

Control Number: 48054



Item Number: 13

Addendum StartPage: 0

DOCKET NO. 48054

APPLICATION OF CANYON FALLS §
MUNICIPAL UTILITY DISTRICT §
NO. 1 OF DENTON COUNTY FOR A §
WATER CERTIFICATE OF §
CONVENIENCE AND NECESSITY §
IN DENTON COUNTY §

PUBLIC UTILITY COMMISSION
OF TEXAS

**CANYON FALLS MUNICIPAL UTILITY DISTRICT NO. 1'S RESPONSES
TO COMMISSION STAFF'S FIRST REQUESTS FOR INFORMATION
QUESTION NOS. STAFF 1-1 THROUGH STAFF 1-4**

To: Public Utility Commission Staff by and through its attorney of record, Richard Nemer, Public Utility Commission, Legal Division, 1701 N. Congress Avenue, Austin, Texas 78701

Canyon Falls Municipal Utility District No. 1 of Denton County ("Canyon Falls") provides this response to Commission Staff's First Request for Information to Canyon Falls. Canyon Falls stipulates that the following responses to the requests for information may be treated by all parties as if the answer was filed under oath.

Dated: April 24, 2018

Respectfully submitted,

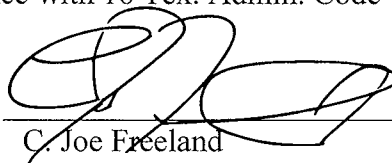


C. Joe Freeland
State Bar No. 07417500
Mathews & Freeland, LLP
8140 N. MoPac Expy, Suite 2-260
Austin, Texas 78759
(512) 404-7800
jfreeland@mandf.com

ATTORNEYS FOR THE CANYON FALLS

CERTIFICATE OF SERVICE

I hereby certify that true and correct copy of the foregoing document has been served on all parties of record on April 24, 2018, in accordance with 16 Tex. Admin. Code § 22.74.


C. Joe Freeland

DOCKET NO. 48054

**COMMISSION STAFF'S FIRST REQUEST
FOR INFORMATION TO CANYON FALLS**

QUESTION NOS. STAFF 1-1 THROUGH STAFF 1-4

Staff 1-1 Referencing pages 9-10 in Canyon Falls MUD's application, filed on February 12, 2018 as Item No. 1 in Docket No. 48054 (Application), please provide annual financial statements for Canyon Falls MUD for fiscal year ending December 31, 2017 (or if unavailable, for fiscal year ending December 31, 2016) including:

- i. Auditor's opinion letter;
- ii. Statement of net position or its equivalent; and
- iii. Statement of revenues and expenditures.

Response: Under Texas Water Code Section 49.198, the District has not met the financial threshold that requires an audit. Accordingly, the District's bookkeeper prepares an annual financial report.

Attached is the Canyon Falls annual financial report for the fiscal year ending June 30, 2017.

Prepared by: Kathi Dye, District Bookkeeper
Sponsored by: Not yet determined



ANNUAL FINANCIAL REPORT

Of

District Name Canyon Falls MUD No. 1
Mailing Address: c/o Crawford & Jordan 19 Briar Hollow Ln., Ste 245; Houston TX 77027
For the Fiscal year ended: 6/30/2017
Preparer: Kathi Dye - Dye & Bloomfield, LLC
Title: District Bookkeeper Date: 7-21-17
Telephone Number: (AC) (972) 612-0088

AUDIT REPORT EXEMPTION

Texas Water Code Section 49.198 (effective September 1, 2011)

- (a) A district may elect to file annual financial reports with the executive director in lieu of the district's compliance with Section 49.191 provided:
- (1) the district had no bonds or other long-term (more than one year) liabilities outstanding during the fiscal period;
 - (2) the district did not have gross receipts from operations, loans, taxes, or contributions in excess of \$250,000 during the fiscal period; and
 - (3) the district's cash and temporary investments were not in excess of \$250,000 at any time during the fiscal period.
- (b) The annual financial report must be accompanied by an affidavit attesting to the accuracy and authenticity of the financial report signed by a duly authorized representative of the district.
- (c) The annual financial report and affidavit in a format prescribed by the executive director must be on file with the executive director within 45 days after the close of the district's fiscal year.
- (d) Districts governed by this section are subject to periodic audits by the executive director.

