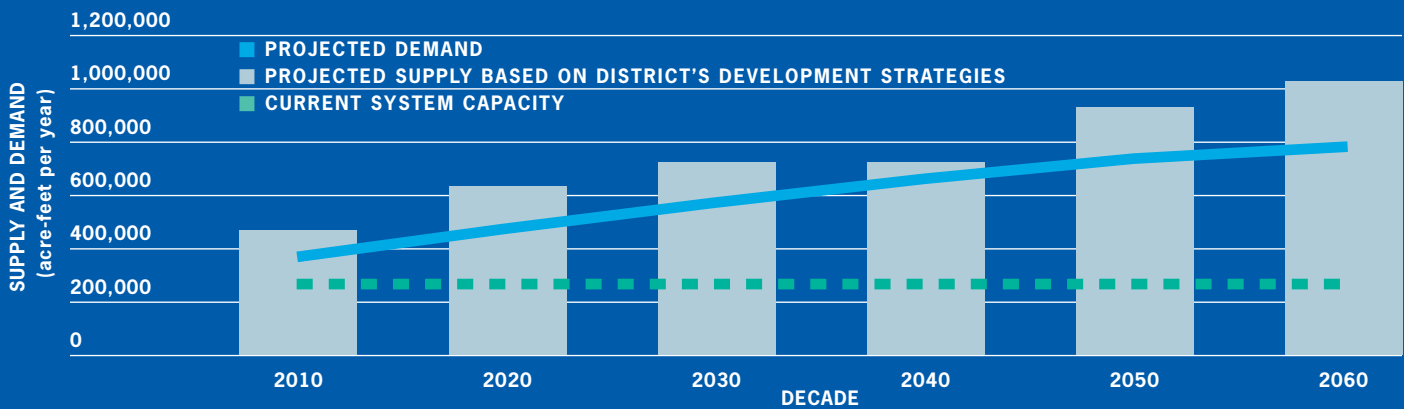


2006 - 2007 ANNUAL REPORT

NORTH TEXAS MUNICIPAL WATER DISTRICT



MANAGING OUR WATER RESOURCES



About the cover:

NTMWD's 2007 State Water Plan, approved through the Region C Water Planning effort and included in the 2007 State Water Plan, lists water management strategies to be developed or already underway to meet the water demands of the NTMWD's service area for the next 50 years.

A MESSAGE FROM
JAMES M. (JIM) PARKS
EXECUTIVE DIRECTOR

Fiscal Years 2006 and 2007 were marked by one of the most severe droughts in the North Texas Municipal Water District's (NTMWD) history. The extended drought resulted in less than normal rainfall, which is needed to replenish supplies, and continued periods of extremely high temperatures escalated water consumption. As a result, NTMWD's three supply reservoirs experienced declines in capacities until the frequent and abundant rains began in the spring of 2007. Below average rainfall began in 2003 for Jim Chapman Lake, also known as Cooper Lake, and continued for over a four-year period thus establishing a new drought of record for that reservoir. The drought conditions for Lavon Lake were being compared to the drought of record of the 1950s which lasted for seven years. Lake Texoma experienced declines in capacity; however, not to the extent of the other NTMWD supply sources. Supply capacities were at record lows during 2006 with Lavon Lake declining to 17.12' below the top of the conservation pool or 36% of its storage capacity. Jim Chapman Lake declined 17.99' below the top of its conservation pool or 15% of its storage capacity.

