

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
OF DENTON AND WISE COUNTIES**

DENTON AND WISE COUNTIES, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2025

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET	8
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION	9
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	10
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES	11
NOTES TO THE FINANCIAL STATEMENTS	12-20
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND	22
SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	24-25
GENERAL FUND EXPENDITURES	26
INVESTMENTS	27
TAXES LEVIED AND RECEIVABLE	28-29
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND - FIVE YEARS	30-31
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	32-33

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
North Fort Worth Water Control
and Improvement District No. 1
Denton and Wise Counties, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of North Fort Worth Water Control and Improvement District No. 1 of Denton and Wise Counties (the "District") as of and for the year ended July 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of July 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors
North Fort Worth Water Control and Improvement District No. 1

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot Ellis PLLC

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants
Houston, Texas

January 8, 2026

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2025**

Management’s discussion and analysis of North Fort Worth Water Control and Improvement District No. 1 of Denton and Wise Counties (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended July 31, 2025. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Fund Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District’s annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide portion of these statements provides both long-term and short-term information about the District’s overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of the government-wide statements is the Statement of Net Position. The Statement of Net Position is the District-wide statement of its financial position presenting information that includes all of the District’s assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The government-wide portion of the Statement of Activities reports how the District’s net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. The General Fund accounts for resources not accounted for in another fund, property tax revenues, operating costs and general expenditures.

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2025**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District’s governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information (“RSI”) and other supplementary information. A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, assets exceeded liabilities by \$1,315,613 as of July 31, 2025.

A portion of the District’s net position reflects its net investment in capital assets (utility facilities less any debt used to acquire those assets that are still outstanding).

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2025**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table is a comparative analysis of government-wide changes in net position:

	Summary of Changes in the Statement of Net Position		
	2025	2024	Change Positive (Negative)
Current and Other Assets	\$ 1,489,122	\$ 931,180	\$ 557,942
Capital Assets (Net of Accumulated Depreciation)	<u>10,848,491</u>	<u>8,581,553</u>	<u>2,266,938</u>
Total Assets	<u>\$ 12,337,613</u>	<u>\$ 9,512,733</u>	<u>\$ 2,824,880</u>
Due to Developer	\$ 11,014,441	\$ 8,493,766	\$ (2,520,675)
Other Liabilities	<u>7,559</u>	<u>13,374</u>	<u>5,815</u>
Total Liabilities	<u>\$ 11,022,000</u>	<u>\$ 8,507,140</u>	<u>\$ (2,514,860)</u>
Net Position:			
Net Investment in Capital Assets	\$ (165,950)	\$ 87,787	\$ (253,737)
Unrestricted	<u>1,481,563</u>	<u>917,806</u>	<u>563,757</u>
Total Net Position	<u>\$ 1,315,613</u>	<u>\$ 1,005,593</u>	<u>\$ 310,020</u>

The following table provides a summary of the District’s operations for the years ended July 31, 2025, and July 31, 2024. The District’s net position increased by \$310,020.

	Summary of Changes in the Statement of Activities		
	2025	2024	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 581,435	\$ 396,828	\$ 184,607
Penalty and Interest	909	3,164	(2,255)
Other Revenues	<u>53,451</u>	<u>40,799</u>	<u>12,652</u>
Total Revenues	<u>\$ 635,795</u>	<u>\$ 440,791</u>	<u>\$ 195,004</u>
Expenses for Services	<u>325,775</u>	<u>275,695</u>	<u>(50,080)</u>
Change in Net Position	\$ 310,020	\$ 165,096	\$ 144,924
Net Position, Beginning of Year	<u>1,005,593</u>	<u>840,497</u>	<u>165,096</u>
Net Position, End of Year	<u>\$ 1,315,613</u>	<u>\$ 1,005,593</u>	<u>\$ 310,020</u>

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2025**

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS

The General Fund fund balance was \$1,479,321, an increase of \$565,138, primarily due to property tax revenues exceeding operating costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$37,963 more than budgeted revenues. Actual expenditures were \$52,577 less than budgeted expenditures. This resulted in a positive budget variance of \$90,540. See the budget to actual comparison for further information.