If the accompanying financial statements are compiled by a certified public accountant, see SSARS-1 and SSARS-7 for the applicable standards for reporting on compiled financial statements.

District Name: [REDACTED]

MISCELLANEOUS DISCLOSURES AND MAILING INFORMATION
as of the District's Fiscal Year-End

A. Disclosures to comply with Rule 30 TAC 293.95 (b)

(1) Was there any developer activity to prepare for residential or commercial development?

"Developer activity" means construction performed or actions taken in preparation for construction (i.e., plans, permits) to provide services for or access to present or future residential or commercial water, sewer or drainage facilities.

No Yes

If yes, have payments for these facilities been made by (an) other party (ies) on behalf of the district?

No Yes

These payments are estimated to cumulatively be:

Organizational Costs	[REDACTED]
Construction Costs	[REDACTED]
Administration Costs	[REDACTED]
Total Costs	[REDACTED]

(2) Was the Board aware of any other types of contingent or actual liabilities (e.g., claims, lawsuits) which are not disclosed elsewhere in this report?

No Yes If yes, explain.



B. Disclosures to comply with V.T.C.A. Water Code §49.054(e) and §49.455(j). The Texas Commission on Environmental Quality must be notified of any changes in boundaries, board members, board terms, and addresses. Guidance for filing this information and a District Registration Form may be obtained by calling 512/239-4691.

C. Additional Information. This report should be sent to:
District Creation Review Team, MC-152
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, TX 78711-3087
Phone #: (512) 239-4691 Facsimile #: (512) 239-6190

BALANCE SHEET – CASH BASIS

ASSETS

Cash on Hand	_____
Cash in Bank (Schedule A)	25,785
Investment (Schedule B)	_____
Total Cash and Investments (1)	_____
Accrued Interest Receivable – Optional (Schedule B)	_____
Inventory	_____
General Fixed Assets	_____
Other Assets	_____
(Explain):	_____
Deposit - acctg svcs	500

TOTAL ASSETS (2) 26,285

LIABILITIES AND EXCESS

Notes Payable	_____
Refundable Deposits	_____
Developer Advances	_____
Other Liabilities	_____
(Explain):	_____
Payroll tax	349
TOTAL LIABILITIES	_____
Excess Assets Over Liabilities	349
Total Liabilities and Excess (3)	25,936
	<u>26,285</u>

Note to Preparer: “TOTAL CASH AND INVESTMENTS” (1) must equal “CASH AND INVESTMENTS – End of Year “on the Statement of Receipts and Disbursement, page 5.

“TOTAL LIABILITIES AND EXCESS” (3) must equal “TOTAL ASETS” (2).

STATEMENT OF RECEIPTS AND DISBURSEMENTS – CASH BASIS

RECEIPTS

Service Revenues	_____
Tax Receipts	_____ 36,130
Penalty and Interest Received	_____
Interest Received on Investments	_____ 17
Loans or Advances	_____ 60,000
All Other Receipts	_____
(Explain):	_____

TOTAL RECEIPTS _____ 96,147

LESS DISBURSEMENTS

Purchased Services for Resale	_____
Payroll	_____ 4,579
Legal, Accounting, or Contract Service	_____ 70,712
Supplies and Materials	_____
Maintenance	_____
Note Payments and Repayment of Advances	_____
All other Disbursements (Schedule C)	_____ 3,379
Total Disbursements	_____ 78,670
Excess of Receipts Over (Under) Disbursements	_____ 17,477
Cash and Investments – Beginning of Year	_____ 8,308
Cash and Investments – End of Year	_____ 25,785

(See Note, Page 4)

Note to Preparer: In addition to all disbursements related to the purchase of consumable supplies and materials, certain assets of insignificant value may be considered consumable and accordingly recognized under the account classification “Supplies and Materials.” Please refer to **EXPLANATION OF TERMS**, General Fixed Assets, pages 7 and 8 of this report, for additional clarification.

