He is a member of the Vocational Agricultural Teachers Association of Texas. He is secretary/treasurer and past president of the County Farm Bureau, member of National Wild Turkey Federation an SJC, Advisor of Shepherd FFA Booster Club and on the San Jacinto County Fair Association Committee. He is a San Jacinto County 4-H leader, teaches hunter education classes through the Texas Parks and Wildlife Department. Cronin served more than seven years as an agriculture field representative for the Texas Farm Bureau and more than seven years as an agriculture extension agent for the Texas A&M University System. He received a bachelor's and a master's degree from Sam Houston State University. Cronin was reappointed as director for San Jacinto County in 2011.

AMANDA B. DAVIS of Buffalo, Texas (member, administration committee). Davis is a retired school administrator in the Buffalo Independent School District and member of the Texas Association of School Administrators, Texas Association of Secondary School Principals, Texas Elementary Principals and Supervisors Association, and Texas Association of Mediators. She is also a member of the State Bar of Texas Alternative Dispute Resolution Section, Texas Mediation Trainers Roundtable and Texas Farm Bureau. Davis received a bachelor's degree from Sam Houston State University, a master's degree in educational leadership and conflict resolution from Abilene Christian University and completed her superintendent certification from the University of Texas at Tyler. She was reappointed to serve for Leon County until March 15, 2017.

VALERIE E. ERTZ of Dallas, Texas (member, utility services committee). Valerie Ertz of Dallas is owner and president of VEE Services. She is a member of the State Commission on Judicial Conduct, the Society of St. Vincent DePaul, Military Order of St. John's, the Texas Women's Initiative, and the Southern Methodist University Alumni Association. She is also a past member of the Stephen F. Austin State University Board of Regents. Ertz received a bachelor's degree from Southern Methodist University and a master's degree in management from Troy State University. Ertz was appointed as director for Dallas County in 2013.

TOMMY G. FORDYCE of Huntsville, Texas (member, legal committee). Fordyce is a retired director of the Texas Criminal Justice Agribusiness Department. He is chair of the Huntsville Economic Development Council and vice president of the Lone Survivor Foundation. He is also a member of the Texas Assistive and Rehabilitative Services Council, the Kick Start for Kids program and the Huntsville Veterans' Affairs Advisory Board. He served in the U.S. Marine Corps and is a Vietnam War veteran. Fordyce earned a bachelor's degree from Sam Houston State University. Fordyce was reappointed as director for Walker County in 2013.

RONALD J. GOLDMAN of Fort Worth, Texas (member, resources development committee). Goldman is president of Ronnie's LLC, a real estate management company, and also is director of Liberty Bancshares. Goldman is a member of the World President's Organization, the Fort Worth Airpower Council and the Texas Health Harris Methodist Foundation. Formerly, he was chairman of the Young President's Organization of West Texas and the Harris Methodist Development Board. He has served as a trustee for the Harris Methodist Health System and Harris Methodist, H.E.B. Goldman was founder, organizer and director of Summit Bancshares. He is past president of the Youth Orchestra of Greater Fort Worth and has served on the boards of the Fort Worth Symphony Orchestra, the Van Cliburn Association, the Arts Council of Fort Worth and Trinity Valley School. He is past president of the Seagram Family Association. Goldman earned a bachelor's degree from the University of Texas at Austin. He served in the Texas Army National Guard from 1965 to 1971. He was reappointed as director at large in 2009.

MARTHA A. HERNANDEZ of Burleson, Texas (member, resources development committee). Hernandez is a retired nutritionist and jailor for the Tarrant County Sheriff's Department. She is a member of Congressman Joe Barton's Advisory Committee. Hernandez is past president of the Burleson Heritage Foundation and the Burleson Garden Club. She is also past chairman of the City of Burleson Parks Board and the Burleson Public Library Board, and she served on the Tarrant County Grand Jury. Hernandez volunteered for the U.S. Secret Service detail for a national political convention and has served at election polls since 1972. Hernandez served as a board member and organizer of the Fiesta de Burleson Cinco de Mayo Celebration from 1997 to 2003. She earned a bachelor's degree from Texas Wesleyan University. Hernandez was reappointed as director for Tarrant County in 2013.

JOHN W. JENKINS of Hankamer, Texas (member, utility services committee). Jenkins is a self-employed partner in a major farming enterprise. He graduated from Southwest Texas State University in 1981 with a bachelor's degree. He is a member of the Anahuac Area Chamber of Commerce. He serves on the boards of the Anahuac National Bank, the Texas Rice Council and the American Plant Food Corporation. Jenkins is also a committee chair for the Texas Gatorfest Committee. He is a former board member of the Trinity Bay Conservation District, the Devers Canal Rice Producers Association, the Trinity Valley Exposition, the Texas Rice Festival and the Chambers County Farm Bureau. Jenkins was appointed as director for TRA's Chambers County in 1997. He was reappointed as director at large in 2009. Jenkins served as president of TRA's board of directors from 2003-2005 and as vice president from 2001-2003. He was chairman of the executive committee from 2005-2007 and chairman of the resources development committee from 2000-2002. He served as chairman of the administration committee from 2007-2009 and chairman of the legal committee from 2009-2013. Jenkins was reappointed as director at large in 2009.

DENNIS "JOE" MCCLESKEY of Apple Springs, Texas (member, utility committee). McCleskey is owner of Angelina Excavating Inc. He is secretary/treasurer of the Piney Woods Chapter of the National Wild Turkey Federation and a member of the Texas Wildlife Association, the Lufkin Host Lions Club, and the Angelina County Youth Fair Buyers Group Committee. He is also past president of the Deep East Texas Association of Builders, a former committee member of the Hudson ISD Community Involvement Advisory Board, and a past volunteer with the Angelina County Habitat for Humanity. McCleskey was appointed director for Trinity County in 2013.

JAMES W. NEALE of Dallas, Texas (member, legal committee). Neale is president and owner of Quorum Energy Company, an exploration and production company in the oil and gas business. He is chairman of the District 9 advisory council for the Dallas Independent School District and a member of the Trinity Trust Foundation. Neale served as executive assistant to Governor Bill Clements and as an executive committee member for the Dallas Blue Foundation. He served a term as foreman for the Dallas County Grand Jury in January 2005. Neale earned a bachelor's degree from the University of Texas in Austin. Neale was reappointed as director for Dallas County in 2013.

MANNY RACHAL of Livingston, Texas (member, resources development committee). Rachal is president of Shrimp Boat Manny's, an established seafood restaurant since 1985. He is a successful real estate developer in Polk and Angelina counties, creating both Rachal Properties and M&N Investments. He is a member of the Polk and Angelina County Chamber of Commerce. Rachal was previously an active member of the Lafayette, Louisiana, Jaycees and the Evangeline Area Boy Scouts Council. He attended the University of Southwestern Louisiana. Rachal was reappointed as director for Polk County in 2009.

AMIR RUPANI of Dallas, Texas (member, resources development committee). Rupani is chief executive officer and president of King Import Warehouse. He is also president and chief executive officer of Texas Prince Inc. He serves as chairman of the Greater Dallas Asian American Chamber of Commerce and on the board of directors for the World Affairs Council in Dallas/Fort Worth. Formerly, he served on the board of directors for the Dallas Convention and Visitor's Bureau, the Dallas Citizens Council, the Dallas Assembly and the Dallas Planning and Zoning Board. He is the founder, organizer and former president of

One World Holding Inc. and former chairman of One World Bank. Rupani was named Businessman of the Year in 2005 by the Pakistan American Congress in Washington, D.C. He received the Pioneer Award in 2006 from the Dallas/Fort Worth Asian American Citizens Council and the Minority Business Leader Award in 2008 from the Dallas Business Journal. Under his leadership, King Import Warehouse was named Exemplary Importer/Exporter Firm of the Year in 2004 by the Minority Business Development Agency, a branch of the U.S. Department of Commerce. King Import Warehouse was named the Fastest Growing Company in Dallas by the Cox School of Business at Southern Methodist University in 2004. Rupani attended City College of Karachi in Pakistan. Rupani was reappointed as director at large in 2013.

ANA LAURA SAUCEDO of Dallas, Texas (member, utilities committee). Saucedo invests in residential property. She is a former news reporter for KLIF and KRLD radio in Dallas. Saucedo worked for the Office of Minority Business Enterprise, and the Department of Commerce and was instrumental in developing the Texas Association of Mexican American Chambers of Commerce and the U. S. Hispanic Chamber of Commerce. She spent twelve years volunteering with the Parent Teacher Association and was awarded a Life Member Honor by the Socorro Independent School District in El Paso, Texas. She was elected trustee of Socorro ISD and was appointed to the Texas Commission on Human Rights. She is currently the president of the Pike Park Preservation League and coordinates cultural and historical activities at one of the oldest parks in Dallas. Saucedo was reappointed as director for Dallas County in 2013.

DUDLEY K. SKYRME of Palestine, Texas (member, utility services committee). Skyrme is a retired sales and construction manager for United Bilt Homes, LLC, and is a volunteer of the Palestine Community Food Pantry. He served in the US Navy. Skyrme received a bachelor's degree from the University of Central Arkansas. Skyrme was appointed as director for Anderson County in 2013.

C. DWAYNE SOMERVILLE of Mexia, Texas (member, legal committee). Somerville is president and owner of Natural Alternatives, Inc., Henderson RV Sales, Palestine RV Center, Eagle Ford RV Park, South Texas Family Housing, and Wash Mart Laundry, and president of Fairfield Homes and Land, LLC. He is a member of the Coin Laundry Association, an assistant scoutmaster of the Mexia Boy Scouts of America, and a youth group leader for the First Baptist Church of Mexia. Somerville attended Kilgore College. Somerville was appointed as director for Freestone County in 2013.

J. CAROL SPILLARS of Madisonville, Texas (member, administration committee). Spillars is a file manager for Linebarger Goggan Blair & Sampson, LLP and co-owner of Spillars Family JKBar Ranch. She retired from Madisonville Consolidated Independent School District after 26 years of service. Spillars is a past member of the Texas Association of School Business Officials and the Texas Association of School Boards. She is a certified educational office professional and a certified Texas school business specialist. Spillars was reappointed as director for Madison County in 2013.

MANAGEMENT OFFICERS

J. KEVIN WARD, General Manager. Mr. Ward joined TRA in February 2011. Ward's role as chief executive officer of TRA tasks him with oversight of the largest river authority in Texas and the largest wholesale provider of wastewater treatment services in the state. With the support of seven staff groups and more than 400 employees, Ward drives the implementation of board policy for the operation and development of five water treatment facilities, five wastewater treatment facilities and one recreation project, plus water sales from four reservoirs – all serving 63 wholesale customers including cities, municipalities or districts throughout the Trinity River basin. Ward is also charged with managing the Authority's assets of more than \$1.7 billion and a current operating budget of more than \$199 million.

Ward served as executive administrator of the Texas Water Development Board from May 2002 to February 2011 and in various other capacities at that state agency from 1987 to 2002. Under the direction of a six-member board appointed by the governor, the TWDB is responsible for planning the statewide development of water resources, financing water-related infrastructure, and maintaining and disseminating natural resource data for Texas, which includes water-bearing formations and watersheds.

Ward was the presiding officer of the Water Conservation Implementation Task Force, created through Senate Bill 1094, 78th Texas Legislature, which produced the Report to the 79th Legislature and the Best Management Practices Guide to encourage increased use of water conservation throughout the state. He is the immediate past president of the Council of Infrastructure Financing Authorities and was an active participant on the State/Environmental Protection Agency State Revolving Fund workgroup several years ago for implementing the Clean and Drinking Water State Revolving Fund programs. Ward currently serves on the Visiting Committee for the Bureau of Economic Geology. He was honored in 2011 with the Water Environment Association of Texas Outstanding Public Official Award for actively promoting sound science in policy and regulations affecting water environment issues within the State of Texas through documented, significant contributions in the areas of legislation, public policy and government service.

FIONA M. ALLEN, P.E., regional manager, Northern Region. Allen joined the TRA in March 2011. Following eight years of consulting engineering experience early in her career, she joined the city of Arlington, Texas, as a water utilities civil engineer. Over her 20-year career at the city of Arlington, Allen served in various roles, including water utilities field operations manager, assistant director of utilities/operations and engineering, and assistant director of utilities/business services. She was promoted to director of utilities and subsequently, in 2005, served as interim deputy city manager over information technology, human resources, management services, finance and general services. In 2006, she was named deputy city manager/capital investment, overseeing public works, water utilities and environmental services. In 2009, she was named deputy city manager/economic development, overseeing aviation, convention center, planning and development, and the economic development office, with the duties of supervising public works and water utilities added in 2010. Allen retired from the city of Arlington in February 2013. She holds licenses as a professional engineer and a registered sanitarian, and holds TCEQ class B-distribution operator and class III wastewater system operator licenses. She is a member of the Texas A&M University civil engineering advisory council, the American Water Works Association, the Texas Water Conservation Association, and the American Society of Civil Engineers. She is a past board member of the Texas Municipal League, past president of the Texas Municipal Utilities Association, and former chairman of the Texas Water Utilities North Central Texas Regional School, and she also serves on various school and community boards. She holds a bachelor's degree from Texas A&M University.

ALISON A. MACKEY, CPA, chief financial officer. Mackey received a Bachelor of Business Administration Degree in Accounting from Texas Tech University as well as a Master of Business Administration Degree in Finance from the University of Texas at Arlington. Mackey became a Certified Public Accountant in 1985 and was employed by Hunt Energy Corp. for several years before joining the Authority in 2001 as Internal Auditor. She was promoted to Manager, Special Projects, then Executive Assistant to the General Manager, and Executive Project Manager before becoming Chief Financial Officer. She is currently serving as the Secretary of the Arlington Federal Credit Union Board of Directors. She has held various volunteer leadership positions with the Parent Teacher Association of Texas and the YMCA of Arlington where she was a Board Member. She is currently a member of the Texas Society of Certified Public Accountants, the Texas Water Conservation Association, the American Water Works Assoc. and the Water Environment Federation.

JIMMIE R. SIMS, regional manager, Southern Region. Sims received a bachelor's degree from Texas A&M University. He began working for the Trinity River Authority in 1973 at the Devers Canal System and became project manager for Lake Livingston recreation facilities in 1977. In 1983 he became project manager for the Lake Livingston utility services project and advanced to division manager of the water services division in 1985. Sims was promoted to assistant regional manager, Southern Region, in 1988 and advanced to his current position in 1996. Sims is a former member of the board of directors of the Huntsville-Walker County Chamber of Commerce. He has also served as chairman of the Huntsville Planning and Zoning Commission and is an active member of the American Water Works Association and the Texas Water Conservation Association. He has served on the board of directors of the Huntsville Boys Baseball Association and has been an active supporter of Huntsville area youth baseball programs. In addition, Sims served as the executive vice president of the Huntsville Amateur Baseball Association and was recognized as the 2007 Volunteer of the Year by that organization.

THOMAS D. SANDERS, construction services manager. Sanders received a bachelor's degree in education from the University of Texas at Austin and a bachelor's degree in civil engineering from the University of Texas at Arlington. Sanders joined TRA in 1979 as manager of administrative and technical services for the Northern Region. Later that year he was promoted to assistant regional manager, Northern Region. He was promoted to his current position in 1985. Sanders is a member of Tau Beta Pi and Chi Epsilon, both engineering honor fraternities. He is a board of trustee member for the William C. Martin United Methodist Church in Bedford. He is a past member of the church's administrative board and nominating committee, and he is a past member of the Airport Area YMCA board of directors.

GLENN C. CLINGENPEEL, Manager, Planning and Environmental Services. Mr. Clingenpeel received bachelor of arts and bachelor of science degrees in biology from the University of Texas, a master of science in environmental sciences from the University of North Texas and a master of business administration from the University of Texas at Arlington. He also possesses an associate degree in French and attended the Sorbonne University in Paris, France. Mr. Clingenpeel is a member of the Golden Key National Honor, Tri Beta Biology Honor and Beta Gamma Sigma Business Honor societies and was recognized in 2006 as an MBA All-Star by the Dallas Business Journal. He joined the Trinity River Authority in April of 1998 as the Clean Rivers Program Coordinator and was promoted to the position of Manager of Special Studies and Assessments in 2000. In December of 2005 he was promoted to the position of Executive Assistant to the General Manager. In February of 2014 Mr. Clingenpeel was promoted to the position of Senior Manager, Planning and Environmental Management before being promoted to his current position of Manager, Planning and Environmental Services. He has presented dozens of papers on water quality and quantity issues and serves on several local, state and federal committees including the North Central Texas Council of Governments' Water Resources Council, the Texas Commission on Environmental Quality's Surface Water Quality Standards Workgroup, and the EPA's Region 6 Technical Advisory Committee. Mr. Clingenpeel is active in the Water Environment Association of Texas where he serves as vice-chair for the Governmental Affairs Committee. He is a long-time board member of the Allied Federal Credit Union where he currently serves as Chair.

HOWARD S. SLOBODIN, secretary, board of directors and general counsel. Slobodin earned a bachelor's degree, graduating cum laude and Phi Beta Kappa, from the University of Oregon and a law degree, with honors, from the University of Texas School of Law. He joined the Trinity River Authority in 2008. Prior to joining TRA, Slobodin practiced environmental and water law in both the public and private sectors. He began his practice as an assistant attorney general with the natural resources division of the Texas Attorney General's Office and subsequently represented investor-owned utilities, public utilities and districts, and private landowners in matters related to water and wastewater.