CAPITAL ASSETS

Capital assets as of July 31, 2025, total \$10,848,491 (net of accumulated depreciation) and include utilities. Additional information on the District’s capital assets can be found in Note 5 of this report.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2025	2024	Change Positive (Negative)
Capital Assets, Net of Accumulated Depreciation:			
Utilities	\$ 10,848,491	\$ 8,581,553	\$ 2,266,938

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to North Fort Worth Water Control and Improvement District No. 1, c/o Winstead PC, 2728 N. Harwood Street, Dallas, Texas 75201.

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
JULY 31, 2025**

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 6,969	\$	\$ 6,969
Investments	1,479,911		1,479,911
Receivables:			
Property Taxes	2,242		2,242
Capital Assets (Net of Accumulated Depreciation)		10,848,491	10,848,491
TOTAL ASSETS	\$ 1,489,122	\$ 10,848,491	\$ 12,337,613
LIABILITIES			
Accounts Payable	\$ 7,559	\$	\$ 7,559
Due to Developer		11,014,441	11,014,441
TOTAL LIABILITIES	\$ 7,559	\$ 11,014,441	\$ 11,022,000
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 2,242	\$ (2,242)	\$ -0-
FUND BALANCE			
Unassigned	\$ 1,479,321	\$ (1,479,321)	\$
TOTAL FUND BALANCE	\$ 1,479,321	\$ (1,479,321)	\$ - 0 -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
	\$ 1,489,122		
NET POSITION			
Net Investment in Capital Assets		\$ (165,950)	\$ (165,950)
Unrestricted		1,481,563	1,481,563
TOTAL NET POSITION		\$ 1,315,613	\$ 1,315,613

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

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JULY 31, 2025**

Total Fund Balance - Governmental Fund	\$ 1,479,321
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.</p>	10,848,491
<p>Deferred tax revenues on delinquent taxes for the 2024 and prior tax levies became part of recognized revenue in the governmental activities of the District.</p>	2,242
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:</p>	
Due to Developer	(11,014,441)
Total Net Position - Governmental Activities	\$ 1,315,613

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

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JULY 31, 2025**

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	\$ 582,815	\$ (1,380)	\$ 581,435
Penalty and Interest	909		909
Investment Revenues	52,735		52,735
Miscellaneous Revenues	716		716
TOTAL REVENUES	\$ 637,175	\$ (1,380)	\$ 635,795
EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	\$ 45,851	\$	\$ 45,851
Contracted Services	15,367		15,367
Depreciation		253,738	253,738
Other	10,819		10,819
TOTAL EXPENDITURES/EXPENSES	\$ 72,037	\$ 253,738	\$ 325,775
NET CHANGE IN FUND BALANCE	\$ 565,138	\$ (565,138)	\$
CHANGE IN NET POSITION		310,020	310,020
FUND BALANCE/NET POSITION - AUGUST 1, 2024	914,183	91,410	1,005,593
FUND BALANCE/NET POSITION - JULY 31, 2025	\$ 1,479,321	\$ (163,708)	\$ 1,315,613

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

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2025**

Net Change in Fund Balance - Governmental Fund	\$ 565,138
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(1,380)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	<u>(253,738)</u>
Change in Net Position - Governmental Activities	<u><u>\$ 310,020</u></u>

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

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025**

NOTE 1. CREATION OF DISTRICT

North Fort Worth Water Control and Improvement District No. 1 of Denton and Wise Counties (the “District”) was created by an order of the Texas Commission on Environmental Quality (the “Commission”) effective August 21, 2006, in accordance with the Texas Water Code, Chapter 51. The Board of Directors held its first meeting on December 13, 2006. Pursuant to the provisions of Chapters 49 and 51 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting.

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has one governmental fund and considers it to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, property tax revenues, costs and general expenditures.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in the governmental funds to be available if they are collected within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Utilities	45

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that directors are considered to be “employees” for federal payroll tax purposes only.

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District does not have any restricted fund balances

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have an assigned fund balance.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025**

NOTE 3. LONG-TERM DEBT

As of July 31, 2025, the District had authorized but unissued bonds in the amount of \$8,275,000 for utility facilities and \$8,275,000 for refunding purposes.