SCHEDULA 1 – CASH IN BANK (1)

Name of Bank	Account Number	Purpose of Account	Balance
PlainsCapital Bank		Gen Fd - Operating	25,785
TOTAL			25,785

SCHEDULE B – INVESTMENTS (2)

Type of Investment	Name of Bank	Certificate Number	Interest Rate	Maturity Date	Principal Balance	(Optional) Accrued Interest
N/A						
TOTALS						

SCHEDULE C – SCHEDULE OF ALL OTHER DISBURSEMENTS (3)

Description of Disbursements (4)	Amount
Delivery or Courier Services	
Insurance	1,855
Miscellaneous	(26)
Publishing notices	1,150
Election exp	400
Delivery/courier	
TOTAL	3,379

- (1) Please refer to Explanation of Terms, Cash in Bank, page 7 of this report, for proper reporting.
- (2) Please refer to Explanation of Terms, Investments, page 8 of this report, for proper reporting of “Principal Balance” and “Accrued Interest.”
- (3) Please refer to Explanation of Terms, All Other Disbursements, page 7 of this report, for proper reporting of “All Other Disbursements.”
- (4) A description should be given for each type of transaction and the amount of payments attributable to this type of disbursement. It may not be necessary to list each transaction separately.

DOCKET NO. 48054

**COMMISSION STAFF'S FIRST REQUEST
FOR INFORMATION TO CANYON FALLS**

QUESTION NOS. STAFF 1-1 THROUGH STAFF 1-4

Staff 1-2 Referencing pages 9-10 in the Application, please provide water system costs including those relating to:

- i. Construction of the water system;
- ii. Operation of the water system; and
- iii. Maintenance of the water system.

Response: See attached spreadsheet detailing projected costs for the construction of the water system. As explained in the Application, the water system infrastructure will be constructed by the developer, as part of the overall construction of development infrastructure. Ultimately, the District will reimburse the developer for the costs of construction out of bond proceeds. The District will pay debt service on the bonds using a debt service tax.

Also as explained in the Application, the District has contracted with the Town of Northlake to operate and maintain the system. Northlake will charge the District its current retail rates based on the number of customers served. Northlake, on the District's behalf, will bill the customers at the District's rates. Northlake will transfer the funds generated by the difference in these rates to the District. The District will use these funds to pay for replacement of system components. The District's projected operation and maintenance costs are shown in the spreadsheet provided in response to Staff 1-4.

Prepared by: Jonathan Finke, Attorney for the District
Sponsored by: Not yet determined

**CANYON FALLS MUD #1
WATER SYSTEM COSTS
5-Apr-18**

<u>DESCRIPTION</u>	<u>UNIT</u>	<u>QTY.</u>	<u>UNIT COST</u>	<u>TOTAL COST</u>
Water System - Initial Costs				
7AR	FF	4,140	\$80	\$331,200
8AR	FF	5,630	80	450,400
9AR	FF	4,950	80	396,000
10AR	FF	3,240	80	259,200
19AR	FF	2,720	80	217,600
20AR	FF	4,410	80	352,800
Pump Station	LS	20%	2,965,616	593,123
12" Water in Prairie Ridge	LF	600	50	30,000
			Subtotal	\$2,600,323
Engineering and Surveying	LS	1	10%	\$260,032.32
Contingency	LS	1	15%	\$39,004.85
			Subtotal Water System	\$2,899,360.37
Capital Repair Costs				
2018	EA	1	\$0	\$0
2019	EA	1	0	0
2020	EA	1	3,000	3,000
2021	EA	1	3,300	3,300
2022	EA	1	3,630	3,630
			Subtotal O&M	\$9,930.00
			Total	\$2,909,290.37

DOCKET NO. 48054

**COMMISSION STAFF'S FIRST REQUEST
FOR INFORMATION TO CANYON FALLS**

QUESTION NOS. STAFF 1-1 THROUGH STAFF 1-4

Staff 1-3 Referencing pages 9-10 in the Application, please provide documents substantiating the developer's full financial commitment for construction of the water system.

Response: Addendum 7 in the Application contains the Development Financing Agreement between the District and the developer, Nash Canyon Falls, LLC. This is the document substantiating the developer's financial commitment for construction of the water system. The contract (Section 1.01) addresses the "Project," which expressly includes the District's water distribution and supply facilities. In Section 1.04 of the agreement, the developer agrees to pay "all costs of design, engineering, materials, labor, construction, inspection and easements arising in connection with the Project."