DON A. TUCKER, general services manager. Tucker received a bachelor's degree from the University of Texas at Arlington and has completed extensive graduate work in the School of Urban Studies at UTA. He served in the United States Marine Corps infantry in Vietnam. Prior to joining the Trinity River Authority, Tucker served as supervisor for the claims cost control unit for the Travelers Insurance Company and as a senior underwriter for the Mortgage Guaranty Insurance Corporation. Tucker joined TRA in 1976 as director of administration and was promoted to division manager in 1978. He advanced to his current position in 1997. Tucker has an associate's degree in risk management from the Chartered Property Casualty Underwriters/American Insurance Institute. In 1996 he was selected as Safety Manager of the Year by the Texas Safety Association and currently serves on the board of directors for that organization. He is a member of the Public Risk Insurance Management Association, and the American Society of Safety Engineers. He has served as campaign chairman and/or loaned executive for the

United Way for 20 years. He has also served as a member of the board of directors of the Arlington North Little League and the American Cancer Society.

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APPENDIX B

**TRINITY RIVER AUTHORITY OF TEXAS
TARRANT COUNTY WATER PROJECT
2014 REVENUE REPORT**

City of Bedford, Texas
City of Colleyville, Texas
City of Euless, Texas
City of Grapevine, Texas
City of North Richland Hills, Texas

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CITY OF BEDFORD, TEXAS

TABLE 1 - WATER AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

<u>Revenues</u>	Fiscal Year Ended September 30,				
	2014	2013	2012	2011	2010
Water Sales	\$ 11,917,187	\$ 11,739,641	\$ 12,185,112	\$ 12,943,929	\$ 10,475,115
Charges for Sewer Services	6,516,659	5,930,354	5,995,840	5,884,928	5,364,676
Interest Income	18,662	42,245	15,816	35,616	11,783
Other	173,949	238,626	734,183	1,098,660	482,405
Total Revenue	<u>\$ 18,626,457</u>	<u>\$ 17,950,866</u>	<u>\$ 18,930,951</u>	<u>\$ 19,963,133</u>	<u>\$ 16,333,979</u>
 <u>Expenses</u>					
Water Supply and Distribution	\$ 8,448,973	\$ 8,116,217	\$ 7,914,658	\$ 9,102,950	\$ 8,243,196
Wastewater Collection and Disposal	4,320,847	3,960,054	3,837,162	3,744,916	3,629,709
Billing and Collection	1,195,481	1,218,968	1,155,188	1,149,980	1,098,619
Public Services/Engineering	610,256	605,250	566,978	554,722	560,172
Total Expense	<u>\$ 14,575,557</u>	<u>\$ 13,900,489</u>	<u>\$ 13,473,986</u>	<u>\$ 14,552,568</u>	<u>\$ 13,531,696</u>
 Net Available for Debt Service	 \$ 4,050,900	 \$ 4,050,377	 \$ 5,456,965	 \$ 5,410,565	 \$ 2,802,283
 Administrative Overhead/Payment in Lieu of Taxes	 <u>2,213,763</u>	 <u>2,205,526</u>	 <u>2,147,258</u>	 <u>2,057,276</u>	 <u>1,865,996</u>
 Net Operating Income	 \$ 1,837,137	 \$ 1,844,851	 \$ 3,309,707	 \$ 3,353,289	 \$ 936,287
 Water Customers	 23,041	 23,018 ⁽¹⁾	 23,035	 23,090	 23,085
Sewer Customers	22,597	22,558	22,577	22,623	22,575

(1) Restated.

TABLE 2 - COVERAGE AND FUND BALANCES

As of September 30, 2014, the City has no water and sewer revenue bonds outstanding.

TABLE 3 - AUTHORIZED BUT UNISSUED REVENUE BONDS

As of September 30, 2014, the City has no authorized but unissued revenue bonds, and pursuant to State law is not required to approve its revenue bonds through election.

TABLE 4 - MONTHLY WATER RATES (EFFECTIVE JANUARY 1, 2015)

With the exception of multi-family dwellings the minimum charge for various size meters per month shall be:

<u>Meter Size</u>	<u>Rates per Month</u>
5/8 inch Meter	\$ 18.92
5/8 inch Meter (Citizens aged 65 and over)	17.20
1 inch Meter	36.73
1 inch Meter (Citizens aged 65 and over)	34.40
1 ½ inch Meter	75.67
2 inch Meter	121.12
3 inch Meter	227.10
4 inch Meter	363.40
6 inch Meter	1,362.73
Fire Hydrant	200.44
All water used per month	3.11 per 1,000 gallons

TABLE 5 - MONTHLY SEWER RATES (EFFECTIVE JANUARY 1, 2015) ⁽¹⁾

<u>Meter Size</u>	<u>Rates per Month</u>
5/8 or ¾ inch Meter	\$ 11.21
5/8 inch Meter (Citizens aged 65 and over)	10.18
1 inch Meter	16.84
1 inch Meter (Citizens aged 65 and over)	15.30
1 ½ Meter	26.25
2 inch Meter	37.51
3 inch Meter	67.55
4 inch Meter	101.41
6 inch Meter	195.41
Volume Charge ⁽²⁾	2.21 per 1,000 gallons up to 12,000 gallons

(1) Based on average volume of water billed during December, January and February (residential).

(2) No charge over 12,000 – residential accounts only.

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CITY OF COLLEYVILLE, TEXAS

TABLE 1 - WATERWORKS AND SEWER SYSTEM OPERATING SYSTEM

	Fiscal Year Ended September 30,				
	2014	2013	2012	2011	2010
Revenues					
Metered Water Sales	\$ 10,481,393	\$ 10,683,906	\$ 10,150,129	\$ 10,721,138	\$ 8,152,807
Sewer Service Charges	3,459,501	3,278,271	2,965,143	2,802,217	2,583,176
Miscellaneous Charges and Fees	848,720	699,314	919,328	832,063	678,442
Interest Income	22,107	37,423	1,725	36,492	12,649
Total Revenues	\$ 14,811,721	\$ 14,698,914	\$ 14,036,325	\$ 14,391,910	\$ 11,427,074
Expenses					
Personal Services	\$ 1,447,666	\$ 1,595,661	\$ 1,577,921	\$ 1,604,954	\$ 1,952,279
Maintenance and Contractual Services	9,670,393	8,950,525	8,625,914	8,316,414	7,335,146
Materials and Supplies	213,690	160,831	191,682	199,310	170,930
Total Expenses	\$ 11,331,749	\$ 10,707,017	\$ 10,395,517	\$ 10,120,678	\$ 9,458,355
Net Available for Debt Service	\$ 3,479,972	\$ 3,991,897	\$ 3,640,808	\$ 4,271,232	\$ 1,968,719
Water Customers	9,507	9,396	9,285	9,103	9,014
Sewer Customers	8,817	8,731	8,603	8,457	8,389

TABLE 2 - COVERAGE AND FUND BALANCES

Average Annual Principal and Interest Requirements, 2015 – 2018	\$ 327,500
Coverage of Average Requirements by 9-30-14 Net Available for Debt Service	10.63 Times
Maximum Annual Principal and Interest Requirements, 2015	\$ 490,100
Coverage of Maximum Requirements by 9-30-14 Net Available for Debt Service	7.10 Times
Waterworks and Sewer System Revenue Bonds Outstanding (as of 9-30-14)	\$ 1,310,000
Interest and Sinking Fund (as of 9-30-14)	\$ 533,078.00
Reserve Fund (as of 9-30-14)	\$ 642,072.00

TABLE 3 - AUTHORIZED REVENUE BONDS

As of September 30, 2014, the City has no authorized but unissued revenue debt.

TABLE 4 - WATER USAGE

Fiscal Year Ended 9/30	Average Day Usage	Total Usage
2010	5,990,353	2,186,479,000
2011	7,928,015	2,893,725,300
2012	7,216,713	2,634,100,300
2013	6,784,984	2,476,519,060
2014	6,539,674	2,281,664,400

TABLE 5 - MONTHLY WATER RATES (EFFECTIVE DECEMBER 1, 2014)

	In-City Customers	Out-City Customers
	<u>\$/M Gallons</u>	<u>\$/M Gallons</u>
First 2,000 Gallons (Minimum)	\$ 13.28	\$ 17.28
2,001 - 20,000 Gallons	4.12	4.12
20,001 - 30,000 Gallons	4.68	4.68
30,001 - 40,000 Gallons	5.24	5.24
40,001 - 50,000 Gallons	5.80	5.80
All Over 50,000 Gallons	6.36	6.36

TABLE 6 - MONTHLY SEWER RATES (EFFECTIVE DECEMBER 1, 2014)

First 2,000 Gallons (Minimum)	\$ 10.16 (Minimum)
All Over 2,000 Gallons ⁽¹⁾	2.95 Gallons

City average sewer rate is 7,000 gallons per household ⁽²⁾ \$ 24.91

(1) Based on average winter water consumption during December, January and February (residential).

(2) For new residents first year only, until winter average is established.

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CITY OF EULESS, TEXAS

TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2014	2013	2012	2011	2010
<u>Revenues</u>					
Water Service	\$ 10,786,403	\$ 11,047,759	\$ 10,936,311	\$ 11,563,030	\$ 9,902,096
Reclaimed Water Service	167,083	163,739	223,484	-	-
Sewer Service	7,100,795	6,606,665	6,269,741	6,448,051	5,797,861
Service Fees & Miscellaneous	1,298,863	1,365,035	1,008,428	1,967,721	1,544,374
Interest Income	28,453	34,149	50,960	55,410	73,372
Total Revenues	\$ 19,381,597	\$ 19,217,347	\$ 18,488,924	\$ 20,034,212	\$ 17,317,703
<u>Expenses</u>					
General and Administrative	\$ 437,533	\$ 540,267	\$ 474,381	\$ 499,764	\$ 465,155
Water Production	7,233,678	6,405,108	6,471,802	6,825,578	5,926,175
Water Distribution	965,801	840,290	867,083	696,909	647,984
Utility Engineering	494,742	507,376	291,176	289,290	428,458
Sewage Collection and Treatment	3,479,744	3,044,977	2,688,988	2,567,384	2,637,557
Nondepartmental	3,948,990	3,658,884	3,523,182	3,357,306	3,103,815
Geographic Information	501,592	476,263	451,997	440,208	428,913
Service Center	1,207,013	1,187,232	1,056,115	1,275,933	1,161,822
Total Expenses	\$ 18,269,093	\$ 16,660,397	\$ 15,824,724	\$ 15,952,372	\$ 14,799,879
Net Available for Debt Service	\$ 1,112,504	\$ 2,556,950	\$ 2,664,200	\$ 4,081,840	\$ 2,517,824
Water Customers	25,319	25,039	25,074	24,924	25,062
Sewer Customers	24,545	24,320	24,428	24,339	24,489

TABLE 2 - DEBT COVERAGE AND FUND BALANCES

Net Available for Debt Service, 9/30/14	\$ 1,112,504
Average Annual Principal and Interest Requirements, 2015 - 2033	\$ 278,494
Coverage of Average Annual Requirements by 9/30/14 Net Available for Debt Service	3.99x
Maximum Principal and Interest Requirements, 2020	\$ 531,673
Coverage of Maximum Annual Requirements by 9/30/14 Net Available for Debt Service	2.09x
Projected Waterworks and Sewer System Revenue Bonds Outstanding, 9/30/14	\$ 4,285,000
Interest and Sinking Fund, 9/30/14	\$ 12,578
Reserve Fund, 9/30/14	\$ 305,180

TABLE 3 - AUTHORIZED BUT UNISSUED REVENUE BONDS ⁽¹⁾

Date Authorized	Purpose	Amount Authorized	Issued To Date	Unissued
1/17/1970	Water	\$ 4,000,000	\$ 3,500,000	\$ 500,000
1/17/1970	Sewer Improvements	1,000,000	300,000	700,000
Total		<u>\$ 5,000,000</u>	<u>\$ 3,800,000</u>	<u>\$ 1,200,000</u>

(1) The City has no intent to issue these bonds. Due to the age of the authorization, the City can issue Water and Sewer Revenue Bonds at any time without voted authorization.

TABLE 4 - HISTORICAL WATER USE

Fiscal Year Ended	Daily Average	Peak Day	Total Water Consumption (000's)	Water Revenue	Well Production (000's)	Trinity River Authority (000's)
2010	7.14 MGD	14.72 MGD	2,607,914	\$ 9,902,096	\$ 579,154	2,028,760
2011	8.34 MGD	16.72 MGD	3,044,284	11,563,030	477,914	2,566,370
2012	7.49 MGD	13.47 MGD	2,739,646	10,936,311	299,107	2,440,539
2013	6.99 MGD	12.50 MGD	2,550,054	11,047,759	416,843	2,133,211
2014	6.95 MGD	10.94 MGD	2,535,333	10,786,403	380,864	2,154,469

TABLE 5 - MONTHLY WATER RATES (EFFECTIVE OCTOBER 1, 2014)

Water Service		
Gallons of Water	Residential per 1,000/gal	Sprinker per 1,000/gal
0-2,999	\$ 2.97	\$ 4.23
3,000 - 8,999	3.90	4.23
9,000 - 15,999	4.47	4.47
16,000 - 35,000	5.00	5.00
Over 35,000	5.60	5.60
Commercial, Industrial, Multi-Family	4.23	
Fire Hydrant, Gas Well, Supplemental Irrigation	9.49	

Water Service Meter Charge	
Meter Size (Inches)	Monthly Base Charge
5/8" - 3/4" *	\$ 8.95
1"	10.46
1 1/2"	14.66
2"	24.28
3"	49.39
4"	87.07
5"	137.30
6"	195.91

*All Residential (Including Multi Family) accounts shall be charged for a 5/8" Meter.

TABLE 6 - MONTHLY SEWER RATES (EFFECTIVE OCTOBER 1, 2014)

<u>Inside City</u>	<u>Outside City</u>
\$7.75 + \$3.33 per 1,000 gallons of 90% of metered water and shall not exceed 12,000 gallons for residential, 100% of metered water for commercial and industrial	\$12.25 + \$3.33 per 1,000 gallons of 90% of metered water for residential, 100% of metered water for commercial and industrial

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CITY OF GRAPEVINE, TEXAS

TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2014	2013	2012	2011	2010
Revenues:					
Charges for Services	\$ 23,667,335	\$ 20,184,879	\$ 20,481,210	\$ 21,167,790	\$ 18,523,000
Operating Expenses: ⁽¹⁾					
Salaries and Benefits	\$ 3,064,917	\$ 2,916,459	\$ 2,830,003	\$ 2,721,601	\$ 2,856,000
Maintenance, Repairs and Supplies	10,596,496	9,871,647	9,191,991	10,150,560	8,818,000
General and Administrative	2,949,145	3,123,542	3,396,529	3,153,168	3,030,000
Total Operating Expenses	\$ 16,610,558	\$ 15,911,648	\$ 15,418,523	\$ 16,025,329	\$ 14,704,000
Net Revenue from Operations	\$ 7,056,777	\$ 4,273,231	\$ 5,062,687	\$ 5,142,461	\$ 3,819,000
Investment Income	20,091	151,267	67,292	73,804	82,000
Impact Fee - Balance	2,612,102	8,031,864	7,808,747	6,878,687	6,396,000
Other Net	-	-	-	-	281,000
Net Available for Debt Service	\$ 9,688,970	\$ 12,456,362	\$ 12,938,726	\$ 12,094,952	\$ 10,578,000
Average Annual Debt	\$ 281,070	\$ 283,870	\$ 284,764	\$ 285,008	\$ 351,378
Average Annual Debt Coverage	34.47x	43.88x	45.44x	42.44x	30.10x
Average Annual Debt Coverage without Impact Fees	25.18x	15.59x	18.01x	18.30x	11.90x
Water Customers	14,476	14,517	14,460	14,384	14,343
Wastewater Customers	13,387	13,315	13,103	13,081	13,130

(1) Excludes depreciation and amortization.

TABLE 2 - COVERAGE AND FUND BALANCES

As of September 30, 2014, the City has no water and sewer revenue bonds outstanding.

TABLE 3 - WATER USAGE

Fiscal Year	Peak Day Usage	Average Day Usage	Total Usage ⁽¹⁾
2010	22,664,000	10,234,000	3,735,308,000
2011	21,890,000	11,739,000	4,284,915,000
2012	20,919,000	10,766,000	3,929,509,000
2013	18,863,000	10,379,000	3,797,786,000
2014	16,308,000	94,945,000	3,473,130,000

(1) Water consumption pumped or treated.