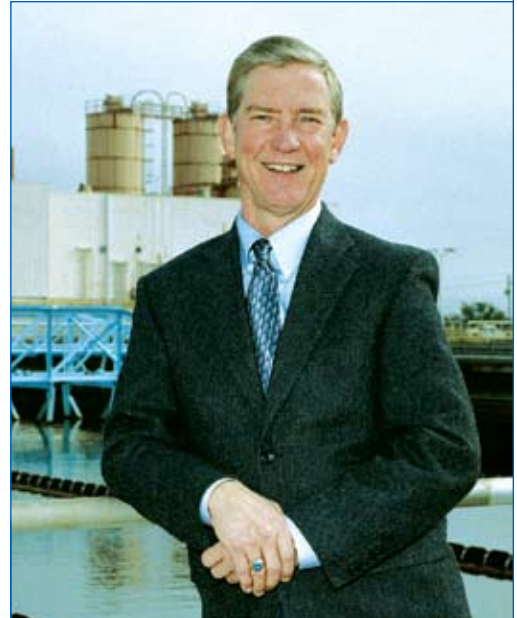
Our focus over the past two fiscal years has been two-fold. First, and most immediate, NTMWD, Member Cities and Customers have worked diligently to bring awareness and to educate the public on the need to use water wisely, efficiently, and to conserve in order to extend our existing water supply. Equally important was the acceleration and development of additional raw water supplies to meet the current and future water demands within the region served.

NTMWD has managed resources well and planned appropriately for the future since its founding in 1951. By employing one of the most technologically-advanced modeling systems, analyses predicted the NTMWD could meet our customers' water demands during the recently experienced drought even if the multi-year drought of the 1950s had repeated itself. In fact, analyses showed that a 10 percent savings in annual water use achieved by the types of conservation methods implemented in 2006 would result in adequate water supplies through 2008 and 2009 had the drought continued. Included in this forecast was NTMWD's development of the Upper Sabine Basin River Water Supply Project and the East Fork Raw Water Supply projects that are scheduled to be online by early 2008.

Throughout 2006 and 2007, the NTMWD continued to maintain, at the highest levels, other infrastructure components so important to the region. NTMWD's Wastewater System and Sewer System treated over 29 billion gallons of wastewater during the 2005-06 Operations Year and 34 billion gallons of wastewater during the 2006-07 Operations Year. Providing solid waste disposal services to its five Solid Waste Member Cities and the residents of Collin County, NTMWD's 121 Regional Disposal Facility safely disposed of over 699,000 tons of commercial and municipal solid waste during 2005-06 and over 791,000 tons during 2006-07.

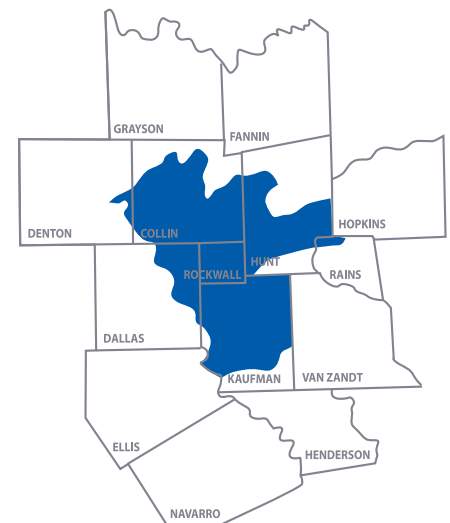
NTMWD is committed to preserving and protecting the environment. NTMWD promotes water conservation and reuse strategies to help extend our existing supply, protecting water quality, and encourages recycling and waste reduction to prolong the life of the landfill.

While we reflect on NTMWD's accomplishments set out in our annual report, we emphasize that our ongoing planning and superior customer service will continue to distinguish our water, wastewater, and solid waste systems as among the best in Texas. The public can be confident that we will always be prepared to seize opportunities and to meet challenges, whether the challenges are weather-related or due to a growing region.



MEMBER CITIES

Allen	Mesquite	Royse City
Farmersville	McKinney	Rockwall
Forney	Plano	Wylie
Frisco	Princeton	
Garland	Richardson	



WATER SYSTEM

It is the mission of the North Texas Municipal Water District (NTMWD) to provide a high quality potable water supply to meet the immediate and future needs of the region served since its creation in 1951. The initial population of the NTMWD service area totaled approximately 32,000 citizens. Currently, the NTMWD delivers and meets the potable water needs of over 1.5 million people daily. NTMWD utilizes surface water supplies from Lavon Lake, Lake Texoma, and Jim Chapman Lake.