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$6,969 and the bank balance was \$6,969. The District was not exposed to custodial credit risk. The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at July 31, 2025, as listed below:

	Cash
GENERAL FUND	\$ 6,969

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Directors.

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025**

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in LOGIC (Local Government Investment Cooperative), an external public fund investment pool that is not SEC-registered. LOGIC is organized and existing as a business trust under the laws of the State of Texas with all participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the participants. Hilltop Securities, Inc. and J.P. Morgan Investment Management, Inc. serve as co-administrators of the pool. LOGIC measures all its portfolio assets at amortized cost for financial reporting purposes. The District records its investments in LOGIC at amortized cost. There are no limitations or restrictions on withdrawals from LOGIC.

As of July 31, 2025, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
LOGIC	<u>\$ 1,479,911</u>	<u>\$ 1,479,911</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At July 31, 2025, the District’s investment in LOGIC was rated AAAM by Standard and Poor’s.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in LOGIC to have maturities of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there have been significant changes in values.

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025**

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended July 31, 2025:

	August 1, 2024	Increases	Decreases	July 31, 2025
Capital Assets Subject to Depreciation				
Utilities	\$ 9,111,622	\$ 2,520,676	\$ - 0 -	\$ 11,632,298
Less Accumulated Depreciation				
Utilities	\$ 530,069	\$ 253,738	\$ - 0 -	\$ 783,807
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 8,581,553</u>	<u>\$ 2,266,938</u>	<u>\$ - 0 -</u>	<u>\$ 10,848,491</u>

The District has financed the water and wastewater facilities. Aqua Texas, Inc. currently provides water and wastewater service to the District.

NOTE 6. MAINTENANCE TAX

On May 12, 2007, the voters of the District approved the levy and collections of a maintenance tax in an unlimited amount per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating or improving the District’s waterworks and sanitary sewer system, including reimbursements to the developer using surplus maintenance funds to the extent allowed by law. During the current fiscal year, the District levied an ad valorem maintenance tax of \$0.60 per \$100 of assessed valuation, which resulted in a tax levy of \$583,800 on the adjusted taxable valuation of \$97,299,995 for the 2024 tax year

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025**

NOTE 7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters from which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 8. DUE TO DEVELOPERS

The District has executed a development financing agreement with a Developer within the District. The agreement calls for the Developer to fund costs associated with water, wastewater and drainage facilities, and grading, as well as fund operating advances. As of July 31, 2025, the District recorded an estimated remaining liability of \$11,014,441 in relation to this agreement for facilities that have been completed. The following table summarizes the current year activity for unreimbursed costs:

Due to Developer, beginning of year	\$ 8,493,765
Additions	<u>2,520,676</u>
Due to Developer, end of year	<u>\$ 11,014,441</u>

NOTE 9. LEASE AGREEMENT

On June 27, 2012, the District entered into a lease agreement with Aqua Texas, Inc. (“Aqua Texas”) to operate, maintain and manage the District’s facilities serving Shale Creek Subdivision, Sections 2A and 2B. The Developer has conveyed these facilities to the District. The District and Aqua Texas agree that both parties will benefit from Aqua Texas’ management, operations and maintenance of the facilities and that Aqua Texas will incur significant costs and risk in operating and managing the facilities, and therefore no lease rental payments or other monetary compensation is provided under this agreement. The term of this agreement is 25 years.

NOTE 10. PENDING BOND APPLICATION

Subsequent to year end, on November 19, 2025, the District issued a Bond Application to the Texas Commission on Environmental Quality for the approval of the proposed utility bonds in the amount of \$8,275,000.

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
OF DENTON AND WISE COUNTIES**

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2025

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2025**

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 575,212	\$ 582,815	\$ 7,603
Penalty and Interest		909	909
Investment Revenues	24,000	52,735	28,735
Miscellaneous Revenues		<u>716</u>	<u>716</u>
TOTAL REVENUES	<u>\$ 599,212</u>	<u>\$ 637,175</u>	<u>\$ 37,963</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 88,000	\$ 45,851	\$ 42,149
Contracted Services	19,800	15,367	4,433
Other	<u>16,814</u>	<u>10,819</u>	<u>5,995</u>
TOTAL EXPENDITURES	<u>\$ 124,614</u>	<u>\$ 72,037</u>	<u>\$ 52,577</u>
NET CHANGE IN FUND BALANCE	\$ 474,598	\$ 565,138	\$ 90,540
FUND BALANCE - AUGUST 1, 2024	<u>914,183</u>	<u>914,183</u>	
FUND BALANCE - JULY 31, 2025	<u>\$ 1,388,781</u>	<u>\$ 1,479,321</u>	<u>\$ 90,540</u>

See accompanying independent auditor's report.