Prepared by: Jonathan Finke, Attorney for the District
Sponsored by: Not yet determined

DOCKET NO. 48054

**COMMISSION STAFF'S FIRST REQUEST
FOR INFORMATION TO CANYON FALLS**

QUESTION NOS. STAFF 1-1 THROUGH STAFF 1-4

- Staff 1-4** Referencing pages 9-10 in the Application, please provide projections for the first five years of operation including the following documents:
- i. Profit and loss statements;
 - ii. Cash flow worksheets; and
 - iii. Balance sheets.

NOTE: Income from rates should correlate to the projected growth in connections, shown on the projected profit and loss statement.

Response: See attached Profit and Loss/Cash Flow worksheet and Balance Sheet. Please refer to the response to Staff 1-2 for a description of how the District will fund the construction and operation of the system.

Prepared by: Jonathan Finke, Attorney for the District
Sponsored by: Not yet determined

**Canyon Falls MUD #1
Projected Cash Flow**

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Existing Number of Taps		15	32	56	69
New Taps per Year	15	17	24	13	13
Total Meters at Year End	15	32	56	69	82
REVENUE					
Meter Placement Fee (\$350)	\$5,250	\$5,950	\$8,400	\$4,550	\$4,550
Tap Fee (\$1,500)	\$22,500	\$25,500	\$36,000	\$19,500	\$19,500
Service Fees (\$360/year) *	\$5,400	\$11,520	\$20,160	\$24,840	\$29,520
Total Revenues	\$33,150	\$42,970	\$64,560	\$48,890	\$53,570
EXPENSES					
North Lake Meter Placement FEE (\$350)	\$5,250	\$5,950	\$8,400	\$4,550	\$4,550
North Lake Tap Fees (\$1,100)	\$16,500	\$18,700	\$26,400	\$14,300	\$14,300
North Lake Service Fees (\$333/year)	\$4,995	\$10,656	\$18,648	\$22,977	\$27,306
CFMUD O&M Expenses	\$0	\$0	\$3,000	\$3,300	\$3,630
Depreciation	\$98,664	\$248,478	\$287,066	\$341,386	\$341,386
Total Expenses	\$125,409	\$283,784	\$343,514	\$386,513	\$391,172
NET INCOME	(92,259)	(240,814)	(278,954)	(337,623)	(337,602)
Addback noncash depreciation	\$98,664	\$248,478	\$287,066	\$341,386	\$341,386
YEAR END CASH BALANCE	\$6,405	\$7,664	\$8,112	\$3,763	\$3,784

* Based on Base Rate of \$21.50/month and Consumption of 6,000 gallons

Canyon Falls MUD #1 (Water Only)
Projected Balance Sheets

	<u>Start Up</u>	<u>Yr 1</u> 2018	<u>Yr 2</u> 2019	<u>Yr 3</u> 2020	<u>Yr 4</u> 2021	<u>Yr 5</u> 2022
Current Assets						
Cash		6,405	14,069	22,181	25,944	29,728
AR						
Total Current Assets	-	6,405	14,069	22,181	25,944	29,728
Fixed Assets		2,959,924	7,454,331	8,611,975	10,241,579	10,241,579
Accum depr		(98,664)	(347,142)	(634,208)	(975,594)	(1,316,980)
Total fixed assets	-	2,861,260	7,107,189	7,977,767	9,265,985	8,924,599
Total Assets	-	2,867,665	7,121,258	7,999,948	9,291,929	8,954,327
Current Liabilities						
Accounts Payable						
Total Currant Assets						
Developer advance	-	2,959,924	7,454,331	8,611,975	10,241,579	10,241,579
Total Liabilities	-	2,959,924	7,454,331	8,611,975	10,241,579	10,241,579
Fund Balance		(92,259)	(333,073)	(612,027)	(949,650)	(1,287,252)
Total Liabilities & Fund Balance	-	2,867,665	7,121,258	7,999,948	9,291,929	8,954,327