Beginning early 2005, the North Texas area began experiencing extreme drought conditions that were being compared to the drought of record of the 1950s. The drought of record lasted for seven years, beginning in 1950 and lasting until 1957. Exceptionally high temperatures and dry conditions continued through 2006, and the area did not experience any relief in the drought period until the spring rains of 2007. The drought could not be considered officially over for NTMWD until the last of NTMWD's three supply reservoirs returned back to full conservation capacity in July 2007.

During the beginning of the drought period for Lavon Lake, a total of 18.72 inches of rainfall was recorded during calendar year 2005. Below average rainfall continued through 2006 with 30.88" of rainfall. Rainfall recorded at Jim Chapman Lake was 21.79 inches for 2005 and 35.57 inches during 2006. The 30-year average rainfall for Lavon Lake and Jim Chapman Lake is 40.06 inches and 44.86 inches, respectively. As a result of the diminished rain events, runoff was not present and lake elevations had continued to decline. Prior to the return to full conservation capacity in July 2007, the last time Lavon Lake was at full conservation elevation, 492' above mean sea level (msl), was in April 2005. Jim Chapman Lake had endured a four-year drought beginning in April 2003 and continuing until the return to full conservation elevation of 440' msl in July 2007. NTMWD responded to the continuing drought conditions by implementing its Water Conservation and Drought Contingency Plan in October 2005. The NTMWD Water Conservation and Drought Contingency Plan remained in effect until the plan was lifted in July 2007.

Increases or decreases in treated water deliveries are normal occurrences from year to year depending on the amount of rainfall received. It is common that during dry weather

conditions, consumption will increase. With the onset of the drought, and as the extreme hot and dry weather continued to persist, NTMWD saw a trend for sharp increases in water consumption. NTMWD was able to curb the peak usage through the implementation of the Water Conservation and Drought Contingency Plan and the initiation of the "Water IQ: Know Your Water" campaign. NTMWD treated and delivered 100.6 billion gallons of water during the 2005-06 Water Year (August 2005-July 2006) as compared to 77.5 billion gallons of water during the 2006-07 Water Year (August 2006-July 2007).

Water System construction contracts, completed or underway, during the 2005-06 and 2006-07 Operations Year totaled over \$482 million. Major projects focused on the development of additional supplies to meet the increasing raw water supply needs for the NTMWD. Water supply projects under construction included the Upper Sabine Basin River Water Supply Project and the East Fork Raw Water Supply Project.

The construction at the water treatment plants included the 140 MGD (million gallons per day) expansion at Plant IV and improvements to Raw Water Pump Station No. 3. Construction projects that increased the treated water deliveries to NTMWD's North System included the Allen/Plano/Frisco/McKinney Pipeline Project; the Frisco-McKinney Pump Station and Pipeline Project; and, the Little Elm Pipeline Project.

Construction projects in the South System included the Royse City Water Transmission Pipeline No. 2; the Mesquite No. 3 Parallel Pipeline; the Mesquite to Forney 14-Inch Pipeline Replacement; and the Forney to Terrell Pump Station and Pipeline. Other improvements included the City of Terrell West Pump Station and 3 MG Storage Facility; the Terrell Town North Improvements; and, the City of Terrell South and North Transmission Mains.

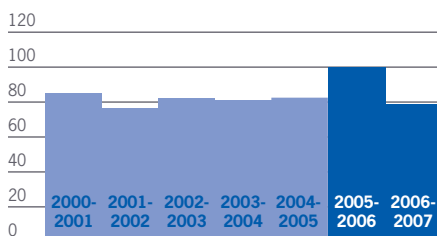
Water System construction projects also included the Bonham Water Treatment Plant; the Wylie to Lavon Pipeline; and the Rockwall Eastside Ground Storage Reservoir and Pump Station. New facilities or improvement projects for the support departments for NTMWD services included homeland security improvements, a new Environmental Services building, and a new Technical/Facilities Services building.