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
OF DENTON AND WISE COUNTIES**

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

JULY 31, 2025

**NORTH FORT WORTH WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
OF DENTON AND WISE COUNTIES
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2025**

5. LOCATION OF DISTRICT:

Is the District located within a city's extraterritorial jurisdiction (ETJ)?

Entirely X Partly Not at all

ETJ in which District is located:

Fort Worth, Texas.

Are Board Members appointed by an office outside the District?

Yes No X

See accompanying independent auditor's report.

**NORTH FORT WORTH WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
OF DENTON AND WISE COUNTIES
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2025**

PROFESSIONAL FEES:	
Auditing	\$ 10,000
Engineering	11,974
Legal	<u>23,877</u>
TOTAL PROFESSIONAL FEES	<u>\$ 45,851</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 4,765
Bookkeeping	8,626
Tax Collector	<u>1,976</u>
TOTAL CONTRACTED SERVICES	<u>\$ 15,367</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 5,525
Insurance	3,119
Payroll Taxes	423
Travel and Meetings	853
Other	<u>899</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 10,819</u>
TOTAL EXPENDITURES	<u><u>\$ 72,037</u></u>

See accompanying independent auditor's report.

**NORTH FORT WORTH WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
OF DENTON AND WISE COUNTIES
INVESTMENTS
JULY 31, 2025**

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
LOGIC	XXXX9001	Varies	Daily	<u>\$ 1,479,911</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

**NORTH FORT WORTH WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
OF DENTON AND WISE COUNTIES
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2025**

	Maintenance Taxes	
TAXES RECEIVABLE -		
AUGUST 1, 2024	\$ 3,623	
Adjustments to Beginning		
Balance	(2,366)	\$ 1,257
Original 2024 Tax Levy	\$ 583,570	
Adjustment to 2024 Tax Levy	230	583,800
TOTAL TO BE		
ACCOUNTED FOR		\$ 585,057
 TAX COLLECTIONS:		
Prior Years	\$	
Current Year	582,815	582,815
 TAXES RECEIVABLE -		
JULY 31, 2025		\$ 2,242
 TAXES RECEIVABLE BY		
YEAR:		
2024		\$ 985
2023		595
2022		27
2019		55
2016		580
TOTAL		\$ 2,242

See accompanying independent auditor's report.

**NORTH FORT WORTH WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
OF DENTON AND WISE COUNTIES
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2025**

	2024	2023	2022	2021
PROPERTY VALUATIONS:				
Land	\$ 38,459,004	\$ 21,284,574	\$ 17,284,461	\$ 11,076,701
Improvements	59,537,594	43,818,913	39,539,375	29,957,506
Personal Property	7,385,745	13,198,576	4,517	190
Exemptions	(8,082,348)	(12,322,840)	(6,335,435)	(2,296,679)
TOTAL PROPERTY VALUATIONS	\$ 97,299,995	\$ 65,979,223	\$ 50,492,918	\$ 38,737,718
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Maintenance	0.60	0.60	0.60	0.60
TOTAL TAX RATES PER \$100 VALUATION	\$ 0.60	\$ 0.60	\$ 0.60	\$ 0.60
ADJUSTED TAX LEVY*	\$ 583,800	\$ 395,875	\$ 302,958	\$ 232,426
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	99.83 %	99.85 %	99.99 %	100.00 %

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

Maintenance Tax – Unlimited tax rate per \$100 of assessed valuation approved by voters on May 12, 2007.

See accompanying independent auditor's report.