TABLE 4 - MONTHLY WATER RATES (EFFECTIVE DECEMBER 1, 2014)

General Water Consumption		
First	2,000 gallons	\$11.86 (Minimum)
Over	2,000 gallons	3.33/1,000 gal
Size of Meter	Minimum Gallons	Minimum Monthly Charges
3/4" or less	2,000.00	\$ 11.86
1"	9,000.00	35.11
1 1/2"	21,000	75.03
2"	34,000	118.24
3"	78,000	264.56
4"	100,000	337.70
6"	134,000	450.76
8"	239,000	799.89
Larger than 8"		To be agreed upon by contract
Fire sprinkler connection - \$32.40		

TABLE 5 - MONTHLY SEWER RATES (EFFECTIVE DECEMBER 1, 2014)

Residential Service			Commercial Service		
First	2,000 gallons	\$9.53 (Minimum)	First	2,000 gallons	\$14.08 (Minimum)
Next	13,000 gallons	3.99/M gallons	Over	2,000 gallons	3.99/M gallons

TABLE 6 - APPLICATION AND COST DEPOSIT FOR WATER, WASTEWATER AND REFUSE SERVICE

Single-Family residential, minimum *	\$ 50.00
Multi-Family (apartments), (payable on per dwelling unit basis)	40.00
Commercial, minimum	40.00
Commercial, sprinkler systems (per meter)	40.00
Industrial, minimum	230.00
3/4" Construction Meter	125.00
2" Construction Meter	750.00
Master Deposit Account	250.00
Commercial account/sprinkler systems (per Meter)	40.00

* Only one deposit shall be required when more than one meter is installed at a single-family residence

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CITY OF NORTH RICHLAND HILLS, TEXAS

TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2014	2013	2012	2011	2010
<u>Operating Revenues</u>					
Water and Sewer Service Sales	\$ 29,465,628	\$ 29,202,286	\$ 27,831,190	\$ 27,639,394	\$ 23,188,158
Water and Sewer Connections		-	-	278,431	191,754
Service Charges	918,662	920,210	936,136	887,937	848,634
Inspection Fees	87,990	36,235	67,467	4,958	10,569
Assessment Revenue		-	-	1,950	1,950
Other Intergovernmental	84,842	138,831	80,660	106,959	74,260
Other Revenues	10,898	3,133	15,782	1,539	9,312
Other Income(Expense)	-	-	-	-	-
Investment Income	-	-	38,304	132,420	191,986
Total Revenues	\$ 30,568,020	\$ 30,300,695	\$ 28,969,539	\$ 29,053,588	\$ 24,516,623
<u>Operating Expenses</u> ⁽¹⁾					
Contractual Services	\$ 1,650,172	\$ 1,723,129	\$ 1,628,276	\$ 1,491,576	\$ 2,147,631
Water Purchases	8,252,196	8,268,079	7,922,294	8,842,147	7,145,638
Wastewater treatment services	5,018,420	4,715,471	3,845,819	3,747,701	4,696,923
Personal Services	5,310,489	5,141,377	5,038,489	4,970,322	5,125,165
Repairs and Maintenance	3,798,958	3,958,178	4,707,076	3,140,541	3,140,541
Supplies	317,599	277,003	258,760	268,840	266,245
Franchise Fees	-	-	-	-	-
Payments in Lieu of Taxes	-	-	-	-	-
Administration Fees	-	-	-	1,719,707	1,637,816
Total Operating Expenses	\$ 24,347,834	\$ 24,083,237	\$ 23,400,714	\$ 24,180,834	\$ 24,159,959
Net Available for Debt Service	\$ 6,220,186	\$ 6,217,458	\$ 5,568,825	\$ 4,872,754	\$ 356,664
Water Connections	21,141	20,936 ⁽²⁾	20,792	20,522	20,420
Sewer Connections	19,761	19,603 ⁽²⁾	19,469	19,240	19,141

(1) Excludes Depreciation.

(2) Restated.

TABLE 2 - COVERAGE AND FUND BALANCES

As of September 30, 2014, there is no Water and Sewer revenue debt outstanding.

TABLE 3 - AUTHORIZED BUT UNISSUED REVENUE BONDS

As of September 30, 2014, the city has no authorized but unissued revenue bonds.

TABLE 4 - WATER USAGE

Fiscal Year Ended 9/30	Peak Day Usage	Average Day Usage	Total Usage
2010	19,655,000	9,014,177	3,290,174,670
2011	23,121,000	11,378,727	4,153,235,190
2012	21,977,000	9,772,799	3,576,844,560
2013	19,629,000	9,561,878	3,490,085,380
2014	20,841,000	9,379,600	339,137,910

TABLE 5 - MONTHLY WATER RATES (EFFECTIVE OCTOBER 1, 2014)

1. Billing policy where only one user or building is tied to the same meter:

The monthly bill will be computed as follows. The minimum bill taken from Schedule A plus a volume charge of \$3.16 per 100 cubic feet on monthly volume greater than the minimum volume from Schedule A.

2. Billing policy where more than one user or building is tied onto the same meter:

It shall be the policy of the city to bill each home, homes, duplex, triplex, offices or any other building where more than one user is tied on the same meter at the rate of \$10.00 per unit per month minimum for the first 267 cubic feet of water used per unit, plus a volume charge calculated from Schedule A.

3. Billing for apartment complexes and trailer parks:

- A. \$10.00 per month for each apartment or trailer for the first 267 cubic feet of water used plus a volume charge calculated from Schedule A.
- B. Apartment house or trailer park owner shall furnish a certified statement of occupancy prior to the 10th of each month. Failure to file occupancy statement will result in billing for 100% occupancy.

Schedule A (Volume Used in Cubic Feet)				
Meter Size (inches)	3/4"	1"	1 1/2"	2"
Minimum Bill	\$ 10.00	\$ 16.70	\$ 33.30	\$ 53.30
Volume Charge				
Minimum Bill for the first:	268	447	890	1424
\$3.16 for all above:	268	447	890	1424
Water Pass Through Charge:	Public \$1.33 per cubic foot			

TABLE 6 - SEWER RATES (EFFECTIVE OCTOBER 1, 2013)

Rates include a base charge and volume charges for each 100 cubic feet consumed over the base. There is also a pass through rate for each 100 cubic feet consumed for the purchase of water from the City of Fort Worth and the Trinity River Authority. (Pass through rates are subject to change annually by the City of Fort Worth and Trinity River Authority. The City of North Richland Hills does not mark up or make a profit off pass through rates.)

Commercial Multi Unit/Tenant**All Meter Sizes**

Base rate per unit, first 267 cubic feet	\$	10.00
Tier 1: 268 - 1,300		3.10
Tier 2: 1,301 cubic feet and over		3.16
Pass through rate:		1.33

All Other Commercial/Industrial Classes**Three quarter inch meter**

Base: first 267 cubic feet	\$	10.00
Tier 1: 268 - 1,300		3.10
Tier 2: 1,301 cubic feet and over		3.16
Pass through rate:		1.33

One inch meter

Base: first 446 cubic feet	\$	16.70
Tier 1: 890 - 1,300 cubic feet		3.10
Tier 2: 1,301 cubic feet and over		3.16
Pass through rate:		1.33

One and one-half inch meter

Base: first 889 cubic feet	\$	33.30
Tier 1: 890 - 1,300 cubic feet		3.10
Tier 2: 1,301 cubic feet and over		3.16
Pass through rate:		1.33

Two inch meter

Base: first 1,423 cubic feet	\$	53.30
Tier: 1,424 cubic feet and over		3.16
Pass through rate:		1.33

Three inch meter

Base: first 2,670 cubic feet	\$	100.00
Tier: 2,671 cubic feet and over		3.16
Pass through rate:		1.33

Four inch meter

Base: first 2,849 cubic feet	\$	106.70
Tier: 2,850 cubic feet		3.16
Pass through rate:		1.33

Six inch meter

Base: first 8,899 cubic feet	\$	333.30
Tier: 8,900 cubic feet and over		3.16
Pass through rate:		1.33

Eight inch meter

Base: first 16,020 cubic feet	\$	600.00
Tier: 16,021 cubic feet and over		3.16
Pass through rate:		1.33

Loading Dock/Tank Truck Customers

Volume rate for a all usage per 1,000 gallons	\$	3.00
Pass through rate:		1.33

COMMERCIAL MULTI UNIT / TENANT SEWER RATES (EFFECTIVE OCTOBER 1, 2014)

Rates include a base charge per unit and volume charges for each 100 cubic feet. There is also a pass through rate for each 100 cubic feet for the treatment of sewage by the City of Fort Worth and the Trinity River Authority.

Base per unit:	\$	8.39
Volume:		1.54
Pass through rate:		1.00

ALL OTHER COMMERCIAL / INDUSTRIAL CLASSES SEWER RATES (EFFECTIVE OCTOBER 1, 2014)

Rates include a base charge .and volume charges for each 100 cubic feet. There is also a pass through rate for each 100 cubic feet for the treatment of sewage by the City of Fort Worth and the Trinity River Authority.

Base:	\$	8.39
Volume:		1.54
Pass through rate:		1.00

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TABLE 7 - DEPOSITS

Schedule B
(Water and Sewer Deposits)
(Effective Jan 1, 2009)

Customer Type	Water	Sewer without BOD/TSS	Total Deposit without BOD/TSS	Customer Type	Water	Sewer with BOD/TSS	Total Deposit with BOD/TSS
Residential:	\$ 60.00	\$ 40.00	\$ 100.00	Residential:	\$ -	\$ -	\$ -
All sizes:				All sizes:			
Commercial:				Commercial:			
3/4"	\$ 70.00	\$ 50.00	\$ 120.00	3/4"	\$ 70.00	\$ 200.00	\$ 270.00
1"	200.00	100.00	300.00	1"	200.00	275.00	475.00
1 1/2"	380.00	350.00	730.00	1 1/2"	380.00	700.00	1,080.00
2"	800.00	600.00	1,400.00	2"	800.00	1,200.00	2,000.00
3"	800.00	700.00	1,500.00	3"	800.00	1,300.00	2,100.00
4-8"	3,300.00	3,000.00	6,300.00	4-8"	3,300.00	6,000.00	9,300.00
Multi-family:				Multi-family:			
All Sizes/Per Unit	\$ 50.00	\$ 30.00	\$ 80.00	All Sizes/Per Unit	\$ -	\$ -	\$ -

APPENDIX C

CERTAIN FINANCIAL AND OPERATING DATA OF THE TARRANT COUNTY WATER SUPPLY PROJECT SYSTEM
ENTERPRISE FUND

TRINITY RIVER AUTHORITY OF TEXAS

PROPRIETARY FUNDS STATEMENT OF NET POSITION NOVEMBER 30, 2014

	MAJOR ENTERPRISE FUNDS			
	CENTRAL REGIONAL WASTEWATER	TARRANT COUNTY WATER SUPPLY	LIVINGSTON WALLISVILLE PROJECTS	TEN MILE CREEK REGIONAL WASTEWATER
Assets				
Current Assets:				
Cash	\$ 250	100	5,971	300
Equity in Pooled Cash and Investments	15,969,448	4,176,488	603,396	2,404,665
Accounts Receivable, Net of Allowance	6,547	-	28,899	-
Accounts Receivable - Contracting Parties	540,867	2,205,922	625,318	191,807
Contract Receivable - Current	-	-	-	-
Interest Receivable	-	-	-	-
System Contribution Receivable - Current	-	-	-	-
Prepays and Other Assets	127,621	18,695	1,033	94,692
Inventory	834,204	-	-	-
Due from Other Authority Funds	78,265	-	-	-
Due from (to) Restricted Assets	-	-	-	-
Total Current Assets	17,557,202	6,401,205	1,264,617	2,691,464
Restricted Assets:				
Equity in Pooled Cash and Investments	154,304,436	24,729,607	277,816	34,004,041
Money Market Fund	31,775,756	17,975	-	8,628,430
US Government Agency and Instrumentality Obligations	140,309,478	3,750,809	-	10,998,900
Accounts Receivable	-	-	-	2,155,609
Accounts Receivable - Contracting Parties	-	-	-	-
Accrued Investment Income	125,154	6,250	-	153
Due from (to) Current Assets	-	-	-	-
Total Restricted Assets	326,514,824	28,504,641	277,816	55,787,133
Capital Assets:				
Land and Easements	22,708,275	3,331,859	52,262,032	4,456,749
Water Storage Rights	-	-	10,580,707	-
Sewage System and Extensions	1,054,697,554	-	-	146,545,375
Buildings	-	-	-	-
Recreational Facilities	-	-	-	-
Reservoir and Facilities	-	-	50,638,059	-
Water Transportation and Treatment Facilities	-	212,904,627	-	-
Machinery and Equipment	8,360,290	1,264,186	1,045,322	1,606,443
Construction-in-Progress	146,899,863	5,435,294	-	6,231,260
Accumulated Depreciation	(383,467,202)	(66,009,513)	(19,256,454)	(57,723,106)
Total Capital Assets, Net	849,198,780	156,926,453	95,269,666	101,116,721
Other Assets:				
Direct Financing Arrangement Receivable	-	-	-	-
Contract Receivable - Long Term	-	-	-	-
System Contribution Receivable	-	-	-	-
Total Other Assets	-	-	-	-
Total Assets	\$ 1,193,270,806	191,832,299	96,812,099	159,595,318
Deferred Outflows of Resources				
Deferred Amount on Refunding	3,646,385	1,556,661	-	454,112
Premium for Deferred Charges	-	-	-	-
Total Deferred Outflows of Resources	\$ 3,646,385	1,556,661	-	454,112

Unaudited as of 3/15/15

	MAJOR ENTERPRISE FUNDS			
	CENTRAL REGIONAL WASTEWATER	TARRANT COUNTY WATER SUPPLY	LIVINGSTON WALLISVILLE PROJECTS	TEN MILE CREEK REGIONAL WASTEWATER
Liabilities				
Current Liabilities:				
Payable from Current Assets:				
Accounts Payable and Accrued Expenses	\$ 2,003,118	261,210	180,465	221,938
Accounts Payable - Contracting Parties	4,798,720	2,376,730	-	1,840,027
System Contribution Payable - Current	-	-	-	-
Contracts Payable - Current Maturities	-	-	120,583	-
Capital Lease - Current	-	-	-	-
Unearned Revenue	2,078	671	3,009	480
Due to Other Authority Funds	-	5,225	-	29,614
Accrued Interest on Contracts Payable	-	-	270,195	-
Claims Payable	-	-	-	-
Payable from Restricted Assets:				
Accounts and Retainage Payable	13,045,429	634,764	-	1,150,366
Revenue Bonds - Current Maturities	37,720,000	6,960,000	-	5,735,000
Accrued Interest on Bonds Payable	8,534,466	2,313,173	-	1,341,018
Total Current Liabilities	66,103,811	12,551,773	574,252	10,318,443
Long-Term Liabilities:				
Revenue Bonds Payable, Less Current Maturities	853,565,000	127,955,000	-	115,990,000
Unamortized Bond Premium (Discount)	22,509,974	2,138,294	-	232,522
Accrued Interest Payable	-	-	-	-
Uncommitted Contracts Payable	-	-	-	-
Accounts Payable and Accrued Expenses	493,709	45,881	67,715	100,657
Unearned Revenue	-	-	-	-
Capital Lease, Less Current	-	-	-	-
Other Post Employment Benefits	-	-	-	-
Contracts Payable, Less Current Maturities	-	-	9,027,736	-
System Contribution Payable	-	-	-	-
Total Long-Term Liabilities, Net	876,568,683	130,139,175	9,095,451	116,323,179
Total Liabilities	\$ 942,672,494	142,690,948	9,669,703	126,641,622
Net Position				
Net Investment in Capital Assets	\$ 189,233,296	30,714,105	86,121,347	23,259,868
Restricted for:				
Debt Service	53,651,824	16,272,419	-	9,399,192
Construction	-	-	277,816	-
Other Purpose	1,100,000	-	-	250,000
Unrestricted	10,259,577	3,711,488	743,233	498,748
Total Net Position	\$ 254,244,697	50,698,012	87,142,396	33,407,808

TRINITY RIVER AUTHORITY OF TEXAS

(continued-3)

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
NOVEMBER 30, 2014

	NONMAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
Assets			
Current Assets:			
Cash	\$ 5,363	11,984	175
Equity in Pooled Cash and Investments	9,825,909	32,979,906	6,090,098
Accounts Receivable, Net of Allowance	358,996	394,442	51,877
Accounts Receivable - Contracting Parties	666,188	4,230,102	-
Contract Receivable - Current	17,262	17,262	-
Interest Receivable	17,590	17,590	-
System Contribution Receivable - Current	178,545	178,545	-
Prepays and Other Assets	135,421	377,462	207,075
Inventory	-	834,204	-
Due from Other Authority Funds	-	78,265	67,147
Due from (to) Restricted Assets	(41,950)	(41,950)	-
Total Current Assets	11,163,324	39,077,812	6,416,372
Restricted Assets:			
Equity in Pooled Cash and Investments	66,917,654	280,233,554	-
Money Market Fund	11,844,927	52,267,088	-
US Government Agency and Instrumentality Obligations	28,480,074	183,539,261	-
Accounts Receivable	-	2,155,609	-
Accounts Receivable - Contracting Parties	47,533	47,533	-
Accrued Investment Income	25,262	156,819	-
Due from (to) Current Assets	41,950	41,950	-
Total Restricted Assets	107,357,400	518,441,814	-
Capital Assets:			
Land and Easements	9,414,600	92,173,515	-
Water Storage Rights	67,247,684	77,828,391	-
Sewage System and Extensions	218,532,699	1,419,775,628	-
Buildings	383,933	383,933	-
Recreational Facilities	1,483,801	1,483,801	-
Reservoir and Facilities	4,286,148	54,924,207	-
Water Transportation and Treatment Facilities	62,991,347	275,895,974	-
Machinery and Equipment	2,035,119	14,311,360	1,822,506
Construction-in-Progress	24,285,419	182,851,836	-
Accumulated Depreciation	(74,016,553)	(600,472,828)	(906,052)
Total Capital Assets, Net	316,644,197	1,519,155,817	916,454
Other Assets:			
Direct Financing Arrangement Receivable	5,759,333	5,759,333	-
Contract Receivable - Long Term	49,190,721	49,190,721	-
System Contribution Receivable	1,609,018	1,609,018	-
Total Other Assets	56,559,072	56,559,072	-
Total Assets	\$ 491,723,993	2,133,234,515	7,332,826
Deferred Outflows of Resources			
Deferred Amount on Refunding	582,350	6,239,508	-
Premium for Deferred Charges	33,739	33,739	-
Total Deferred Outflows of Resources	\$ 616,089	6,273,247	-

