CANYON FALLS MUNICIPAL UTILITY DISTRICT NO. 1 OF DENTON COUNTY

DENTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2025

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

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McCall Gibson Swedlund Barfoot Ellis PLLC

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Canyon Falls Municipal Utility
District No. 1 of Denton County
Denton County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Canyon Falls Municipal Utility District No. 1 of Denton County (the "District") as of and for the year ended June 30, 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 each major fund of the District as of June 30, 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.

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, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, 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

September 19, 2025

CANYON FALLS MUNICIPAL UTILITY DISTRICT NO. 1 OF DENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025

Management's discussion and analysis of the financial performance of Canyon Falls Municipal Utility District No. 1 of Denton County (the "District") provides an overview of the District's financial activities for the fiscal year ended June 30, 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 Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. 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 financial statements provide 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 Statement of Net Position 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 Statement of Activities reports how the District's net position changed during the current 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 three governmental fund types. The General Fund accounts for maintenance tax revenues, permit fees, professional fees and administrative costs. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for serving bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

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 current fiscal 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 the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances 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 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, liabilities exceeded assets by $2,250,263 as of June 30, 2025. A portion of the District's net position reflects its net investment in capital assets, which include certain water distribution, roads and drainage infrastructure owned by the District as well as wastewater infrastructure which has been conveyed to the Town of Argyle, Texas for operations, and maintenance less any debt used to finance those assets that is still outstanding.

The first table on the following page presents a comparative analysis of government-wide changes in net position.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2025	2024	Change Positive (Negative)
Current and Other Assets	$ 3,697,067	$ 3,257,220	$ 439,847
Capital Assets (Net of Accumulated Depreciation)	13,466,990	13,675,227	(208,237)
Total Assets	$ 17,164,057	$ 16,932,447	$ 231,610
Bonds Payable	$ 19,137,775	$ 19,698,003	$ 560,228
Other Liabilities	276,545	287,401	10,856
Total Liabilities	$ 19,414,320	$ 19,985,404	$ 571,084
Net Position:			
Net Investment in Capital Assets	$ (5,057,914)	$ (5,406,821)	$ 348,907
Restricted	1,213,358	1,152,114	61,244
Unrestricted	1,594,293	1,201,750	392,543
Total Net Position	$ (2,250,263)	$ (3,052,957)	$ 802,694

The following table provides a summary of the District's operations for the years ended June 30, 2025, and June 30, 2024.

	Summary of Changes in the Statement of Activities		
	2025	2024	Change Positive (Negative)
Revenues:			
Property Taxes	$ 1,781,242	$ 1,589,929	$ 191,313
Permit Fees	30,800	59,400	(28,600)
Miscellaneous Revenues	148,474	129,613	18,861
Total Revenues	$ 1,960,516	$ 1,778,942	$ 181,574
Total Expenses	1,157,822	2,252,510	1,094,688
Change in Net Position	$ 802,694	$ (473,568)	$ 1,276,262
Net Position, Beginning of Year	(3,052,957)	(2,579,389)	(473,568)
Net Position, End of Year	$ (2,250,263)	$ (3,052,957)	$ 802,694

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2025, were $3,674,870, an increase of $450,495 from the prior year.

The General Fund fund balance increased by $393,719, primarily due to property taxes and permit fees exceeding operating costs.

The Debt Service Fund increased by $59,860, primarily due to the structure of the District's long-term debt.

The Capital Projects Fund decreased by $3,084.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted a General Fund budget for the current fiscal year. The budget was amended to decrease projected property tax revenues as a result of a decrease in the maintenance tax rate. Actual revenues were $33,485 more than budgeted revenues and actual expenditures were $135,735 less than budgeted expenditures which resulted in a positive variance of $169,220. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets consist of land, roads, and the water, wastewater, and drainage facilities that serve the District. Capital assets as of June 30, 2025, total $13,466,990 (net accumulated depreciation).