WATER SYSTEM

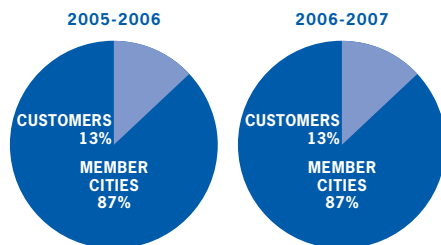


NTMWD's Water Treatment Plant III, one of three treatment facilities at the site in Wylie, treats up to 280 million gallons per day of a treated water supply of the total 630 MGD delivered to the region served

WATER CONSUMPTION (billions of gallons)



WATER CONSUMPTION BY USER GROUP



WATER SYSTEM CUSTOMERS

- | | | |
|----------------------------------|------------------|--------------------|
| Caddo Basin | Josephine | N. Collin W.S.C. |
| Cash W.S.C. | Kaufman | Parker |
| College Mound W.S.C. | Kaufman Four-One | Prosper |
| Copeville S.U.D. | Lavon W.S.C. | Rose Hill S.U.D. |
| East Fork S.U.D. | Little Elm | Rowlett |
| Fairview | Lucas | Sachse |
| Fate | Melissa | Seis Lagos M.U.D. |
| Forney Lane W.S.C. | Milligan W.S.C. | Sunnyvale |
| Gastonia Scurry W.S.C. | Mt. Zion W.S.C. | Terrell |
| Greater Texoma Utility Authority | Murphy | Wylie N.E., W.S.C. |
| | Nevada W.S.C. | |

WATER CONSERVATION AND DROUGHT

NTMWD's planning efforts, in response to the recently experienced drought conditions and planning efforts, related to future water management strategies have been presented to numerous audiences such as the County Commissioner's Courts, City Councils, civic groups, all media outlets (television, radio, newspapers, and publications), and posted on the NTMWD website.

NTMWD's primary focus during the drought was to educate the public on the need to conserve and use water wisely and efficiently in order to extend the existing water supply through the drought period and accelerate the development of additional raw water supplies to meet the growing water demands in the event the drought had continued to persist.

CONSERVATION

NTMWD's water conservation program is being aggressively pursued to extend the existing available supplies and as a water management strategy to assist in meeting near and long-term water needs. NTMWD will continue to diligently protect, preserve, and extend the water supply to ensure that water is available to all of its current customers for essential uses.

As a response to the recent drought, NTMWD initiated its *Water Conservation and Drought Contingency Plan* in October 2005 with the concurrence of the Member Cities' and Customers' implementation of the *Model Water Conservation and Drought Contingency Plans* that had been developed in 2004. In order to educate the public on the wise and efficient use of their water supply in conjunction with the implementation of the *Water Conservation and Drought Contingency Plan*, NTMWD employed EnviroMedia Social Marketing, an environmental public relations firm, to develop a water awareness and media campaign. NTMWD was the first in the State of Texas to implement the State's water awareness campaign "Water IQ: Know Your Water". "Water IQ: Know Your Water" was developed and implemented by the NTMWD in 2006 at a cost of \$1.9 million and continued through 2007 at a cost of \$1.7 million. The campaign is slated to continue through 2008.

Conservation efforts seen as a result of the implementation of the "Water IQ: Know Your Water" program and the *Water Conservation and Drought Contingency Plan* were very encouraging. It was estimated that an annualized 10-12% reduction in water use was achieved in 2006. NTMWD continues to promote wise and efficient use of water, continues development of additional supplies, and continues to expeditiously bring the projects to fruition to meet the needs of our region served.