Unaudited as of 3/15/15

	NONMAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
Liabilities			
Current Liabilities:			
Payable from Current Assets:			
Accounts Payable and Accrued Expenses	\$ 1,157,799	3,824,530	441,645
Accounts Payable - Contracting Parties	4,150,861	13,166,338	-
System Contribution Payable - Current	178,545	178,545	-
Contracts Payable - Current Maturities	304,822	425,405	-
Capital Lease - Current	-	-	141,763
Unearned Revenue	661	6,899	344,773
Due to Other Authority Funds	38,163	73,002	66,124
Accrued Interest on Contracts Payable	180,238	450,433	-
Claims Payable	-	-	368,586
Payable from Restricted Assets:			
Accounts and Retainage Payable	4,347,178	19,177,737	-
Revenue Bonds - Current Maturities	13,610,000	64,025,000	-
Accrued Interest on Bonds Payable	3,164,366	15,353,023	-
Total Current Liabilities	27,132,633	116,680,912	1,362,891
Long-Term Liabilities:			
Revenue Bonds Payable, Less Current Maturities	267,460,000	1,364,970,000	-
Unamortized Bond Premium (Discount)	1,895,759	26,776,549	-
Accrued Interest Payable	48,422,460	48,422,460	-
Uncommitted Contracts Payable	26,284,063	26,284,063	-
Accounts Payable and Accrued Expenses	107,469	815,431	73,920
Unearned Revenue	23,501	23,501	-
Capital Lease, Less Current	-	-	141,506
Other Post Employment Benefits	-	-	501,195
Contracts Payable, Less Current Maturities	6,540,914	15,568,650	-
System Contribution Payable	1,609,018	1,609,018	-
Total Long-Term Liabilities, Net	352,343,184	1,484,469,672	716,621
Total Liabilities	\$ 379,475,817	1,601,150,584	2,079,512
Net Position			
Net Investment in Capital Assets	\$ 79,842,046	409,170,662	633,185
Restricted for:			
Debt Service	27,576,482	106,899,917	-
Construction	-	277,816	-
Other Purpose	136,912	1,486,912	16,925
Unrestricted	5,308,825	20,521,871	4,603,204
Total Net Position	\$ 112,864,265	538,357,178	5,253,314
RECONCILIATION OF NET POSITION:			
Enterprise Funds		\$ 538,357,178	
Internal Service Funds Allocated to Business-Type Activities		4,417,556	
Business-Type Activities, Government-Wide		\$ 542,774,734	

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

TRINITY RIVER AUTHORITY OF TEXAS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2014

	MAJOR ENTERPRISE FUNDS			
	CENTRAL REGIONAL	TARRANT COUNTY	LIVINGSTON WALLISVILLE PROJECTS	TEN MILE CREEK REGIONAL
	WASTEWATER	WATER SUPPLY		WASTEWATER
Operating Revenues:				
Wastewater Contract Revenue	\$ 100,982,591	-	-	12,901,169
Water Supply Contract Revenue	-	32,783,932	-	-
Water Storage Contract Revenue	-	-	3,516,476	-
Raw Water Contract Revenue	-	-	-	-
Direct Financing Arrangement Revenue	-	-	-	-
Recreational Facilities Fees	-	-	-	-
Reclaimed Wastewater Revenue	655,942	-	-	-
Professional Services	546,200	-	154,626	-
Management Fees	-	-	-	-
Insurance Premiums	-	-	-	-
Joint Project Administration	-	-	-	-
Grant Revenue	-	-	-	-
Other	3,045,857	4,340	314,253	2,037
Total Operating Revenues	105,230,590	32,788,272	3,985,355	12,903,206
Operating Expenses:				
Personal Services	12,068,449	1,713,173	1,718,581	1,646,851
Supplies	6,858,168	1,482,543	153,584	561,074
Other Services and Charges	19,130,325	15,865,024	1,618,779	2,928,081
Depreciation	22,282,797	5,122,137	913,858	3,520,604
Total Operating Expenses	60,339,739	24,182,877	4,404,802	8,656,610
Operating Income (Loss)	44,890,851	8,605,395	(419,447)	4,246,596
Non-Operating Revenues (Expenses):				
Interest Expense	(22,682,397)	(6,690,192)	(295,073)	(3,985,195)
Long-Term Debt Issuance Costs	(2,434,046)	-	-	-
Investment Income	727,170	65,958	937	75,990
Paying Agent Fees	(4,450)	(750)	-	(1,050)
SEC Disclosure Fees	(24,500)	(8,750)	-	(12,250)
Other	58,869	35,842	33,336	27,131
Total Non-Operating Revenues (Expenses) - Net	(24,359,354)	(6,597,892)	(260,800)	(3,895,374)
Income (Loss) Before Contributions, Contribution Refunds, and Transfers	20,531,497	2,007,503	(680,247)	351,222
CONTRIBUTIONS	1,200,000	814,642	-	-
CONTRIBUTION REFUNDS	-	-	-	-
TRANSFERS IN	-	-	8,000	-
TRANSFERS OUT	(43,820)	-	-	-
Change in Net Position	21,687,677	2,822,145	(672,247)	351,222
Net Position - December 1, 2013, as previously reported	251,131,750	49,236,546	87,814,643	38,202,375
Restatement Adjustment: Construction-in-Progress	(2,301,441)	(25,133)	-	(2,434,136)
Cumulative Change in Accounting Principle: GASB 65	(16,273,289)	(1,335,546)	-	(2,711,653)
Net Position - December 1, 2013, as restated	232,557,020	47,875,867	87,814,643	33,056,586
Net Position - November 30, 2014	\$ 254,244,697	50,698,012	87,142,396	33,407,808

Unaudited as of 3/15/15

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE THE FISCAL YEAR ENDED NOVEMBER 30, 2014**

	NONMAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
Operating Revenues:			
Wastewater Contract Revenue	\$ 25,354,503	139,238,263	-
Water Supply Contract Revenue	10,667,236	43,451,168	-
Water Storage Contract Revenue	5,417,289	8,933,765	-
Raw Water Contract Revenue	3,943,837	3,943,837	-
Direct Financing Arrangement Revenue	146,162	146,162	-
Recreational Facilities Fees	780,590	780,590	-
Reclaimed Wastewater Revenue	-	655,942	-
Professional Services	-	700,826	4,265,993
Management Fees	-	-	3,412,792
Insurance Premiums	-	-	5,530,782
Joint Project Administration	-	-	237,469
Grant Revenue	-	-	29,620
Other	88,178	3,454,665	-
Total Operating Revenues	<u>46,397,795</u>	<u>201,305,218</u>	<u>13,476,656</u>
Operating Expenses:			
Personal Services	3,376,672	20,523,726	9,436,619
Supplies	1,467,827	10,523,196	586,929
Other Services and Charges	16,019,763	55,561,972	3,177,998
Depreciation	6,738,324	38,577,720	192,889
Total Operating Expenses	<u>27,602,586</u>	<u>125,186,614</u>	<u>13,394,435</u>
Operating Income (Loss)	<u>18,795,209</u>	<u>76,118,604</u>	<u>82,221</u>
Non-Operating Revenues (Expenses):			
Interest Expense	(12,743,216)	(46,396,073)	-
Long-Term Debt Issuance Costs	-	(2,434,046)	-
Investment Income	183,102	1,053,157	8,574
Paying Agent Fees	(6,775)	(13,025)	-
SEC Disclosure Fees	(65,500)	(111,000)	-
Other	6,396	161,574	7,376
Total Non-Operating Revenues (Expenses) - Net	<u>(12,625,993)</u>	<u>(47,739,413)</u>	<u>15,950</u>
Income (Loss) Before Contributions, Contribution Refunds, and Transfers	<u>6,169,216</u>	<u>28,379,191</u>	<u>98,171</u>
CONTRIBUTIONS	-	2,014,642	5,732
CONTRIBUTION REFUNDS	(336,796)	(336,796)	-
TRANSFERS IN	-	8,000	99,844
TRANSFERS OUT	(8,000)	(51,820)	(38,160)
Change in Net Position	<u>5,824,420</u>	<u>30,013,217</u>	<u>165,587</u>
Net Position - December 1, 2013, as previously reported	114,445,406	540,830,720	5,087,727
Restatement Adjustment: Construction-in-Progress	(856,142)	(5,616,852)	-
Cumulative Change in Accounting Principle: GASB 65	(6,549,419)	(26,869,907)	-
Net Position - December 1, 2013, as restated	<u>107,039,845</u>	<u>508,343,961</u>	<u>5,087,727</u>
Net Position - November 30, 2014	<u>\$ 112,864,265</u>	<u>538,357,178</u>	<u>5,253,314</u>
RECONCILIATION OF CHANGE IN NET POSITION:			
Enterprise Funds, Change in Net Position	\$	30,013,217	
Internal Service Funds, Change in Net Position		165,587	
Allocation of Internal Service Funds			
Operating Income to Governmental Activities		(19,117)	
Business-Type Activities, Change in Net Position		<u>\$ 30,159,687</u>	

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

TRINITY RIVER AUTHORITY OF TEXAS

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2014

	MAJOR ENTERPRISE FUNDS			
	CENTRAL REGIONAL WASTEWATER	TARRANT COUNTY WATER SUPPLY	LIVINGSTON WALLISVILLE PROJECTS	TEN MILE CREEK REGIONAL WASTEWATER
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 109,422,528	35,224,530	3,540,706	14,549,389
Cash Received from Other Authority Funds for Services	1,022,950	4,340	11,334	-
Cash Received (Refunded) on Direct Financing Arrangement Receivable	-	-	-	-
Other Operating Cash Receipts	-	-	461,885	2,037
Cash Received for Claim Refunds	-	-	-	-
Cash Paid for Claims	-	-	-	-
Cash Payments for Premiums and Administration	-	-	-	-
Cash Payments to Customers	(4,876,376)	(2,331,573)	-	(1,007,822)
Cash Payments to Suppliers for Goods and Services	(23,783,247)	(16,738,239)	(1,320,498)	(2,871,853)
Cash Payments for Employee Services	(12,088,646)	(1,769,907)	(1,733,680)	(1,673,712)
Cash Payments to Other Authority Funds for Services	(2,587,233)	(626,194)	(442,039)	(629,183)
Net Cash Provided by (Used for) Operating Activities	67,109,976	13,762,957	517,708	8,368,856
Cash Flows from Non-Capital Financing Activities:				
Transfers from Other Authority Funds	-	-	8,000	-
Transfers to Other Authority Funds	-	-	-	-
Other Cash Receipts (Payments)	20,793	35,844	7,644	24,841
Net Cash Provided by (Used for) Non-Capital Financing Activities	20,793	35,844	15,644	24,841
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital				
Assets Exclusive of Capitalized Interest	(77,115,502)	(4,997,580)	(67,217)	(4,254,644)
Principal Paid on Revenue Bond Maturities	(35,245,000)	(6,085,000)	-	(3,675,000)
Interest Paid on Revenue Bonds and Related Fees	(29,561,040)	(7,056,586)	-	(4,044,370)
Principal Payments on Contracts Payable	-	-	(116,820)	-
Interest Paid on Contracts Payable	-	-	(298,523)	-
Payment for Capital Lease	-	-	-	-
Debt Issuance Costs Paid	(2,440,880)	-	-	-
Paying Agent Fees	(4,450)	(750)	-	(1,050)
Proceeds from the Sale of Capital Assets	30,860	-	25,691	11,609
SEC Disclosure Fees	(24,500)	(8,750)	-	(12,250)
Cash Deposited in Trust for Defeasance of Debt	(6,508,557)	-	-	-
Debt Issuance Costs Refunded	2,918	7,256	-	6,639
Contribution Received (Refunded)	1,200,000	814,642	-	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	(149,666,151)	(17,326,768)	(456,869)	(11,969,066)
Cash Flows from Investing Activities:				
Purchase of Investments	(178,094,705)	(3,734,741)	-	(10,997,800)
Proceeds from Sales and Maturities of Investments	187,000,059	3,740,000	-	15,000,000
Cash Received for Investment Income	787,944	52,365	937	87,230
Net Cash Provided by (Used for) Investing Activities	9,693,298	57,624	937	4,089,430
Total Change in Cash and Cash Equivalents	(72,842,084)	(3,470,343)	77,420	514,061
Cash and Cash Equivalents, Beginning of Year	274,891,974	32,394,513	809,763	44,523,375
Cash and Cash Equivalents, End of Year	\$ 202,049,890	28,924,170	887,183	45,037,436

Unaudited as of 3/15/15

	MAJOR ENTERPRISE FUNDS			
	CENTRAL REGIONAL WASTEWATER	TARRANT COUNTY WATER SUPPLY	LIVINGSTON WALLISVILLE PROJECTS	TEN MILE CREEK REGIONAL WASTEWATER
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 44,890,851	8,605,395	(419,447)	4,246,596
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	22,282,797	5,122,137	913,858	3,520,604
Change in Assets and Liabilities:				
Due to Other Authority Funds	(143,311)	(45,557)	(31,783)	(25,112)
Due from Other Authority Funds	11,315	-	-	-
Accounts Receivable - Contracting Parties	404,851	63,868	24,230	(191,807)
Contracts Receivable	-	-	-	-
Interest Receivable	-	-	-	-
Accounts Receivable	(3,985)	-	4,341	-
Claim Refunds Receivable	-	-	-	-
Prepays and Other Assets	(5,027)	(4,378)	1,031	1,171
Inventory	(58,223)	-	-	-
Accounts Payable - Contracting Parties	(77,656)	45,157	-	832,205
Accounts Payable and Accrued Expenses	(191,505)	(23,375)	26,118	(14,801)
Claims Payable	-	-	-	-
OPEB Obligation	-	-	-	-
Direct Financing Arrangement Receivable	-	-	-	-
Unearned Revenue	(131)	(290)	(640)	-
Premium for Deferred Charges	-	-	-	-
Total Adjustments	<u>22,219,125</u>	<u>5,157,562</u>	<u>937,155</u>	<u>4,122,260</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 67,109,976</u>	<u>13,762,957</u>	<u>517,708</u>	<u>8,368,856</u>
Supplemental Noncash Disclosures:				
Amortization of Bond Premium/Discount	\$ (2,748,179)	(396,612)	-	5,118
Amortization of Loss on Refunding	1,249,014	244,573	-	65,814
Deferral of Interest Expense on Uncommitted Portion of Long-Term Debt	-	-	-	-
Change in Fair Value of Investments	(162,713)	11,617	-	1,150
Change in Liabilities Related to Capital Assets	(1,482,239)	(109,558)	-	(181,023)
Bond Proceeds Deposited in Trust for Defeasance of Debt	(110,172,182)	-	-	-
Change in Assets Related to Capital Assets	14,840	(607)	-	1,113
Transfer of Capital Assets	21,260	-	-	-

TRINITY RIVER AUTHORITY OF TEXAS

(continued-3)

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2014**

	NONMAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 45,503,649	208,240,802	220,000
Cash Received from Other Authority Funds for Services	-	1,038,624	13,791,924
Cash Received (Refunded) on Direct Financing Arrangement Receivable	947,500	947,500	-
Other Operating Cash Receipts	88,178	552,100	-
Cash Received for Claim Refunds	-	-	945,211
Cash Paid for Claims	-	-	(4,668,262)
Cash Payments for Premiums and Administration	-	-	(866,156)
Cash Payments to Customers	(2,932,921)	(11,148,692)	-
Cash Payments to Suppliers for Goods and Services	(15,022,653)	(59,736,490)	(2,751,134)
Cash Payments for Employee Services	(3,413,327)	(20,679,272)	(4,763,107)
Cash Payments to Other Authority Funds for Services	(2,551,138)	(6,835,787)	(746,630)
Net Cash Provided by (Used for) Operating Activities	22,619,288	112,378,785	1,161,846
Cash Flows from Non-Capital Financing Activities:			
Transfers from Other Authority Funds	-	8,000	412,503
Transfers to Other Authority Funds	(8,000)	(8,000)	(38,160)
Other Cash Receipts (Payments)	18,187	107,309	1,686
Net Cash Provided by (Used for) Non-Capital Financing Activities	10,187	107,309	376,029
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets Exclusive of Capitalized Interest	(26,264,245)	(112,699,188)	(118,276)
Principal Paid on Revenue Bond Maturities	(12,000,000)	(57,005,000)	-
Interest Paid on Revenue Bonds and Related Fees	(9,588,390)	(50,250,386)	-
Principal Payments on Contracts Payable	(291,358)	(408,178)	-
Interest Paid on Contracts Payable	(376,185)	(674,708)	-
Payment for Capital Lease	-	-	(141,763)
Debt Issuance Costs Paid	-	(2,440,880)	-
Paying Agent Fees	(6,775)	(13,025)	-
Proceeds from the Sale of Capital Assets	2,290	70,450	5,690
SEC Disclosure Fees	(65,500)	(111,000)	-
Cash Deposited in Trust for Defeasance of Debt	-	(6,508,557)	-
Debt Issuance Costs Refunded	12,210	29,023	-
Contribution Received (Refunded)	(336,796)	1,677,846	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	(48,914,749)	(228,333,603)	(254,349)
Cash Flows from Investing Activities:			
Purchase of Investments	(54,480,217)	(247,307,463)	-
Proceeds from Sales and Maturities of Investments	44,196,627	249,936,686	-
Cash Received for Investment Income	246,282	1,174,758	8,574
Net Cash Provided by (Used for) Investing Activities	(10,037,308)	3,803,981	8,574
Total Change in Cash and Cash Equivalents	(36,322,582)	(112,043,528)	1,292,100
Cash and Cash Equivalents, Beginning of Year	124,916,435	477,536,060	4,798,173
Cash and Cash Equivalents, End of Year	\$ 88,593,853	365,492,532	6,090,273