Capital Assets At Year-End

	2025	2024	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 2,651,824	$ 2,651,824	$
Capital Assets Subject to Depreciation:			
Roads	4,273,628	4,209,335	64,293
Water System	2,683,075	2,683,075	
Wastewater System	3,032,502	3,032,502	
Drainage System	2,295,783	2,295,783	
Less Accumulated Depreciation	(1,469,822)	(1,197,292)	(272,530)
Total Net Capital Assets	$ 13,466,990	$ 13,675,227	$ (208,237)

LONG-TERM DEBT ACTIVITY

At year end the District had total bond debt payable of $19,130,000. The change in bonds payable during the current fiscal year is summarized in the following table:

Bond Debt Payable, July 1, 2024	$ 19,690,000
Less: Bond Principal Paid	(560,000)
Bond Debt Payable, June 30, 2025	$ 19,130,000

The District has been assigned an underlying rating of "Baa3". The Series 2020 Road bonds and Series 2021 Road bonds do not have insured ratings. The Series 2022 Bonds have an insured rating of "AA/A1" by virtue of bond insurance issued by Assured Guaranty Inc. The Series 2024 Utility Bonds and Series 2024 Road Bonds have insured ratings of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company. Credit enhanced ratings provided through bond insurance policies are subject to change based on changes to the ratings of the insurers.

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 Canyon Falls Municipal Utility District No. 1 of Denton County, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

CANYON FALLS MUNICIPAL UTILITY DISTRICT NO. 1 OF DENTON COUNTY
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2025

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 2,295	$ 1,628
Investments	1,604,304	1,468,218
Property Taxes Receivable	2,140	5,611
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 1,608,739	$ 1,475,457
LIABILITIES		
Accounts Payable	$ 14,446	$
Accrued Interest Payable		
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 14,446	$ -0-
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 2,140	$ 5,611
FUND BALANCES		
Restricted for Authorized Construction	$	$
Restricted for Debt Service		1,469,846
Unassigned	1,592,153	
TOTAL FUND BALANCES	$ 1,592,153	$ 1,469,846
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,608,739	$ 1,475,457
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 620	$ 4,543	$	$ 4,543
612,251	3,684,773		3,684,773
	7,751		7,751
		13,466,990	13,466,990
$ 612,871	$ 3,697,067	$ 13,466,990	$ 17,164,057
$	$ 14,446	$	$ 14,446
		262,099	262,099
		590,000	590,000
		18,547,775	18,547,775
$ -0-	$ 14,446	$ 19,399,874	$ 19,414,320
$ -0-	$ 7,751	$ (7,751)	$ -0-
$ 612,871	$ 612,871	$ (612,871)	$
	1,469,846	(1,469,846)	
	1,592,153	(1,592,153)	
$ 612,871	$ 3,674,870	$ (3,674,870)	$ - 0 -
$ 612,871	$ 3,697,067		
		$ (5,057,914)	$ (5,057,914)
		1,213,358	1,213,358
		1,594,293	1,594,293
		$ (2,250,263)	$ (2,250,263)

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

CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total Fund Balances - Governmental Funds		$ 3,674,870
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		13,466,990
Deferred inflows of resources related to property tax revenues for the 2024 tax levy became part of recognized revenue in the governmental activities of the District.		7,751
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:		
Accrued Interest Payable	$ (262,099)	
Bonds Payable	(19,137,775)	(19,399,874)
Total Net Position - Governmental Activities		$ (2,250,263)

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

CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 493,069	$ 1,292,295
Permit Fees	30,800	
Investment and Miscellaneous Revenues	63,346	55,712
TOTAL REVENUES	$ 587,215	$ 1,348,007
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 93,473	$
Contracted Services	23,183	12,518
Repairs and Maintenance	1,624	
Depreciation		
Other	43,423	
Capital Outlay	31,793	
Debt Service:		
Bond Principal		560,000
Bond Interest		715,629
TOTAL EXPENDITURES/EXPENSES	$ 193,496	$ 1,288,147
NET CHANGE IN FUND BALANCES	$ 393,719	$ 59,860
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JULY 1, 2024	1,198,434	1,409,986
FUND BALANCES/NET POSITION - JUNE 30, 2025	$ 1,592,153	$ 1,469,846