WATER SUPPLY PROJECTS THAT ARE UNDERWAY

- *The implementation of the NTMWD long-range water supply plan continues on an accelerated schedule to meet the growing demands. By the end of November 2006, NTMWD awarded 12 of 13 projects totaling more than \$278 million to bring additional water supplies into the NTMWD system.*
- *The Upper Sabine Basin River Water Supply Project is currently scheduled to be online in early 2008 and will provide 50,000 - 80,000 acre-feet per year of additional water.*
- *The East Fork Raw Water Supply is currently scheduled to be online in April 2008 and will provide 80,000 - 102,000 acre-feet per year of additional water.*
- *As a comparison to show the volume of water that is being added to the system with just these two projects (130,000 - 182,000 acre-feet per year), Lavon Lake produces 104,000 acre-feet per year.*



East Fork of the Trinity River exposed by drought conditions at Lavon Lake



Effects of drought on a local marina at Lavon Lake (top photo) as compared to full conservation pool elevation of 492' msl (mean sea level) (bottom photo)



Jim Chapman Lake declined to elevation of 422.55' msl in October 2006 during drought conditions (top photo) as compared to full conservation pool elevation of 440' msl (bottom photo)

FUTURE WATER PLANS AND OPTIONS

PLANNING EFFORTS

Since its creation in 1951, NTMWD has continuously planned to meet the water supply needs of its service area. NTMWD's water supply plans have been in place and continue to be evaluated and implemented as demands require the additional strategies to be brought online. Some of the most recent NTMWD planning efforts include the:

- *Development and implementation of the current NTMWD Water Conservation and Drought Contingency Plan*
- *2007 State Water Plan formally presented by the Texas Water Development Board (TWDB) to the State Legislature in January 2007. The 2007 State Water Plan encompasses the next fifty years and is available on the Region C website at www.regioncwater.org.*
- *Participation by NTMWD in the regional planning process as dictated in Senate Bill 1, including having an NTMWD representative that has chaired the Region C Water Planning Group for 6 of the 9 years of the Planning Group's existence*
- *Participation by the NTMWD on the Senate Bill 1094 Water Conservation and Implementation Task Group to develop Best Management Practices for wise and efficient use of water within the State of Texas*

DEVELOPMENT MORATORIUMS

NTMWD's strategy from the very beginning has been to implement water-saving strategies that have the least impact on the local economy in order to avoid development moratoriums, which would have severe long-term impacts on the local economy. In addition, NTMWD does not have the legal authority to enact development moratoriums. Neither NTMWD's enabling legislation or the water supply contracts with the Member Cities and Customers allow NTMWD to enact development moratoriums.

RESERVOIR ANALYSES

NTMWD retained Freese and Nichols, Inc., one of the premier engineering firms in the State in water planning, to model NTMWD's reservoir operating system, supply capacities, and the demands that could be placed on the system in the event of an extended drought comparable to that of the 1950s.

Analyses were performed using various assumptions to show the impact of a continued drought on the available water supply. The analyses have shown that "a 10% savings in annual water use by conservation (comparable to the results achieved in 2006) would result in adequate water supplies even if the worst years of the drought of the 1950s had reoccurred."

The major assumptions used in the analyses include:

- *Development of the Upper Sabine Basin Supply Project by early 2008*
- *Development of the East Fork Raw Water Supply Project by April 2008*
- *Achieving 10% savings on annual water usage through conservation*



East Fork Raw Water Supply Project will utilize the environment through constructed wetlands to polish raw water supplies



Upper Sabine Basin River Water Supply Project pipeline will augment raw water supplies 50,000 – 80,000 acre-feet per year



The wise and efficient use of water will extend your supplies. Get tips at WaterIQ.org

WASTEWATER SYSTEM

Since the early 1970s, NTMWD has provided wastewater treatment services to its Member Cities and Customers while protecting water quality and the environment. NTMWD owns and operates four regional treatment facilities that provide secondary and/or tertiary level treatment. In addition to the regional facilities, NTMWD operates an additional 18 smaller treatment plants that are included in NTMWD's Sewer System.