Unaudited as of 3/15/15

	NONMAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 18,795,209	76,118,604	82,221
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	6,738,324	38,577,720	192,889
Change in Assets and Liabilities:			
Due to Other Authority Funds	(71,266)	(317,029)	(99,790)
Due from Other Authority Funds	-	11,315	552,360
Accounts Receivable - Contracting Parties	(128,663)	172,479	-
Contracts Receivable	(4,000,712)	(4,000,712)	-
Interest Receivable	371	371	-
Accounts Receivable	(351,989)	(351,633)	85,636
Claim Refunds Receivable	-	-	170,622
Prepays and Other Assets	13,550	6,347	153,432
Inventory	-	(58,223)	-
Accounts Payable - Contracting Parties	384,665	1,184,371	-
Accounts Payable and Accrued Expenses	286,367	82,804	81,085
Claims Payable	-	-	(54,538)
OPEB Obligation	-	-	95,398
Direct Financing Arrangement Receivable	947,500	947,500	-
Unearned Revenue	(347)	(1,408)	(97,469)
Premium for Deferred Charges	6,279	6,279	-
Total Adjustments	<u>3,824,079</u>	<u>36,260,181</u>	<u>1,079,625</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 22,619,288</u>	<u>112,378,785</u>	<u>1,161,846</u>
Supplemental Noncash Disclosures:			
Amortization of Bond Premium/Discount	\$ (280,658)	(3,420,331)	-
Amortization of Loss on Refunding	120,821	1,680,222	-
Deferral of Interest Expense on Uncommitted Portion of Long-Term Debt	4,017,270	4,017,270	-
Change in Fair Value of Investments	(35,101)	(185,047)	-
Change in Liabilities Related to Capital Assets	703,767	(1,069,053)	-
Bond Proceeds Deposited in Trust for Defeasance of Debt	-	(110,172,182)	-
Change in Assets Related to Capital Assets	1,516	16,862	-
Transfer of Capital Assets	-	21,260	49,237

RECONCILIATION OF CASH AND CASH EQUIVALENTS AT END OF YEAR:

<i>Current Assets:</i>	
Cash	\$ 11,984
Equity in Pooled Cash and Investments	32,979,906
<i>Restricted Assets:</i>	
Equity in Pooled Cash and Investments	280,233,554
Money Market Fund	<u>52,267,088</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>365,492,532</u>

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS



**TRINITY RIVER AUTHORITY OF TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR 2014**

TRINITY RIVER AUTHORITY OF TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Trinity River Authority of Texas ("Authority"), a governmental agency and political subdivision of the State of Texas, have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accounting and reporting policies of the Authority conform to accounting principles generally accepted in the United States of America as prescribed by GASB. The more significant of the Authority's accounting policies are described below.

Reporting Entity. The Authority was created by the State Legislature of Texas as a conservation and reclamation district in 1955. The Authority is governed by a Board of Directors who are appointed by the Governor of the State of Texas for a term of six years.

The Authority is charged by state legislative mandate with three functions, which include maintenance of a Master Plan for basin-wide development, serving as the local sponsor for Federal water projects, and providing services authorized by the Texas Legislature within the defined territory of the Authority. Public services currently provided by the Authority include wastewater treatment, water treatment, water storage, raw water, and recreation.

In addition to the above services, the Authority has entered into agreements with contracting parties to issue tax exempt financing for municipal water and wastewater facilities for the benefit of the contracting parties. These agreements are recorded in separate enterprise funds. The entities for which the tax exempt financing was issued have contracted with the Authority to pay all related debt service. The Authority's Board of Directors exercises financial accountability over each enterprise fund.

Government-Wide Financial Statements. The Statement of Net Position and the Statement of Activities display information about the Authority. These statements include the financial activities of the overall government. These statements distinguish between governmental and business-type activities of the Authority. Governmental activities, which are normally supported by inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues of the business-type activities of the Authority and for each function of the Authority's governmental activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include: 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Eliminations have been made to minimize double counting of internal activities. Internal receivables, payables, and transfers between funds are eliminated in the process of converting to government-wide financial statements. Internal program revenues, general revenues, and related expenses are not eliminated.

When both restricted and unrestricted resources are available, unrestricted resources are used only after restricted resources have been depleted.

Fund Financial Statements. The fund financial statements provide information about the Authority's individual funds. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in separate columns. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The fund financial statements present all governmental, enterprise and internal service funds as follows:

Governmental Funds. The Authority's only major governmental fund is the General Fund. The General Fund accounts for the general government operations and administration, which are financed principally

from administration, operation and maintenance, and development phase administrative overhead charges made to enterprise and other funds.

Nonmajor governmental funds of the Authority are comprised of the Clean Rivers Program Special Revenue Fund, Water Sales Special Revenue Fund, and the Debt Service Fund.

Proprietary Funds. The Authority's proprietary funds are comprised of enterprise and internal service funds. Enterprise Funds account generally for (1) projects that are financed and operated by the Authority and for which the recipient parties have agreed by contractual arrangement to pay the Authority for certain costs (see Revenue Recognition) and (2) projects that are financed but not operated by the Authority (see Direct Financing Agreements). Contractual arrangements generally require separate accounting for each project.

Internal Service Funds account for services provided by one fund to other Authority funds on a cost reimbursement basis. Accounting standards require that internal service funds are never reported as major funds. The Planning and Environmental Services (PES) Internal Service Fund was created in 2014 to provide technical assistance to the Authority with environmental services, geographic information systems (GIS) implementation and management, and water rights planning. In prior years, these activities were reported in the General Fund, Water Sales Special Revenue Fund and Information Technology Support Services Internal Service Fund.

Major proprietary funds reported are Central Regional Wastewater System, Tarrant County Water Supply Project, Livingston-Wallisville Projects, and Ten Mile Creek Regional Wastewater System.

Central Regional Wastewater System. This fund is used to account for wastewater treatment services provided through contracts with the cities of Addison, Arlington, Bedford, Carrollton, Colleyville, Dallas, Euless, Coppell, Farmers Branch, Fort Worth, Grand Prairie, Irving, Grapevine, Hurst, Mansfield, North Richland Hills, Duncanville, Keller, Cedar Hill, Southlake, and the Dallas-Fort Worth International Airport.

Tarrant County Water Supply Project. This fund is used to account for the sale and delivery of treated water to the cities of Euless, Bedford, Colleyville, Grapevine and North Richland Hills.

Livingston-Wallisville Projects. This fund accounts for the operation and maintenance of the Livingston reservoir facilities.

Ten Mile Creek Regional Wastewater System. This fund is used to account for the activities of the Ten Mile Creek Wastewater Disposal System and the Authority's contracts for wastewater treatment with the cities of Cedar Hill, DeSoto, Duncanville, Ferris and Lancaster.

The Authority reports a number of nonmajor funds which are reported in the combining statements.

Measurement Focus and Basis of Accounting. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds and the government-wide financial statements are reported using the economic resources measurement focus. All governmental funds are reported using a current financial resources measurement focus.

Governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, generally within 60 days of year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The government-wide financial statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized

(continued- 2)

when earned, including unbilled water and wastewater services which are accrued as of year-end. Expenses are recognized at the time the liability is incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position.

During fiscal year 2014, the Authority implemented the following new accounting standards:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* was issued in March 2012. This Statement established accounting and financial reporting standards that reclassify certain items that were previously reported as assets and liabilities and recognizes them as outflows of resources or inflows of resources. This statement had various impacts on the Authority.

GASB concluded that debt issuance costs should be expensed in the period incurred. With the implementation of this Statement, debt issuance costs are no longer considered an asset and amortized over the life of the debt, but rather an expense at the time of the transaction. This reclassification of bond issuance costs is reported as a Cumulative Change in Accounting Principle reducing beginning net position.

Governmental Activities	
General Improvement Revenue Bonds	\$ 48,452
Business-Type Activities	
Central Regional Wastewater System	\$ 16,273,289
Tarrant County Water Supply Project	1,335,546
Ten Mile Creek Regional Wastewater System	2,711,653
Nonmajor Enterprise Funds	<u>6,549,419</u>
Total Cumulative Change in Accounting Principle: GASB 65	\$ <u>26,918,359</u>

In addition, this Statement concluded that the difference between the reacquisition price and the net carrying amount of the old debt in a refunding transaction resulting in the defeasance of debt should be reported as a deferred outflow or inflow of resources depending on whether the transaction resulted in a gain or loss. Prior to the implementation of the Statement, these deferred amounts on refundings were reported as a liability.

GASB Statement No. 66, *Technical Corrections - 2012 - an Amendment of GASB Statements No. 10 and No. 62* was issued in March 2012. This Statement amends Statement No. 10, Accounting and Financial Report for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. The adoption of this Statement had no significant impact on the financial statements.

GASB Statement No. 67, *Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25* was issued in June 2012. The objective of this Statement is to improve financial reporting by State and local governmental pension plans. The adoption of this Statement had no significant impact on the financial statements.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* was issued in April 2013. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The adoption of this Statement had no significant impact on the financial statements.

Net Position. Net position represents the difference between assets and liabilities. Net position reported as Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing spent for the acquisition, construction or improvements of those assets. The debt related to unspent bond proceeds is not deducted from the capital asset balance in this calculation. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations. Unrestricted net position represents the remaining portion of net position.

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Unaudited as of 3/15/15

Fund Balance. The Authority reports several components of fund balance in its governmental funds. The various categories include the following:

Nonspendable. Those amounts that are not in spendable form or that are legally or contractually required to be maintained intact.

Restricted. Those amounts that have externally enforceable constraints placed on their use, which could arise from creditors, grantors, laws or regulations of other governments, enabling legislation ,or constitutional provisions.

Committed. Those amounts that can only be used for the purposes set forth by the Authority's highest level of decision-making authority and formal action is required to establish, modify, or rescind the commitment.

Assigned. Those amounts the Authority has authorized or intended to be used for a specific purpose, but that is not restricted or committed.

Unassigned. Those amounts that are not restricted, committed, or assigned.

Revenue Recognition. Revenues in the proprietary funds are recorded when earned. The Authority frequently constructs facilities to provide service to others which are financed in part by the issuance of its revenue bonds. Therefore, the recipients of the services generally contract to pay the Authority amounts equivalent to operating and maintenance expenses and the debt service requirements of the revenue bonds. Such amounts received for services are recorded as earned revenues when due in accordance with contract provisions. Generally, revenue bond debt service is predominantly applicable to interest in the early years, with the portion thereof applicable to principal retirements increasing in later years. Since depreciation of the related facilities is generally calculated on the straight-line method (see Capital Assets), depreciation expense may exceed the portion of revenues received on bond principal payments in the early years. This may result in reporting operating losses in enterprise funds in early years which will reverse in later years.

The Authority recognizes operating revenues based upon the costs of providing services to its contracting parties. All other income that is not directly related to the provision of services is reported as non-operating revenue.

Budget and Budgetary Accounting. The Authority maintains control over operating expenditures/expenses in all operating funds by the establishment of an annual operating budget. The annual operating budget is adopted for all funds on a basis consistent with generally accepted accounting principles except for the proprietary funds in which capital outlays and bond principal payments are budgeted as expenses. The budget, as formally adopted by the Board of Directors, establishes the maximum authorization of operating funds to be expended by any fund. Any subsequent amendment thereto must be approved by the President of the Board of Directors and/or the Board of Directors. Amendments were not material in relation to the original authorizations except for the following funds: General Fund, Debt Service Fund, Water Sales Special Revenue Fund, Ellis County Regional Water Supply Project Fund, Freestone Raw Water Supply Project Fund, and Staywell Health Insurance Internal Service Fund. Management is allowed to make revisions to individual line items of the budget, provided the maximum authorized budget is not exceeded. All unused budget authorizations lapse at the end of the year.

For funds containing capital assets under construction, construction budgets are formally adopted at the inception of the project by the Board of Directors, establishing the maximum authorization of funds to be expended for construction of capital assets. Any subsequent amendment thereto must be approved by the Board of Directors. Appropriations do not lapse at year-end. Certain operating items, such as depreciation, and other non-operating items are unbudgeted.

Cash and Investments. The Authority maintains a cash and investment pool that is available for use by all funds. Each fund's share in the pool is reported as "Equity in Pooled Cash and Investments" in that fund's statement of net position. In addition, investments are separately held by several of the Authority's funds.

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The investment policies of the Authority are in accordance with the State of Texas Public Funds Investment Act. This Act provides for investment in a variety of investment types, including, but not limited to, direct obligations of the United States of America or its agencies, direct obligations of the state of Texas and its agencies, certain repurchase agreements, certificates of deposit issued by state and national banks and savings and loan associations domiciled in Texas and local government investment pools. The Authority's investment policy is more restrictive, allowing investments in direct obligations of the United States, the Federal Home Loan Bank, Federal Farm Credit Bank, Federal National Mortgage Association, Federal National Mortgage Acceptance Corporation, local government investment pools and certain repurchase agreements.

Investments are recorded at fair value and changes in the fair value of investments are reported as a component of investment income. Fair value is defined as the price at which a security would be exchanged in a transaction between a willing buyer and seller. Bond resolutions frequently provide that interest and profits from investments in certain restricted funds will be deposited into other funds. In such cases the investments are stated at fair value in the restricted funds and accrued interest receivable is included in the fund into which accrued interest is to be deposited when received - See Note 4.

Inventory. Inventory is valued at the lower of cost or market (first-in, first-out). Inventory in the Proprietary Fund Types consists primarily of supplies.

Short-term Interfund Receivables/Payables. During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other Authority funds" or "due to other Authority funds" on the balance sheet.

Direct Financing Agreements. The Authority frequently sells its revenue bonds to provide financing of water or sewage facilities for others, but does not operate or maintain the facilities. Arrangements of this type are accounted for in the various enterprise funds as financing arrangements.

Restricted Assets. Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. In certain funds the "Revenue Fund" account is considered to be a restricted asset. In those cases the Revenue Fund is used to report resources received from the contracting parties to pay operating and maintenance expenses and debt service obligations. The "Construction Fund" account is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The "Interest and Sinking Fund" account is used to segregate resources accumulated for debt service payments over the next twelve months or for early redemption of revenue bonds. The "Reserve Fund" account is used to report resources set aside to make up potential future deficiencies in the Interest and Sinking fund; in some cases, debt service reserve funds are funded in total or in part from proceeds of bond sales. The "Contingency Fund", "Emergency Fund", and "Research and Development" accounts are used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements. The "Arbitrage Rebate Fund" account is used to report resources set aside to pay any excess investment earnings to the United States Treasury as may become due and payable.

Capital Assets. Capital assets, which include property, plant, equipment, infrastructure assets and water storage rights, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are defined as those assets greater than \$5,000 each with estimated useful lives in excess of two years. All purchased capital assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Assets acquired are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

The Authority has restated 2013 net position of business type activities to reflect the cumulative impact of expendable items previously included in Construction-in-Progress. The prior year impact of the change is as follows:

Net Position - December 1, 2013, as previously reported	\$565,346,612
Restatement Adjustment: Construction-in-Progress	<u>(5,616,852)</u>
Net Position - December 1, 2013, as restated	\$559,729,760

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Unaudited as of 3/15/15

Depreciation of capital assets is charged as an expense against operations. Accumulated depreciation is reported on the statements of net position. Depreciation is generally recorded on the straight-line basis over the estimated life of the assets. The estimated useful lives are as follows:

Reservoir facilities	100 years
Buildings	40 years
Sewage and water treatment facilities	40 years
Machinery and equipment	3-10 years

Interest is capitalized on proprietary fund type capitalized assets. The amount of interest capitalized is calculated by multiplying the funds weighted average interest rate by the fund's average accumulated capital outlays for construction projects in progress.

The Authority has Water Storage Rights recorded in the Navarro Mills Reservoir Enterprise Fund, the Bardwell Reservoir Enterprise Fund, and the Joe Pool Lake Enterprise Fund. The Water Storage Rights are based on adjudicated water rights owned by the Authority relating to water storage. The adjudicated water rights have an indefinite life and the respective reservoirs are also considered to have an indefinite life. The cost assigned to the Water Storage Rights is the Authority's share of the cost of constructing the reservoir. In accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, the Authority does not amortize the cost assigned to the water rights.

Long-Term Liabilities. Long-term liabilities to finance governmental funds are reported in the governmental activities column of the government-wide statement of net position. Long-term liabilities to finance enterprise funds are paid by revenues collected based on contractual arrangements and are accounted for in the appropriate enterprise funds in the combining financial statements. See Note 12.

Compensated Absences. Accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a liability of the governmental funds that will pay the liability. Amounts of accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as long-term liabilities in the Governmental Activities. Accumulated vacation leave of the proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

An employee may accumulate up to thirty days of paid vacation. Earned vacation above thirty days must be taken prior to the end of each fiscal year. Vacation in excess of thirty days will be forfeited. In addition to paid vacation, full-time employees also earn sick leave at the rate of eight hours per month. Part-time employees earn sick leave proportionate to the number of hours worked per week. The maximum accumulation of accrued sick leave is limited to one hundred and twenty days. At the end of each fiscal year, an employee may convert the number of sick leave days earned but unused within the fiscal year to vacation days on a 3-to-1 basis, with a limit of nine days of sick leave for three days of vacation.