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 1,785,364	$ (4,122)	$ 1,781,242
	30,800		30,800
29,416	148,474		148,474
$ 29,416	$ 1,964,638	$ (4,122)	$ 1,960,516
$	$ 93,473	$	$ 93,473
	35,701		35,701
	1,624		1,624
		272,530	272,530
	43,423		43,423
32,500	64,293	(64,293)	
	560,000	(560,000)	
	715,629	(4,558)	711,071
$ 32,500	$ 1,514,143	$ (356,321)	$ 1,157,822
$ (3,084)	$ 450,495	$ (450,495)	$
		802,694	802,694
615,955	3,224,375	(6,277,332)	(3,052,957)
$ 612,871	$ 3,674,870	$ (5,925,133)	$ (2,250,263)

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

CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Net Change in Fund Balances - Governmental Funds	$	450,495
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.		(4,122)
Governmental funds do not account for depreciation of capital assets. However, in the Statement of Activities, depreciation expense is recorded.		(272,530)
Governmental funds report developer reimbursements as expenditures in the year paid. However, the District records the payments for purchased infrastructure as capital assets in the Statement of Net Position.		64,293
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		4,558
Government funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		560,000
Change in Net Position - Governmental Activities	$	802,694

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

CANYON FALLS MUNICIPAL UTILITY DISTRICT NO. 1 OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1. CREATION OF DISTRICT

On March 27, 2008, Argyle consented to the creation of the District. The District was organized under the terms and provisions of Article XVI, Section 59 of the Texas Constitution and the applicable provisions of Chapters 49 and 54 of the Texas Water Code, as amended. By Order dated December 29, 2008, the Texas Commission on Environmental Quality (the "Commission") approved the creation of the District as a municipal utility district with powers pursuant to Chapters 49 and 54 of the Texas Water Code and the District remains subject to the continuing supervision of the Commission. Voters confirmed the creation of the District at an election held on November 6, 2012.

Subsequently, on or about June 15, 2015, under Special District Local Laws Code Chapter 7908, the District was granted the authority under Article III, Section 52, Texas Constitution, to design, acquire, construct, finance, issue bonds for, improve, operate, maintain, and convey to this state, a county, or a municipality for operation and maintenance macadamized, graveled, or paved roads, or improvements, including storm drainage, in aid of those roads.

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* as 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 ("GASB Codification"). 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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

These classifications are defined as follows:

- 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 and are combined with the governmental fund financial statements as is allowed for special-purpose governments. 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 funds 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 are eliminated by adjustment to obtain net total revenues and expenses of the Statement of Activities.

Fund Financial Statements

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

General Fund - To account for maintenance tax revenues, permit fees, professional fees and administrative costs.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

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 collectable within sixty 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 the taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonable 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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

The District owns the water distribution, road, and drainage facilities that serve the District. Capital assets are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost. Repairs and maintenance are expensed as incurred. 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 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 over a period of 45 years.

In accordance with the agreements discussed in Notes 8, 9 and 10, certain completed infrastructure is conveyed to other entities for operation and maintenance. Those entities utilize the infrastructure to provide utility services to residents of the District. The District is entitled to significant residual interest in the facilities conveyed and records these facilities as District assets in accordance with GASB Statement No. 94.

Budgeting

A budget is adopted for the General Fund by the District's Board of Directors each year and is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the budgeted amounts compared to the actual amounts of revenues and expenditures.

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.

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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.

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 any assigned fund balances.

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.

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.

NOTE 3. LONG-TERM DEBT

Bonds payable transactions for the current fiscal year is summarized in the following table:

	July 1, 2024	Additions	Retirements	June 30, 2025
Bonds Payable	$ 19,690,000	$	$ 560,000	$ 19,130,000
Unamortized Premiums	156,423		6,806	149,617
Unamortized Discounts	(148,420)		(6,578)	(141,842)
Bonds Payable, Net	$ 19,698,003	$ -0-	$ 560,228	$ 19,137,775

Amount Due Within One Year	$ 590,000
Amount Due After One Year	18,547,775
Bonds Payable, Net	$ 19,137,775