NTMWD's Regional Wastewater System and Sewer System treated over 29 billion gallons of wastewater during the 2005-06 Operations Year (October 2005–September 2006) and treated over 34 billion gallons of wastewater during the 2006-07 Operations Year (October 2006–September 2007). Of the total wastewater treated during 2006-07, 19% received treatment through the NTMWD's Sewer System, while the remaining 81% received treatment at one of the four regional wastewater treatment plants.

The amount of rainfall received can result in increases or decreases in the amount of wastewater treated from year to year. In contrast to the Water System, decreases in volume of wastewater treated are seen during dry weather conditions. Treated wastewater volumes increase with heavy rain events, such as the spring rains of 2007, due to the inflow and infiltration of rain runoff through the wastewater systems.

Construction within the Wastewater System totaled more than \$122 million over the last two years. Major construction projects included construction of the Sabine Creek Regional Wastewater Treatment Plant (WWTP) serving the cities of Royse City and Fate; the Muddy Creek Regional WWTP serving the cities of Murphy and Wylie; and the Panther Creek WWTP serving the City of Frisco. Enhancements also began at the Wilson Creek Regional WWTP, which serves the cities of McKinney, Frisco, Allen, Plano, Princeton, Richardson, Parker, Melissa and Fairview.

Construction and improvements to the Interceptor Systems to transport wastewater flows to wastewater plants for treatment included: Buffalo Creek, Muddy Creek, Parker Creek, Sabine Creek, and the McKinney-Prosper interceptor pipelines.

Enhancements were also made within the Wastewater System with the construction of the Lower East Fork Interceptor System Force Main and Lift Station, the Plano Spring Creek Force Main and Lift Station, the Buffalo Creek Lift Station and Transfer Sewer, the Rowlett/Cottonwood Parallel Transfer Sewer, the Preston Road Lift Station, the Indian Creek Force Main, and the Beck Branch Parallel Pressure Sewer pipelines.



NTMWD's Wilson Creek Regional Wastewater Treatment Plant provides wastewater treatment under the strictest permit criteria in the State

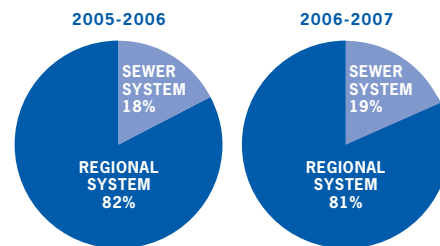
WASTEWATER SYSTEMS

Allen	McKinney	Plano
Forney	Melissa	Princeton
Fairview	Mesquite	Richardson
Frisco	Parker	

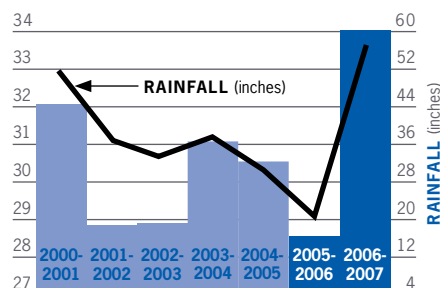
SEWER SYSTEMS

Farmersville	Murphy	Seis Lagos
Fate	Rockwall	Wylie
Frisco	Royse City	
Heath	Seagoville	

WASTEWATER PROCESSED BY SYSTEM



WASTEWATER TREATED (billions of gallons)



SOLID WASTE SYSTEM

NTMWD provides solid waste disposal services for over 650,000 citizens in five Member Cities and the residents of Collin County. The Solid Waste Member Cities are comprised of the cities of Allen, Frisco, McKinney, Plano, and Richardson.

NTMWD owns and operates the 121 Regional Disposal Facility (RDF) utilized by the Solid Waste Member Cities and Collin County. The 121 RDF is a component of the North Central Texas Council of Governments Solid Waste Master Plan and is expected to meet the solid waste needs of the area served by the NTMWD for the next 40 years.