In the event of an employee's retirement, resignation, or other termination the employee is entitled to compensation for unused sick leave up to a maximum of ninety days. An employee is eligible to receive sick leave pay if they reach age 65 or if the sum of their age and years of service with the Authority reaches 80. Sick leave is generally considered a long-term liability and is accrued in the appropriate proprietary fund and therefore in the government-wide business-type activities, or for General Fund and Water Sales employees, in the governmental activities at the government-wide Statement of Net Position.

Deferred Compensation Plan. The Authority offers its employees a Deferred Compensation Plan (the "Plan") consistent with Internal Revenue Code Section 457(a). Vesting in the Plan is immediate; assets are paid to an employee when that employee terminates employment, retires or experiences an unforeseeable emergency. Employees may contribute voluntarily to the Plan an amount not to exceed \$17,500, \$23,000 for employees age 50 and above, and \$35,000 for a three-year pre-retirement catch-up.

All amounts of compensation deferred under the Plan, all property and rights purchased with these amounts, and all income attributable to these amounts, property or rights, are solely the property and rights of the employees in accordance with IRS regulations. Accordingly, these amounts are not included in the Authority's financial

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statements. It is the opinion of the Authority's management that the Plan complies with all related IRS regulations.

Interfund Transactions. Certain interfund transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

Statement of Cash Flows. For purposes of the Statement of Cash Flows, the proprietary funds consider all equity in pooled cash and investments, cash in banks, and money market funds (including restricted assets) to be cash equivalents.

2. FUND BALANCE CLASSIFICATIONS

Nonspendable. Fund Balance relating to prepaid expenses are reported as nonspendable.

Restricted. Fund Balance relating to grant agreements are reported as restricted.

Committed. Fund Balance committed by the Authority's Board for specific purposes is reported as committed. During fiscal year 2011, the Authority's Board of Directors passed Resolution R-1330 committing the beginning fund balance of the Water Sales Special Revenue Fund and the incoming Water Sales revenue to the following purposes: Support of General Office (60%), Technical Studies and Educational Initiatives (30%), and Water Payments to the City of Houston (10%). During fiscal year 2014, revenue from the sale of water was allocated to those purposes based on the percentages approved by the Board. As of year-end, the Water Sales Special Revenue Fund reported committed fund balance as follows:

Support of General Office	\$2,633,058
Technical Studies and Education Initiatives	5,068,453
Water Payments to the City of Houston	<u>1,612,970</u>
Water Sales Committed Fund Balance	<u>\$9,314,481</u>

Assigned. The portion of Fund Balance included as a budgetary resource in the subsequent fiscal year's budget to eliminate the projected excess of expected expenditures over expected revenues is reported as assigned.

Unassigned. Those amounts that are not restricted, committed, or assigned are reported as unassigned.

3. RESTRICTED ASSETS

As of November 30, 2014, all Governmental Fund assets were unrestricted. Enterprise Fund restrictions at November 30, 2014 are as follows:

	<u>Central Regional Wastewater</u>	<u>Tarrant County Water Supply</u>	<u>Livingston Wallisville Projects</u>	<u>Ten Mile Creek Regional Wastewater</u>	<u>Nonmajor Enterprise Funds</u>
Restricted for:					
Revenue					\$47,533
Construction	\$263,228,534	\$9,919,049	\$277,816	\$44,796,923	75,638,973
Interest and Sinking	21,107,800	8,113,173		3,252,685	12,267,543
Reserve	41,078,490	10,472,419		7,487,525	19,266,439
Contingency				250,000	136,912
Emergency	1,000,000				
Research and Development	<u>100,000</u>				
Total Restricted	<u>\$326,514,824</u>	<u>\$28,504,641</u>	<u>\$277,816</u>	<u>\$55,787,133</u>	<u>\$107,357,400</u>

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Unaudited as of 3/15/15

4. DEPOSITS AND INVESTMENTS

Deposits. Carrying value of the Authority's deposits at year-end was \$252,209, and the bank balance was \$1,239,877. The bank balance was fully collateralized by federal depository insurance and pledged collateral.

Investments. All of the Authority's investments at November 30, 2014 were purchased through brokers and are held by bank trust departments ("Agent") in the Authority's name. The Authority invests in the TexPool, TexStar and Lone Star Government Overnight which are local government pools. Pool shares are equal to the value of the investments in the pools.

Cash Equivalents and Investment Schedule. As of November 30, 2014 the Authority has the following cash equivalents and investments:

	<u>Fair Value*</u>	<u>Percent Distribution</u>	<u>Weighted Average Maturity (Days)</u>	<u>S & P Rating</u>	<u>Moody's Rating</u>
Money Market Funds	\$52,268,287	9.173%	1	AAAm	Aaa-mf
U.S. Government Agencies					
Federal Home Loan Bank	225,034,044	39.495%	249	AA+	Aaa
Federal Agriculture Mtg. Corp.	5,001,550	0.878%	54	NR	NR
Federal Farm Credit Banks	62,918,527	11.043%	264	AA+	Aaa
Federal Home Loan Mtg. Corp.	40,011,100	7.022%	48	AA+	Aaa
Federal National Mtg. Assoc.	54,642,551	9.590%	197	AA+	Aaa
U.S. Treasury	<u>36,083,740</u>	<u>6.333%</u>	469	AA+	Aaa
Total Securities	423,691,512	74.361%			
Investment Pools:					
TexPool	22,769,444	3.996%	1	AAAm	
TexStar	41,468,027	7.278%	1	AAAm	
Lone Star Govt. Overnight	28,974,481	5.085%	1	AAAm	
Accrued Investment Income**	356,373	0.063%	1		
Cash	<u>252,209</u>	<u>0.044%</u>	1		
Total Cash and Investments	<u>\$569,780,333</u>	<u>100.000%</u>			

* Fair Value is the amount at which a security could be exchanged in a current transaction between willing parties, other than in a forced liquidation. In accordance with GASB 31, all investments are recorded at fair value.

** A portion of accrued investment income is included in investment pools at year-end.

Local government pools operate as money market funds under the Public Funds Investment Act, which require they maintain a AAAm or equivalent rating from a nationally recognized rating service. The Authority's investment pools are rated AAAm and operate in full compliance with the PFIA and rating agency requirements. The pools are exempted from SEC registration and the requirements of Rule 2a-7 pertaining to registered money market funds; however, similar to Rule 2a-7, they seek to maintain a stable net asset value of \$1 per unit.

Investment Policy. The Authority has adopted a written Investment Policy in compliance with the requirements of the Texas Public Funds Investment Act of 1987, Chapter 2256 of the Texas Government Code. Stated objectives include preservation and safety of principal, maintenance of adequate liquidity and marketability, portfolio diversification and realization of maximum allowable market yields. The Authority's investments conform to Texas state law, federal regulations, applicable bond resolution requirements, and other conditions established by its Investment Policy.

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Unaudited as of 3/15/15

Interest Rate Risk. The Authority's investment funds can be broadly categorized into four types: construction funds, operating funds, interest and sinking funds, and reserve funds. As a means of minimizing the Authority's exposure to fair value losses arising from interest rate fluctuations, the Authority's investment policy limits maturities based on the cash flow requirements of the funds. Investment maturities are limited as follows:

Construction Funds. The lesser of estimated project completion date or 5 years.

Operating Funds. Five years with a weighted average life to maturity of less than 3 years.

Interest and Sinking Funds. Not to exceed six months.

Reserve Funds. The lesser of the last maturing bond or 10 years.

Credit Risk. It is the Authority's policy to minimize the risk of loss due to the failure of a security issuer or grantor. Such risk is controlled by investing only in the safest types of securities through qualified financial institutions, brokers, and dealers with whom the Authority does business. Risk of loss is also minimized through collateralization of investments as required by law and through portfolio diversification by maturity and type.

The Authority monitors credit ratings of its investments through news media and Financial Advisory Services. If the ratings on an investment decline such that the investment is no longer allowed by the Texas Public Funds Investment Act, the investment will be immediately reinvested in accordance with the Public Funds Investment Act.

Concentration of Credit Risk. The Authority's Investment Policy allows for up to 100% of its funds to be invested in U.S. Treasury Bills and a maximum of 25% of its funds to be invested in callable agencies. No more than 50% of the Authority's funds may be invested in any one U.S. Government Agency or instrumentality, certificates of deposit, repurchase agreements, local government investment pools, or money market mutual funds.

As of November 30, 2014, 39% of the Authority's portfolio was invested in Federal Home Loan Bank securities, 1% in Federal Agriculture Mortgage Corporation securities, 11% in Federal Farm Credit securities, 10% in Federal National Mortgage Association securities, 7% in Federal Home Loan Mortgage Corporation securities, and 6% was invested in U.S. Treasury securities.

5. DIRECT FINANCING AGREEMENTS

As of November 30, 2014, Sendera Ranch Project Enterprise Fund had a direct financing arrangement receivable of \$5,500,000 net of unearned income of \$599,917 and Denton Creek Wastewater Pressure Interceptor had a direct financing arrangement receivable of \$259,333 net of unearned income of \$65,917.

6. INTERFUND ACTIVITY

Interfund Balances. Interfund balances at November 30, 2014 consist of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
Governmental Funds:		
General Fund	\$151,371	\$22,246
Nonmajor Governmental Funds	1,703	137,114
Proprietary Funds:		
Enterprise Funds:		
Central Regional Wastewater	78,265	-
Tarrant County Water Supply	-	5,225
Ten Mile Creek Regional Wastewater	-	29,614
Nonmajor Enterprise Funds	-	38,163
Internal Service Funds	67,147	66,124
Total Interfund Receivables and Payables	<u>\$298,486</u>	<u>\$298,486</u>

Various bond resolutions provide that interest from investments in certain restricted funds within an enterprise fund shall be deposited in certain restricted funds or in current assets. Amounts shown as Due from (to) Restricted Assets and Due from (to) Current Assets represent residual amounts that have not been transferred.

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Unaudited as of 3/15/15

Interfund Transfers. Interfund transfers were made during the year for various operating and non-operating purposes including transferring pledged water sales revenue and Administrative Overhead related to General Improvement Bonds and transferring beginning net position to Planning and Environmental Services Internal Service Fund. Such amounts are reflected as transfers in and transfers out in the operating statements of the funds as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$2,337,976	\$2,360,222
Nonmajor Governmental Funds	4,205,032	4,200,650
Proprietary Funds:		
Enterprise Funds:		
Central Regional Wastewater	-	43,820
Livingston-Wallisville	8,000	-
Nonmajor Enterprise Funds	-	8,000
Internal Service Funds	99,844	38,160
Total Transfers In and Out	<u>\$6,650,852</u>	<u>\$6,650,852</u>

7. CAPITAL ASSETS

Depreciation Allocation. In the Government-wide statement of activities, depreciation is allocated to each function as follows:

General Government and Administration	\$666,113
Wastewater	31,194,472
Water Supply	6,495,402
Water Storage	1,038,087
Recreation	42,648
Total Depreciation Expense	<u>\$39,436,722</u>

Transferred Capital Assets. Assets were transferred from other funds due to the creation of the Planning and Environmental Services Internal Service Fund. General Fund transferred \$14,536 of Machinery and Equipment and \$2,907 of related Accumulated Depreciation, Information Technology Support Services transferred \$8,244 of Machinery and Equipment and \$8,244 of related Accumulated Depreciation and Central Regional Wastewater System transferred \$8,107 of Machinery and Equipment and \$608 of related Accumulated Depreciation.

Other capital asset transfers during the year include, Central Regional Wastewater System transferred \$24,284 of Machinery and Equipment and \$10,523 of related Accumulated Depreciation to Information Technology Support Services, Livingston-Wallisville transferred \$19,666 of Machinery and Equipment and \$19,666 of related Accumulated Depreciation to Livingston Recreation Facilities, and General Fund transferred \$16,625 of Machinery and Equipment and \$277 of related Accumulated Depreciation to Southern Region Support Services.

Capitalized Interest. The Authority capitalized interest at November 30, 2014 in connection with construction as follows:

<u>Fund</u>	<u>Capitalized Interest</u>
Central Regional Wastewater	\$5,472,760
Tarrant County Water Supply	148,073
Ten Mile Creek Regional Wastewater	184,608
Denton Creek Regional Wastewater	402,288
Red Oak Creek Regional Wastewater	104,715
Huntsville Regional Water Supply	308,644
Livingston Regional Water Supply	245,821
Northeast Lakeview Wastewater	314
Total Capitalized Interest	<u>\$6,867,223</u>

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Unaudited as of 3/15/15

Capital Asset Activity. Capital Asset activity for the fiscal year ended November 30, 2014 is as follows:

Governmental Activities

	Balance 12/1/2013	Additions/ Transfers	Deletions/ Transfers	Balance 11/30/2014
Nondepreciable Capital Assets:				
Land and Easements	\$635,810	-	-	635,810
Total Nondepreciable Capital Assets	635,810	-	-	635,810
Depreciable Capital Assets:				
Buildings and Improvements	7,832,550	-	-	7,832,550
Machinery and Equipment	9,285,326	73,486	(1,290,047)	8,068,765
Total Depreciable Capital Assets	17,117,876	73,486	(1,290,047)	15,901,315
Accumulated Depreciation	(5,845,617)	(666,113)	1,159,312	(5,352,418)
Total Governmental Activities	\$11,908,069	(592,627)	(130,735)	11,184,707

Business-Type Activities

	Balance 12/1/2013 (as restated)	Additions/ Transfers	Deletions/ Transfers	Balance 11/30/2014
Nondepreciable Capital Assets:				
Land and Easements	\$89,879,860	2,293,655	-	92,173,515
Construction-in-Progress	206,826,800	117,855,101	(141,830,065)	182,851,836
Water Storage Rights	77,828,391	-	-	77,828,391
Total Nondepreciable Capital Assets	374,535,051	120,148,756	(141,830,065)	352,853,742
Depreciable Capital Assets:				
Sewage Treatment and Related Facilities	1,299,146,970	120,628,658	-	1,419,775,628
Water Transportation and Treatment Facilities	257,004,366	18,907,752	(16,144)	275,895,974
Buildings and Improvements	383,933	-	-	383,933
Recreational Facilities	1,483,801	-	-	1,483,801
Reservoir and Related Facilities	54,924,207	-	-	54,924,207
Machinery and Equipment	15,628,638	1,393,850	(888,622)	16,133,866
Total Depreciable Capital Assets	1,628,571,915	140,930,260	(904,766)	1,768,597,409
Accumulated Depreciation	(563,378,443)	(38,812,834)	812,397	(601,378,880)
Total Business-Type Activities	\$1,439,728,523	222,266,182	(141,922,434)	1,520,072,271

Construction-in-Progress:	
Balance December 1, 2013, as previously reported	\$212,443,652
Restatement Adjustment	(5,616,852)
Balance December 1, 2013, as restated	<u>\$206,826,800</u>

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Unaudited as of 3/15/15

8. COMMITMENTS

The Authority was obligated at November 30, 2014 under contracts for construction of various projects. The major construction obligations for projects in progress during 2014 are as follows:

Fund	Construction Contracts		Engineering Contracts	
	Committed	Incurred	Committed	Incurred
Central Regional Wastewater	\$197,019,245	\$135,628,691	\$73,336,114	\$45,498,989
Tarrant County Water Supply	3,927,352	3,448,903	2,832,823	1,290,569
Ten Mile Creek Regional Wastewater	16,289,404	15,924,011	9,410,062	6,199,793
Denton Creek Regional Wastewater	15,722,392	9,164,819	7,078,825	3,840,538
Red Oak Creek Regional Wastewater	5,487,772	3,363,177	3,883,856	2,002,366
Mountain Creek Regional Wastewater	-	-	914,965	709,822
Huntsville Regional Water Supply	16,772,565	16,132,290	800,000	578,751
Livingston Regional Water Supply	16,148,000	9,498,195	509,710	195,975
Walker-Calloway Branches	-	-	545,100	17,900
Water Sales - General Office	354,787	-	74,000	70,300
Total Commitments	\$271,721,517	\$193,160,086	\$99,385,455	\$60,405,003

9. SYSTEM BUY-IN CONTRIBUTIONS

Mountain Creek Regional Wastewater System. On October 28, 2009, the Board of Directors of the Authority entered into a contract with the City of Venus to become a Contracting Party of the Mountain Creek Regional Wastewater System. The City of Venus agreed to a System Contribution Buy-In amount of \$1,550,000 payable in 20 annual installments of \$77,500 plus 5.5% interest on the unpaid balance. The annual payments, beginning December 2009, are to be allocated to the original Contracting Parties, City of Grand Prairie and City of Midlothian, based upon water flow rates of the current year and each subsequent year. The City of Venus is also obligated to pay system costs of service based on the volume of wastewater contributing flow. At November 30, 2014, the System Contribution balance due from the City of Venus is \$1,674,001 of which \$1,532,563 is due after one year and is recorded as a Long-Term System Contribution Payable. The System Contribution balance due to the Cities of Midlothian and Grand Prairie is \$1,674,001 of which \$1,532,563 is due after one year and is recorded as a System Contribution Receivable.

Denton Creek Regional Wastewater System. The Authority entered into a contract with the City of Northlake to become a Contracting Party of the Denton Creek Regional Wastewater System. The City of Northlake agreed to a System Contribution Buy-In amount of \$193,047 plus interest payable over five years. The annual payments, beginning fiscal year 2013, are to be allocated to the Contracting Parties based upon water flow rates of the current year and each subsequent year. The City of Northlake is also obligated to pay system costs of service based on the volume of wastewater contributing flow. At November 30, 2014, the System Contribution balance due from the City of Northlake is \$113,562 of which \$76,455 is due after one year and is recorded as a Long-Term System Contribution Payable. The System Contribution balance due to the Contracting Parties is \$113,562 of which \$76,455 is due after one year and is recorded as a System Contribution Receivable.