**NORTH FORT WORTH WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
OF DENTON AND WISE COUNTIES
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	\$ 582,815	\$ 394,460	\$ 302,439
Penalty and Interest	909	3,164	379
Investment Revenues	52,735	40,799	20,637
Miscellaneous Revenues	716		
TOTAL REVENUES	<u>\$ 637,175</u>	<u>\$ 438,423</u>	<u>\$ 323,455</u>
EXPENDITURES			
Professional Fees	\$ 45,851	\$ 83,881	\$ 67,349
Contracted Services	15,367	13,691	16,005
Other	10,819	16,224	12,876
Capital Outlay			
Developer Interest			
TOTAL EXPENDITURES	<u>\$ 72,037</u>	<u>\$ 113,796</u>	<u>\$ 96,230</u>
NET CHANGE IN FUND BALANCE	\$ 565,138	\$ 324,627	\$ 227,225
BEGINNING FUND BALANCE	<u>914,183</u>	<u>589,556</u>	<u>362,331</u>
ENDING FUND BALANCE	<u>\$ 1,479,321</u>	<u>\$ 914,183</u>	<u>\$ 589,556</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2022	2021	2025	2024	2023	2022	2021
\$ 232,336	\$ 211,174	91.5 %	90.0 %	93.5 %	98.4 %	98.5 %
1,931		0.1	0.7	0.1	0.8	
1,713	2,932	8.3	9.3	6.4	0.7	1.4
		0.1				
<u>\$ 235,980</u>	<u>\$ 214,106</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 69,750	\$ 46,840	7.2 %	19.1 %	20.8 %	29.6 %	21.9 %
13,561	4,464	2.4	3.1	4.9	5.7	2.1
12,348	10,205	1.7	3.7	4.0	5.2	4.8
745,210					315.8	
27,254					11.5	
<u>\$ 868,123</u>	<u>\$ 61,509</u>	<u>11.3 %</u>	<u>25.9 %</u>	<u>29.7 %</u>	<u>367.8 %</u>	<u>28.8 %</u>
\$ (632,143)	\$ 152,597	<u>88.7 %</u>	<u>74.1 %</u>	<u>70.3 %</u>	<u>(267.8) %</u>	<u>71.2 %</u>
994,474	841,877					
<u>\$ 362,331</u>	<u>\$ 994,474</u>					
<u>N/A</u>	<u>N/A</u>					
<u>N/A</u>	<u>N/A</u>					

See accompanying independent auditor's report.

**NORTH FORT WORTH WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
OF DENTON AND WISE COUNTIES
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2025**

District Mailing Address - North Fort Worth Water Control and
Improvement District No. 1 of Denton
and Wise Counties
c/o Winstead PC
2728 N. Harwood Street
Dallas, Texas 75201

District Telephone Number - (214) 745-5353

Board Members	Term of Office (Elected or Appointed)	Fees of office for the year ended <u>July 31, 2025</u>	Expense Reimbursements for the year ended <u>July 31, 2025</u>	<u>Title</u>
J.D. Walker	05/22 05/26 (Elected)	\$ 1,326	\$ 41	President
Don Lucky	05/22 05/26 (Elected)	\$ 1,326	\$ 41	Vice President
Charles Garretson	05/22 05/26 (Elected)	\$ 663	\$ 21	Secretary
Steve Babcock	05/24 05/28 (Elected)	\$ 1,105	\$ 34	Assistant Secretary
Tom Thye	05/24 05/28 (Elected)	\$ 1,105	\$ 717	Assistant Secretary

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form: May 13, 2024

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060). Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**NORTH FORT WORTH WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
OF DENTON AND WISE COUNTIES
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2025**

<u>Consultants</u>	<u>Date Hired</u>	<u>Fees for the year ended July 31, 2025</u>	<u>Title</u>
Winstead PC	09/16/15	\$ 23,877	General Counsel
McCreary, Veselka, Bragg & Allen	01/21/09	\$ -0-	Delinquent Tax Attorney
McCall Gibson Swedlund Barfoot Ellis PLLC	10/13/22	\$ 10,000	Auditor
Dye & Toverly, LLC	12/13/06	\$ 8,626	Bookkeeper
LJA Engineering, Inc.	05/20/19	\$ 11,974	Engineer
Hilltop Securities Inc.	12/13/06	\$ -0-	Financial Advisor
Kerry Toverly	12/13/06	\$ -0-	Investment Officer
Denton County Tax Assessor/Collector	09/25/08	\$ 832	Tax Assessor/ Collector

See accompanying independent auditor's report.