The NTMWD operates three transfer stations that serve as collection sites for the commercial and household municipal waste collected within the Solid Waste Member Cities. At each of the transfer stations, the municipal waste is loaded into transfer trucks for transport by NTMWD vehicles to the landfill for safe and proper disposal.

As a benefit to citizens of the NTMWD Solid Waste Member Cities, a Citizen's Convenience Center is available for disposal of materials twice monthly, free of charge with proof of residency and a current water bill. In addition to available access to a disposal area, NTMWD provides a collection site for used motor oil and used oil filters.

During the 2005-06 and 2006-07 Operations Years, NTMWD safely disposed of over 699,000 tons and over 791,000 tons of commercial and municipal waste, respectively. The NTMWD Solid Waste Member Cities accounted for 81% of the tonnage disposed; outside customers, including private haulers, contributed the remaining 19%. NTMWD encourages the recycling and waste reduction activities that reduce the volume entering in the waste stream, thereby, prolonging the life of the landfill.

Construction within the Solid Waste System totaled over \$7.4 million with improvements to the Custer Road Transfer Station, a new Citizens Convenience Center at the 121 RDF, and the development of a composting operation site located within the 121 RDF property.

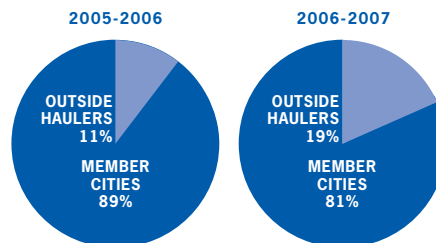


The 121 Regional Disposal Facility is expected to meet the solid waste needs of the area served by NTMWD for the next 40 years

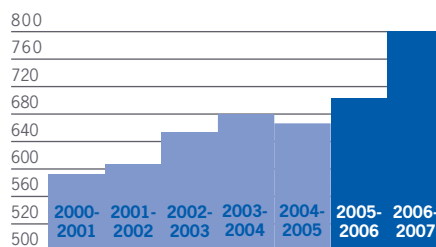
SOLID WASTE MEMBER CITIES

Allen Plano
 Frisco Richardson
 McKinney

SOLID WASTE BY CUSTOMER



SOLID WASTE VOLUME (thousands of tons)



NTMWD: A UNIQUE MODEL

The services made available to the NTMWD Member Cities and Customers are provided under voluntary contracts, using no tax dollars, and without profit. The most economical means of delivering these services result from the sharing of costs based upon usage, centralized administration, laboratory services, and facility maintenance services.

Through this regional approach, NTMWD is able to meet its obligation to provide water treatment and delivery, wastewater treatment, and solid waste disposal services to its Member Cities and Customers in a sound financial position and with reasonable cost in each system.

The NTMWD Annual All Systems Budget meets all requirements for operation and maintenance expenses, capital expenditures, and debt service requirements. Each of NTMWD's three systems is completely separate financially; no system may subsidize or draw revenue from the other. NTMWD remains committed to performing all services reliably and protecting the environment in the most economical manner.

	BUDGET 2005-2006	BUDGET 2006-2007	% CHANGE
REGIONAL WATER SYSTEM	\$ 95,850,560	\$ 109,918,075	15%
REGIONAL WASTEWATER SYSTEM	\$ 27,570,671	\$ 30,639,105	11%
SEWER SYSTEM	\$ 14,989,956	\$ 19,781,490	32%
INTERCEPTOR SYSTEM	\$ 12,449,755	\$ 12,740,090	2%
REGIONAL SOLID WASTE SYSTEM	\$ 19,150,672	\$ 19,646,625	3%
	\$ 170,011,614	\$ 192,725,385	13%