10. DEFERRED OUTFLOWS OF RESOURCES

Deferred Amounts on Bond Refundings. Deferred amounts on refundings, including gains and losses, are amortized using the straight-line method over the shorter of the remaining life of the old debt or the life of the new debt. At November 30, 2014, unamortized deferred amounts on refundings were \$3,646,385, \$1,556,661, \$454,112 and \$582,350 in Central Regional Wastewater System, Tarrant County Water Supply Project, Ten Mile Creek Regional Wastewater System, and Nonmajor Enterprise Funds, respectively.

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Unaudited as of 3/15/15

11. SHORT-TERM LIABILITIES

Short-term Obligations. In April 2014, the Board approved the establishment of the Trinity River Authority of Texas Central Regional Wastewater System Extendable Commercial Paper Financing Program allowing the Authority to issue Extendable Commercial Paper Bonds (ECP Bonds) for the Central Regional Wastewater System (CRWS). The maximum principal amount outstanding may not exceed the authorized amount of \$175,000,000. The ECP Bonds are secured by and payable from a first lien on the Net Revenues of CRWS created in the resolution authorizing their issuance; provided that the pledge of Net Revenues securing the ECP Bonds is expressly made junior and subordinated to the pledge of Net Revenues securing First Lien Bonds. As of November 30, 2014 no ECP Bonds were issued or outstanding.

12. LONG-TERM LIABILITIES

Compensated Absences. Compensated absences are reported within accounts payable and accrued expenses in the Statement of Net Position.

Arbitrage Liabilities. Long-term arbitrage liabilities are reported within accounts payable and accrued expenses in the Statement of Net Position. Current arbitrage liabilities are reported with accounts and retainage payable in the Statement of Net Position.

Contracts Payable. In accordance with the terms of the contract between the Corps of Engineers and the Authority related to the contracts payable in Joe Pool Lake Enterprise Fund, interest on the uncommitted portion of the contracts payable began accruing on January 8, 1996. The principal and accumulated interest will be amortized over a fifty-year period as segments are committed. The contracting parties may defer payment of interest on the uncommitted portion, and certain cities have chosen that election. As of November 30, 2014 these deferred interest payments totaled \$48,422,460 and are recorded as long-term contract receivable and long-term accrued interest payable.

Capital Leases. As of November 30, 2014, the Authority had the following capital lease for the purchase of equipment. The gross amount of the equipment purchased is \$425,032, with accumulated depreciation of \$56,671.

Lessor	Interest Rate	Original Amount	Balance 12/1/2013	Additions	Reductions	Balance 11/30/2014	Current Portion
Key Government Finance, Inc.	2.97%	\$425,032	-	\$425,032	\$141,763	\$283,269	\$141,763

Bond Premiums and Discounts. Premiums and discounts on bonds are amortized using the effective interest rate method over the life of the bonds. At November 30, 2014, unamortized premiums net of unamortized discounts were \$22,509,974, \$2,138,294, \$232,522, and \$1,895,759 in Central Regional Wastewater System, Tarrant County Water Supply Project, Ten Mile Creek Regional Wastewater System and Nonmajor Enterprise Funds, respectively.

Defeased Bonds. At times, the Authority defeases certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the Authority's financial statements. The difference between the reacquisition price and the net carrying amount of the refunded debt is deferred and amortized using the straight line method as a component of interest expense over the life of the old debt or the new debt, whichever is shorter. At November 30, 2014, the following outstanding revenue bonds were considered defeased:

<u>Central Regional Wastewater System</u>	
Series 2004	\$104,955,000
Series 2005	\$9,525,000

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Unaudited as of 3/15/15

Debt Issued in 2014. On November 13, 2014, the Authority issued \$93,950,000 of Trinity River Authority of Texas Regional Wastewater System Refunding Bonds, Series 2014 to refund Series 2004 and Series 2005 Revenue Bonds. The refunding resulted in the recognition of an accounting loss of \$900,222 for the year ended November 30, 2014. The Authority in effect reduced its aggregate debt service payments by \$19,883,790 over the next fifteen years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$17,481,163. The Authority contributed \$7,502,730 towards the refunding, resulting in a net economic gain of \$9,978,433. The bonds bear interest at a rate of 2% to 5% and mature on August 1 of each year.

Long-Term Liability Activity. The following is a summary of the long-term liability transactions for the fiscal year ended November 30, 2014:

Governmental Activities

	Balance 12/1/2013	Additions	Reductions	Balance 11/30/2014	Due Within One Year
Revenue Bonds	\$2,980,000	-	(140,000)	2,840,000	\$150,000
Notes Payable	2,875,000	-	(382,007)	2,492,993	391,198
Compensated Absences	735,159	154,367	(269,466)	620,060	313,869
Total Governmental Activities	\$6,590,159	154,367	(791,473)	5,953,053	\$855,067

Business-Type Activities

	Balance 12/1/2013	Additions	Reductions	Balance 11/30/2014	Due Within One Year
Enterprise Funds:					
Revenue Bonds	\$1,506,530,000	93,950,000	(171,485,000)	1,428,995,000	\$64,025,000
Contracts Payable:					
Committed	16,402,236	-	(408,181)	15,994,055	425,405
Uncommitted	26,284,063	-	-	26,284,063	
Accrued Interest Expense	44,405,190	4,017,270	-	48,422,460	
Capital Lease	-	425,032	(141,763)	283,269	141,763
Premium/Discount	14,142,992	16,222,182	(3,588,625)	26,776,549	
Arbitrage Liability	145,230	-	(145,230)	-	
Compensated Absences	1,628,449	949,702	(845,596)	1,732,555	917,124
Internal Service Funds:					
Compensated Absences	240,265	204,353	(185,790)	258,828	184,908
Total Business-Type Activities	\$1,609,778,425	115,768,539	(176,800,185)	1,548,746,779	\$65,694,200

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Unaudited as of 3/15/15

Revenue Bonds Outstanding. The following is a listing of outstanding Revenue Bonds by fund as of November 30, 2014:

Series	Original Principal Amount	Outstanding Principal Amount	Interest Rates	Purpose
<i>Central Regional Wastewater System Enterprise Fund:</i>				
2007	\$120,000,000	\$115,490,000	2.95% - 3.60%	Construction
2008	90,000,000	89,975,000	1.65% - 3.55%	Construction
2008R	62,020,000	15,705,000	4.00% - 5.00%	Refunding
2009	86,780,000	86,760,000	0.80% - 4.15%	Construction
2010	107,180,000	105,525,000	0.30% - 3.85%	Construction
2010A	127,005,000	126,005,000	0.10% - 3.25%	Construction
2011R	69,280,000	37,970,000	3.00% - 5.00%	Refunding
2011A	108,395,000	107,020,000	0.00% - 3.05%	Construction
2012	74,270,000	71,840,000	0.10% - 1.87%	Construction
2013	24,060,000	24,060,000	3.25% - 5.00%	Construction
2013R	25,345,000	16,985,000	2.00% - 5.00%	Refunding
2014R	93,950,000	93,950,000	2.00% - 5.00%	Refunding
		<u>\$891,285,000</u>		
<i>Tarrant County Water Supply Project Enterprise Fund:</i>				
2005	\$96,930,000	\$83,265,000	4.50% - 5.00%	Construction & Refunding
2008	50,355,000	46,650,000	4.00% - 5.75%	Construction
2013	5,000,000	5,000,000	2.00% - 5.00%	Construction
		<u>\$134,915,000</u>		
<i>Ten Mile Creek Regional Wastewater System Enterprise Fund:</i>				
2006	\$15,775,000	\$13,615,000	4.00% - 5.25%	Construction
2007	46,190,000	36,030,000	2.70% - 3.50%	Construction
2010R	7,745,000	4,795,000	2.00% - 4.00%	Refunding
2010	23,410,000	23,365,000	0.60% - 4.25%	Construction
2011	27,690,000	27,630,000	0.00% - 3.40%	Construction
2012R	5,850,000	5,750,000	2.00% - 2.50%	Refunding
2013	10,540,000	10,540,000	3.00% - 4.75%	Construction
		<u>\$121,725,000</u>		
<i>Denton Creek Regional Wastewater System Enterprise Fund:</i>				
2006	\$7,395,000	\$7,395,000	4.75% - 5.00%	Construction
2007	47,595,000	44,225,000	4.75% - 5.00%	Construction
2008	4,645,000	4,645,000	4.75% - 5.00%	Construction
2009	7,760,000	7,745,000	0.85% - 4.40%	Construction
2011	19,465,000	19,065,000	0.30% - 3.55%	Construction
2011A	37,765,000	37,475,000	0.30% - 3.55%	Construction
2011R	9,655,000	6,335,000	2.00% - 3.00%	Refunding
2012	14,035,000	14,035,000	0.04% - 2.45%	Construction
2013	4,120,000	4,120,000	2.00% - 4.50%	Construction
		<u>\$145,040,000</u>		

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Unaudited as of 3/15/15

<u>Series</u>	<u>Original Principal Amount</u>	<u>Outstanding Principal Amount</u>	<u>Interest Rates</u>	<u>Purpose</u>
<i>Red Oak Creek Regional Wastewater System Enterprise Fund:</i>				
2006	\$5,740,000	\$5,740,000	4.50%	Construction
2008	24,800,000	24,775,000	1.70% - 3.80%	Construction
2009	8,280,000	7,920,000	0.65% - 4.15%	Construction
2011	11,710,000	11,710,000	0.30% - 3.35%	Construction
2013	4,540,000	4,540,000	2.00% - 4.625%	Construction
		\$54,685,000		
<i>Mountain Creek Regional Wastewater System Enterprise Fund:</i>				
2009	\$1,705,000	\$1,635,000	3.60% - 5.45%	Construction
2011	11,015,000	10,715,000	0.25% - 3.50%	Construction
		\$12,350,000		
<i>Huntsville Regional Water Supply System Enterprise Fund:</i>				
2010R-A	\$1,795,000	\$545,000	2.00% - 2.51%	Refunding
2010R-B	1,755,000	835,000	2.00% - 3.00%	Refunding
2010R-C	6,725,000	3,960,000	1.00% - 4.79%	Refunding
2012	19,190,000	15,230,000	2.00% - 4.00%	Construction
		\$20,570,000		
<i>Livingston Regional Water Supply System Enterprise Fund:</i>				
2010	\$2,715,000	\$2,490,000	2.00% - 4.25%	Construction
2013	20,575,000	20,020,000	2.00% - 5.00%	Construction
		\$22,510,000		
<i>Trinity County Regional Water Supply System Enterprise Fund:</i>				
1981	\$2,178,000	\$975,000	5.00%	Construction
<i>Northeast Lakeview Wastewater Transportation Project Enterprise Fund:</i>				
2006	\$1,825,000	\$1,345,000	4.30% - 6.125%	Construction
2007	15,230,000	12,100,000	4.00% - 5.00%	Construction
		\$13,445,000		
<i>Denton Creek Wastewater Pressure Interceptor System Enterprise Fund:</i>				
2001R	\$4,885,000	\$1,100,000	4.00% - 5.00%	Refunding
<i>Denton Creek Wastewater Interceptor System (City of Fort Worth) Enterprise Fund:</i>				
2005R	\$1,930,000	\$815,000	3.50% - 4.00%	Refunding
<i>Denton Creek Transportation System (Graham Branch) Enterprise Fund:</i>				
2011	\$4,735,000	\$4,080,000	3.00% - 6.00%	Construction
<i>Sendera Ranch Project Enterprise Fund:</i>				
2011R	\$6,795,000	\$5,500,000	2.00% - 4.00%	Refunding

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Annual Debt Service Requirements to Maturity. Annual debt service requirements to maturity, exclusive of uncommitted contracts payable, at November 30, 2014 are summarized as follows:

Governmental Activities

Year Ending November 30	Revenue Bonds		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$150,000	132,060	391,198	55,084	541,198	187,144
2016	155,000	125,085	400,611	45,672	555,611	170,757
2017	160,000	117,878	410,250	36,032	570,250	153,910
2018	170,000	110,437	420,122	26,161	590,122	136,598
2019	180,000	102,533	430,230	16,052	610,230	118,585
2020-2024	1,025,000	380,137	440,582	5,701	1,465,582	385,838
2025-2029	1,000,000	118,575	-	-	1,000,000	118,575
Total	\$2,840,000	1,086,705	2,492,993	184,702	5,332,993	1,271,407

Business-Type Activities

Year Ending November 30	Revenue Bonds		Contracts Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$64,025,000	48,372,220	425,405	657,478	64,450,405	49,029,698
2016	65,825,000	47,318,038	358,908	639,344	66,183,908	47,957,382
2017	69,070,000	44,865,130	372,021	626,232	69,442,021	45,491,362
2018	71,305,000	42,247,787	385,653	612,600	71,690,653	42,860,387
2019	70,020,000	39,917,592	242,492	598,426	70,262,492	40,516,018
2020-2024	380,235,000	161,900,329	1,373,671	2,830,913	381,608,671	164,731,242
2025-2029	426,280,000	88,038,880	1,690,493	2,514,091	427,970,493	90,552,971
2030-2034	259,525,000	23,545,325	2,086,870	2,117,715	261,611,870	25,663,040
2035-2039	21,690,000	1,881,566	2,551,048	1,621,629	24,241,048	3,503,195
2040-2044	1,020,000	13,875	2,984,972	1,011,603	4,004,972	1,025,478
2045-2053	-	-	3,522,522	555,692	3,522,522	555,692
Total	\$1,428,995,000	498,100,742	15,994,055	13,785,723	1,444,989,055	511,886,465

13. PLEDGED REVENUE

Bonded debt of the Authority consists of revenue refunding bonds and revenue bonds, which is secured by and payable from net revenues of the Authority. Certain revenue bond issues contain provisions that allow the Authority to prepay or call the bonds. Specifically, net revenues from contracts between the Authority and its contracting parties have been pledged for repayment of the Authority's revenue bonds. The amount of the pledge is equal to the remaining outstanding debt service requirements for these bonds, which were all originally issued to provide funding for construction and capital improvement projects throughout the Authority. The pledge continues for the life of the bonds. For the year ended November 30, 2014, debt service of \$110,870,990 was secured by pledged revenues of \$108,220,676, escrowed cash of \$1,308,372, interest earned on accounts restricted for debt service of \$406,942, and proceeds from direct financing arrangements of \$935,000.

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

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The Authority's General Improvement Revenue Bonds are secured by and payable from revenues from the Water Sales Special Revenue Fund and administrative overhead charges from the General Fund. Specifically, fifty percent of revenues collected by the Water Sales Special Revenue Fund from certain water sales contracts and thirty percent of certain administrative overhead charges collected by the General Fund have been pledged for repayment of the bonds. The amount of the pledge is equal to the remaining outstanding debt service requirements and continues for the life of the bonds. For the year ended November 30, 2014, debt service of \$278,570 was secured by pledged revenues of \$278,279, and interest income earned on accounts restricted for debt service of \$291. In accordance with the provisions of the Series 2008 General Improvement Revenue Bonds, \$994,851 was transferred from the Water Sales Special Revenue Fund and \$1,891,314 was transferred from the General Fund to collateralize debt service expenditures. \$872,203 was returned to the Water Sales Special Revenue Fund and \$1,612,744 was returned to the General Fund after the debt service was paid.

14. CONDUIT DEBT – POLLUTION CONTROL BONDS

The Authority has entered into agreements with various companies to issue debt for the benefit of the companies. The companies make payments to service the debt through a trustee. Conduit debt information, for which the Authority has no obligation, is presented below:

	Issue Date	Maturity Date	Interest Rate	Amount Authorized and Issued	Cumulative Amount Retired	Balance 11/30/14
COMMUNITY WASTE DISPOSAL, L. P.:						
Series 2013A - Refunded S1999, S2001 and S2007 which financed solid waste disposal facilities	2013	2021	Variable	\$11,410,000	2,380,000	9,030,000
Series 2013B - Financed renovation, rehabilitation, and installation of solid waste disposal facilities	2013	2030	Variable	22,155,000	-	22,155,000
				<u>33,565,000</u>	<u>2,380,000</u>	<u>31,185,000</u>
TXU ELECTRIC COMPANY:						
Series 2000A - Refunded S1997B, which financed solid waste disposal facilities in Freestone County, Texas	2000	2028	6.25%	14,075,000	-	14,075,000
Series 2001A - Refunded S1996A and S1997A, which financed air and water pollution control facilities; including sewage and solid waste disposal facilities in Freestone County, Texas	2001	2027	Variable	37,000,000	-	37,000,000
				<u>51,075,000</u>	<u>-</u>	<u>51,075,000</u>
TOTAL CONDUIT DEBT				<u>\$84,640,000</u>	<u>\$2,380,000</u>	<u>82,260,000</u>

Energy Future Holdings commenced a reorganization under Chapter 11 of the U.S. Bankruptcy Code on April 29, 2014. The filing includes the above debt of TXU Electric Company. Debt service payments due after the filing date were not made. The resolution of this matter is unknown at this time.

15. CONTINGENCIES

The Authority is presently named as a defendant in one pending legal action. While the outcome of that proceeding is not known at this time, Authority management is of the opinion that any award to the plaintiff therein that must be paid in excess of amounts covered by insurance or by the Risk Retention Insurance Internal Service Fund will not be material to the financial position of the Authority.

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Unaudited as of 3/15/15

16. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Authority maintains numerous enterprise funds that are considered to be segments. Condensed financial statements for each segment are presented below for the year ended November 30, 2014 is as follows:

	DENTON CREEK REGIONAL WASTEWATER	RED OAK CREEK REGIONAL WASTEWATER	MOUNTAIN CREEK REGIONAL WASTEWATER	HUNTSVILLE REGIONAL WATER SUPPLY
Condensed Statement of Net Position				
Current Assets	\$ 1,611,722	809,900	614,607	696,933
Capital Assets	92,762,552	43,747,773	24,554,474	31,059,063
Other Assets	64,639,542	17,605,389	2,827,658	6,798,133
Deferred Outflows	226,338	-	-	241,371
Current Liabilities	(8,952,826)	(4,288,184)	(800,750)	(4,793,798)
Long-Term Liabilities	(140,406,187)	(52,438,027)	(13,514,798)	(18,564,530)
Net Investment in Capital Assets	\$ (2,361,030)	(426,539)	12,524,241	10,932,799
Restricted	11,925,399	5,679,375	826,049	4,194,619
Unrestricted	316,772	184,015	330,901	309,754
Condensed Statement of Revenues, Expenses and Changes in Fund Net Position				
Contract Revenue				
Wastewater	\$ 11,943,295	5,904,683	1,902,601	-
Water Supply	-	-	-	7,043,468
Other Income	-	88,178	-	-
Operating Expenses	(3,228,654)	(2,274,502)	(1,211,155)	(3,161,294)
Depreciation	(2,225,842)	(1,299,587)	(794,196)	(903,145)
Operating Income	6,488,799	2,418,772	(102,750)	2,979,029
Non-Operating Revenue (Expenses)	(4,146,082)	(1,739,195)	(309,687)	(252,495)
Contribution Refunds	-	-	-	-
Change in Net Position	2,342,717	679,577	(412,437)	2,726,534
Net Position, Beginning (as restated)	7,538,424	(1,486,719)	(382,149)	(424,312)
Net Position, Ending	\$ 9,881,141	(807,142)	(794,586)	2,302,222
Condensed Statement of Cash Flows				
Operating Activities	\$ 8,711,215	3,782,730	600,228	3,614,997
Non-Capital Financing Activities	2,185	1,018	10	4,844
Capital Financing Activities	(14,873,883)	(7,291,437)	(1,463,471)	(10,780,984)
Investing Activities	(18,922,172)	8,822,824	3,440	16,593
Cash & Cash Equivalents, Beginning	62,660,016	12,912,005	2,604,081	14,639,616
Cash & Cash Equivalents, Ending	\$ 37,577,361	18,227,140	1,744,288	7,495,066

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	LIVINGSTON REGIONAL WATER SUPPLY	TRINITY COUNTY REGIONAL WATER SUPPLY	NORTHEAST LAKEVIEW WASTEWATER	DENTON CREEK WASTEWATER PRESSURE INTERCEPTOR
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Condensed Statement of Net Position

Current Assets	\$ 229,904	224,656	10,361	222,233
Capital Assets	15,095,638	1,108,319	13,039,362	327,755
Other Assets	11,273,996	396,563	3,503,300	1,118,333
Deferred Outflows	-	-	-	-
Current Liabilities	(2,422,146)	(233,968)	(986,988)	(572,051)
Long-Term Liabilities	(22,117,178)	(920,544)	(12,712,521)	(750,000)
Net Investment in Capital Assets	\$ 193,197	133,319	849,770	327,755
Restricted	1,770,334	376,250	1,993,454	-
Unrestricted	96,683	65,457	10,290	18,515

Condensed Statement of Revenues, Expenses and Changes in Fund Net Position

Contract Revenue				
Wastewater	\$ -	-	1,378,498	56,596
Water Supply	2,661,159	945,526	-	-
Other Income	-	-	-	-
Operating Expenses	(1,035,665)	(829,087)	-	-
Depreciation	(197,123)	(116,815)	(360,112)	(14,628)
Operating Income	1,428,371	(376)	1,018,386	41,968
Non-Operating Revenue (Expenses)	(774,248)	(50,108)	(583,061)	(56,596)
Contribution Refunds	-	-	-	-
Change in Net Position	654,123	(50,484)	435,325	(14,628)
Net Position, Beginning (as restated)	1,406,091	625,510	2,418,189	360,898
Net Position, Ending	\$ 2,060,214	575,026	2,853,514	346,270

Condensed Statement of Cash Flows

Operating Activities	\$ 1,476,792	163,729	1,326,329	404,440
Non-Capital Financing Activities	-	-	-	-
Capital Financing Activities	(10,283,715)	(127,500)	(1,382,947)	(398,331)
Investing Activities	24,803	830	4,752	1,431
Cash & Cash Equivalents, Beginning	20,286,020	540,702	3,513,287	1,073,693
Cash & Cash Equivalents, Ending	\$ 11,503,900	577,761	3,461,421	1,081,233

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	DENTON CREEK WASTEWATER INTERCEPTOR FORT WORTH	DENTON CREEK WASTEWATER GRAHAM BRANCH	SENDERA RANCH PROJECT
Condensed Statement of Net Position			
Current Assets	\$ 44,447	503	2,649
Capital Assets	1,490,227	21,652,671	-
Other Assets	317,018	698,286	5,547,533
Deferred Outflows	14,653	-	133,727
Current Liabilities	(161,126)	(237,026)	(665,182)
Long-Term Liabilities	(664,160)	(3,956,944)	(5,018,727)
Net Investment in Capital Assets	\$ 690,720	17,515,727	-
Restricted	306,151	641,763	-
Unrestricted	44,188	-	-

Condensed Statement of Revenues, Expenses and Changes in Fund Net Position

Contract Revenue			
Wastewater	\$ 182,831	350,047	-
Financing	-	-	146,162
Other Income	-	-	-
Operating Expenses	-	-	(7,346)
Depreciation	(64,559)	(487,954)	-
Operating Income	118,272	(137,907)	138,816
Non-Operating Revenue (Expenses)	(37,503)	(175,578)	(138,816)
Contribution Refunds	-	(336,796)	-
Change in Net Position	80,769	(650,281)	-
Net Position, Beginning (as restated)	960,290	18,807,771	-
Net Position, Ending	\$ 1,041,059	18,157,490	-

Condensed Statement of Cash Flows

Operating Activities	\$ 182,759	350,012	749,333
Non-Capital Financing Activities	-	-	-
Capital Financing Activities	(180,919)	(717,209)	(749,100)
Investing Activities	442	1,361	5
Cash & Cash Equivalents, Beginning	359,183	1,064,625	2,411
Cash & Cash Equivalents, Ending	\$ 361,465	698,789	2,649

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Unaudited as of 3/15/15

17. DEFINED CONTRIBUTION PLAN

The Authority provides pension benefits for all of its full-time employees through a defined contribution plan, Trinity River Authority of Texas Money Purchase Pension Plan, administered by Mass Mutual Financial Group. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Permanent full-time employees and part-time employees that work 1,000 hours per year are automatically enrolled after 6 months of service. The Board of Directors has approved a contribution amount equal to 12% of the employee's annual salary. The Authority's contributions for each employee (and interest allocated to the employee's account) are fully vested after 7 years of continuous service. Authority contributions and interest forfeited by employees who leave employment before three years of service are allocated to the participants. Any amendments to the plan's provisions or required contributions must be approved by the Board of Directors. The Authority's required 12% contribution for fiscal year 2014 amounted to \$2,394,589.

18. OTHER POST-EMPLOYMENT BENEFITS ("OPEB")

The Authority offers permanent full-time employees who are enrolled in the Authority's Staywell Health Program on the date they attain age 60 years of age or older, have been employed by the Authority for a minimum of 10 years, and who subsequently terminate employment, the continuation of coverage at the group rate for themselves (or a dependent spouse who is also covered under the Staywell Plan on the date the employee terminates employment), in the Staywell Health program until the attainment of age 65, or the date that they (or a dependent spouse) become eligible for Medicare or another employer's group health insurance coverage program whichever occurs sooner.

An employee who chooses to participate in this program pays the full group rate premium of the Staywell Health program, which is less than the premium the employee would pay for an independent health policy. The difference between the two premiums is considered a benefit and is referred to as an Implied Premium Subsidy. This Implied Premium Subsidy is considered a future liability and a current cost of the health plan. The cost that is recognized annually is the Current Year Normal Cost for the fiscal year plus the amortization of the Actuarial Accrued Liability (AAL). The AAL is the accrual of the Actuarial Present Value of the Implied Premium Subsidy benefits attributed to current Authority employees as of December 1, 2013.

The Authority has established an Other Post-Employment Benefits (OPEB) Contingency Fund in the Staywell Health Insurance Internal Service Fund to match the accrued costs of the Implied Premium Subsidy benefits. This fund is not an irrevocable trust and therefore does not reduce the reported liability. As of November 30, 2014, the Net OPEB cost is \$116,580 and the Annual Required Contribution (ARC) is \$123,815.

The Authority's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize, using the level dollar method, any unfunded actuarial liability (or funding excess) over a period not to exceed thirty years.

As of December 1, 2013, the most recent actuarial valuation date, the OPEB plan was 0% funded. The accrued actuarial liability for benefits was \$822,068 and the actuarial value of assets was \$0, resulting in an Unfunded Actuarial Liability (UAAL) of \$822,068. The covered payroll (annual covered payroll of active employees covered by the plan) was \$21,215,456, and the ratio of the UAAL to covered payroll was 3.9%.

Significant Assumptions - Actuarial liabilities were computed using one unit credit actuarial cost method. Liabilities were valued as of the measurement date of December 1, 2013, using a discount rate of 4% per annum, which assumes no prefunding of the liability. The RP-2000 Combined Mortality Table was used and withdrawal rates were taken from Table T7 of the Actuary's Pension Handbook. For purposes of benefit election, it was assumed that 30% of employees who elect coverage while in active employment will elect continued coverage in retirement and 50% of members electing coverage will elect coverage for a spouse.

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Unaudited as of 3/15/15

Annual Required Contribution and Net OPEB Obligation

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Discount Rate	4%	4%	4%
Determination of Annual Required Contribution			
Normal Cost at Fiscal Year End	\$76,275	\$60,973	\$60,973
Amortization of Actuarial Accrued Liability	<u>47,540</u>	<u>40,877</u>	<u>40,877</u>
Annual Required Contribution	<u>123,815</u>	<u>101,850</u>	<u>101,850</u>
Determination of Annual OPEB Cost			
Annual Required Contribution	123,815	101,850	101,850
Interest on Net OPEB Obligation	16,232	14,595	12,623
Adjustment	<u>(23,467)</u>	<u>(21,101)</u>	<u>(18,250)</u>
Annual OPEB Cost	<u>116,580</u>	<u>95,344</u>	<u>96,223</u>
Determination of Net OPEB Obligation			
Net OPEB Obligation - Beginning of Year	405,797	364,866	315,575
Annual OPEB Cost	116,580	95,344	96,223
Employer Contributions Paid	<u>(21,182)</u>	<u>(54,413)</u>	<u>(46,932)</u>
Change in Net OPEB Obligation	<u>95,398</u>	<u>40,931</u>	<u>49,291</u>
Net OPEB Obligation - End of Year	<u>\$501,195</u>	<u>\$405,797</u>	<u>\$364,866</u>
Percentage of Annual Cost Contributed	18%	57%	49%

19. RISK FINANCING

Risk Retention. The Authority established a Risk Retention Insurance Internal Service Fund ("Risk Retention") to provide risk retention programs for property casualty, general liability, directors' and officers' liability, automobile liability, and workers' compensation. Risk Retention receives monies from other Authority funds, invests these monies, receives investment interest, and disburses monies for insurance premiums and payment of claims under the retention levels. Under each program, insurance has been obtained from an insurance company for each claim incurred which exceeds specified retention levels as follows:

Property Casualty Insurance (CRWS & TCWSP) – excluding flood and earthquake	\$100,000
Property Casualty Insurance (DCRWS) – excluding flood and earthquake	\$20,000
Property Casualty Insurance – excluding flood and earthquake	\$5,000
Property Casualty Insurance – flood and earthquake	\$25,000
General Liability Insurance	\$5,000
Directors' and Officers' Liability Insurance	\$5,000
Automobile Collision and Comprehensive Insurance	\$1,000
Workers' Compensation Insurance	Full Coverage

There were no significant reductions in insurance coverage from the prior year and no settlements exceeded coverage in the last three years.

Staywell. The Authority has established a Staywell Health Insurance Internal Service Fund ("Staywell"). The purpose of Staywell is to provide a self-insurance program with respect to medical claims of the Authority's employees and their covered dependents. At November 30, 2014, self-insurance was in effect for losses up to \$75,000 per person per year for specific claims. Additionally, if total losses for the Authority for the year in the aggregate exceed \$4,955,544, all additional losses are insured by a private insurance carrier. Premiums are established at a level adequate to pay all reinsurance and administrative expenses, and all estimated claims incurred by participants.

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Unaudited as of 3/15/15

GASB Statement No. 10 requires that a claims liability be accrued if information prior to the issuance of the financial statements indicates that a probable liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. This includes claims reported but not paid and claims incurred but not reported. The Authority records a Claims Payable for these claims based on the Authority's experience, claim trends, and transactions occurring after the fiscal year end. Actual claim liabilities depend on complex factors such as the health of the participating employees and their dependents. The estimate used in computing the estimated claims liability could differ from actual results. Claim liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. As of November 30, 2014, the Authority has recognized Claims Payable of \$368,586. Changes in the medical claims liability amount in fiscal year 2013 and 2014 were:

<u>Fiscal Year</u>	<u>Beginning Claims Payable</u>	<u>Claims and Changes in Estimates*</u>	<u>Claim Payments</u>	<u>Ending Claims Payable</u>
2013	\$314,919	\$3,314,314	\$3,210,566	\$418,667
2014	\$418,667	\$3,420,467	\$3,470,548	\$368,586

*Amount is net of claim refunds

20. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Total expenses and transfers out for the following funds exceeded budgeted amounts for the year ended November 30, 2014 as follows:

<u>Fund</u>	<u>Expenses and Transfers in Excess of Budget</u>
Northeast Lakeview Wastewater Transportation Project Fund	\$700
Joe Pool Lake Fund	\$17,421

21. NEW PRONOUNCEMENTS

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* was issued in June 2012. The objective of this Statement is to improve the usefulness of information for decisions made by various users of the general purpose external financial reports of governments whose employees - both active employees and inactive employees - are provided with pensions. This standard becomes effective for the Authority in fiscal year 2015.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* was issued in January 2013. This Statement establishes accounting and financial reporting standards related to governmental combinations and disposals of government operations. This standard becomes effective for the Authority in fiscal year 2015.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* was issued in November 2013. The objective of this Statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. This standard becomes effective for the Authority in fiscal year 2015.

Management has not yet determined the impact of these statements on the basic financial statements.

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APPENDIX D

FORM OF BOND COUNSEL'S OPINION

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Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

LAW OFFICES

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700 N. ST. MARY'S STREET
Suite 1525
SAN ANTONIO, TEXAS 78205-3503
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TRINITY RIVER AUTHORITY OF TEXAS (TARRANT COUNTY WATER PROJECT)
REVENUE REFUNDING BONDS, SERIES 2015, DATED MARCH 15, 2015, IN THE
PRINCIPAL AMOUNT OF \$67,785,000

AS BOND COUNSEL FOR THE ISSUER (the "Issuer") of the Bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which are payable, bear interest and are subject to further provisions, all in accordance with the terms and conditions stated in the text of the Bonds and the resolution of the Issuer authorizing the issuance of the Bonds, including the Pricing Certificate of General Manager authorized thereby (collectively, the "Resolution").

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the Issuer and other documents authorizing and relating to the issuance of said Bonds, including one of the executed Bonds (Bond Number TR-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been authorized, issued and duly delivered in accordance with law; and that except as may be limited by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditor's rights generally or by principles of equity which permit the exercise of judicial discretion, (i) the covenants and agreements in the Bond Resolution constitute valid and binding obligations of the Issuer, and the Bonds constitute valid and legally binding special obligations of the Issuer which, together with other parity bonds, are secured by and payable from a first lien on and pledge of (a) the Issuer's Net Revenues from its water supply contracts, each dated as of January 21, 1972, and amended as of January 22, 1975, and as of December 5, 1979 (with respect to the City of Euless, Texas) and December 11, 1979 (with respect to the City of Bedford, Texas), and its water supply contracts, each dated as of April 25, 1979, and amended as of December 5, 1979, and as of April 23, 1980, with the Cities of Colleyville, Grapevine, and North Richland Hills, Texas (collectively the "Contracts"), all relating to the Issuer's Tarrant County Water Project described in the Contracts, all as more fully described in the Contracts and in the Bond Resolution, to each of which reference is hereby made for all purposes, and (b) the Net Revenues the Issuer may receive from other parties, if any, with whom the Issuer may contract in the future for supplying treated water from the Issuer's Tarrant County Water Project, and (ii) each of the aforesaid Contracts 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 Net Revenues on a parity with the Bonds.

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 owners of two-thirds of the aggregate principal amount of all outstanding parity bonds which are secured by and payable from a first lien on and pledge of the aforesaid Net Revenues.

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

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

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.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on 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 an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer or the Contracting Parties or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto or with respect to the adequacy of the Net Revenues. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and sufficiency of the Net Revenues. Our role in connection with the Issuer's offering document prepared for use in connection with the sale of the Bonds has been limited as described therein.

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 a 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.

Respectfully,

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