NTMWD STAFF

JAMES M. (JIM) PARKS
Executive Director

JOSEPH M. STANKIEWICZ
General Manager

MIKE RICKMAN
Assistant General Manager

JUDD R. SANDERSON
Director of Finance, Accounting, and Personnel

DAVID H. CANUP
Manager of Fleet and Equipment Maintenance

DAVID L. HARTLESS
*Manager of Engineering, Planning,
and Construction Management*

M. DOLAN McKNIGHT
*Manager of Permitting, Regulatory Compliance,
and Special Studies*

DAVID C. MORGAN
Manager of Maintenance Services

BENTLY POWELL
Manager of Real Estate and Property Acquisition

BOBBY J. REEVES
Manager of Operations

DAVID E. STEPHENS
*Manager of Water Quality and
Environmental Services*



NORTH TEXAS MUNICIPAL WATER DISTRICT BOARD OF DIRECTORS 2005-2006

Front Row:

Second Row:

Not Pictured:

C. L. McCUISTION, JR. <i>Forney</i>	JIM PARKS NTMWD EXECUTIVE DIRECTOR	DON CATES <i>Forney</i>	PATRICK NICKLEN <i>Princeton</i>	TERRY SAM ANDERSON <i>Mesquite</i>
LYNN SHUYLER <i>Frisco</i>	DR. JOE FARMER <i>Allen</i>	DARWIN WHITESIDE <i>Royse City</i>	LARRY PARKS <i>Rockwall</i>	BOB NUSSER <i>Richardson</i>
BILL HARRISON SECRETARY <i>Farmersville</i>	MARVIN FULLER <i>Wylie</i>	GARY DOWNEY <i>Frisco</i>	JOE JOPLIN <i>McKinney</i>	
KEN BELL VICE PRESIDENT <i>Richardson</i>	CHARLES MCKISSICK <i>McKinney</i>	BILL LOFLAND <i>Rockwall</i>	RICHARD H. ROACH <i>Garland</i>	
JERRY YANCEY PRESIDENT <i>Plano</i>	BOBBY ROBINSON <i>Mesquite</i>	JOHNNIE MARSHALL <i>Garland</i>		
	JAMES KERR <i>Allen</i>	ALEX R. SCHELL, III <i>Plano</i>		
	HARRY TIBBALS <i>Wylie</i>			



NORTH TEXAS MUNICIPAL WATER DISTRICT BOARD OF DIRECTORS 2006-2007

Seated (left to right):

Standing row (left to right):

C. L. McCUISTION, JR. <i>Forney</i>	PATRICK NICKLEN SECRETARY <i>Princeton</i>	BOBBY ROBINSON <i>Mesquite</i>	LARRY PARKS <i>Rockwall</i>	JAMES KERR <i>Allen</i>
JOHNNIE MARSHALL <i>Garland</i>	JIM PARKS NTMWD EXECUTIVE DIRECTOR	CHARLES MCKISSICK <i>McKinney</i>	BILL LOFLAND <i>Rockwall</i>	JERRY YANCEY <i>Plano</i>
KEN BELL PRESIDENT <i>Richardson</i>	ALEX R. SCHELL, III <i>Plano</i>	DR. JOE FARMER <i>Allen</i>	TERRY SAM ANDERSON <i>Mesquite</i>	DON CATES <i>Forney</i>
BILL HARRISON VICE PRESIDENT <i>Farmersville</i>	RICHARD H. ROACH <i>Garland</i>	JOE JOPLIN <i>McKinney</i>	GARY DOWNEY <i>Frisco</i>	BOB NUSSER <i>Richardson</i>
		LYNN SHUYLER <i>Frisco</i>	MARVIN FULLER <i>Wylie</i>	
			DARWIN WHITESIDE <i>Royse City</i>	<i>Not Pictured:</i>
				HARRY TIBBALS <i>Wylie</i>



NORTH TEXAS MUNICIPAL WATER DISTRICT

505 East Brown Street • P.O. Box 2408 • Wylie, Texas 75098

(972)442-5405 phone • (972)295-6440 fax

www.ntmwd.com