	Series 2020 Road	Series 2021 Road	Series 2022 Utility
Amounts Outstanding – June 30, 2025	$4,455,000	$3,130,000	$5,955,000
Interest Rates	2.10% - 3.125%	2.00% - 3.00%	4.00% - 6.00%
Maturity Dates – Serially Beginning/Ending	February 15, 2026/2045	February 15, 2026/2046	February 15, 2026/2047
Interest Payment Dates	August 15/ February 15	August 15/ February 15	August 15/ February 15
Callable Dates	February 15, 2027*	February 15, 2027*	February 15, 2029*

* The bonds are subject to redemption at the option of the District prior to their maturity in whole or from time to time in part, on the call date or any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2020 Road term bonds maturing on February 15, 2036, 2038, 2040, 2042, and 2045 are subject to mandatory sinking fund redemption by lot or other customary method at a price equal to par plus accrued interest to the redemption date beginning February 15, 2035, 2037, 2039, 2041, and 2043, respectively. Series 2021 Road term bonds maturing on February 15, 2046 are subject to mandatory sinking fund redemption by lot or other customary method at a price equal to par plus accrued interest to the redemption date beginning February 15, 2039. Series 2022 Utility term bonds maturing on February 15, 2032, 2034, 2044, and 2047, are subject to mandatory sinking fund redemption at a price equal to the principal amount thereof on the redemption date beginning February 15, 2031, 2033, 2042, and 2045, respectively.

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2024 Utility	Series 2024 Road
Amounts Outstanding – June 30, 2025	$2,930,000	$2,660,000
Interest Rates	4.00% - 5.00%	3.75% - 5.00%
Maturity Dates – Serially Beginning/Ending	February 15, 2026/2048	February 15, 2026/2048
Interest Payment Dates	August 15/ February 15	August 15/ February 15
Callable Dates	February 15, 2030*	February 15, 2030*

* The bonds are subject to redemption at the option of the District prior to their maturity in whole or from time to time in part, on the call date or any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2024 Road term bonds maturing on February 15, 2031, 2033, and 2038, are subject to mandatory sinking fund redemption at a price equal to the principal amount thereof on the redemption date beginning February 15, 2030, 2032, and 2036, respectively. Series 2024 Utility term bonds maturing on February 15, 2031, 2033, 2039, 2041, 2044, 2046, and 2048, are subject to mandatory sinking fund redemption at a price equal to the principal amount thereof on the redemption date beginning February 15, 2030, 2032, 2038, 2040, 2042, 2045, and 2047, respectively.

As of June 30, 2025, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 590,000	$ 698,930	$ 1,288,930
2027	615,000	676,910	1,291,910
2028	635,000	653,610	1,288,610
2029	655,000	630,319	1,285,319
2030	680,000	603,999	1,283,999
2031-2035	3,790,000	2,666,461	6,456,461
2036-2040	4,560,000	1,959,535	6,519,535
2041-2045	5,510,000	1,060,950	6,570,950
2046-2048	2,095,000	148,117	2,243,117
	$ 19,130,000	$ 9,098,831	$ 28,228,831

NOTE 3. LONG-TERM DEBT (Continued)

As of June 30, 2025, the District had authorized but unissued bonds in the amount of $41,265,000 for utility facilities, $50,515,000 for refunding utility bonds, $37,550,000 for road facilities and $48,595,000 for refunding road bonds. The bonds of the District are payable from the proceeds of an annual ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

During the year ended June 30, 2025, the District levied an ad valorem debt service tax rate of $0.57935 per $100 of assessed valuation, which resulted in a tax levy of $1,288,816 on the adjusted taxable valuation of $222,459,339 for the 2024 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

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.

NOTE 4. SIGNIFICANT BOND RESOLUTIONS AND LEGAL REQUIREMENTS

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each issue.

The Bond Resolutions state the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

NOTE 5. 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 $254,543 and the bank balance was $256,733. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at June 30, 2025, as listed below:

	Cash	Certificate of Deposit	Total
GENERAL FUND	$ 2,295	$ 250,000	$ 252,295
DEBT SERVICE FUND	1,628		1,628
CAPITAL PROJECTS FUND	620		620
TOTAL DEPOSITS	$ 4,543	$ 250,000	$ 254,543

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.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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. 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 Local Government Investment Cooperative ("LOGIC"). LOGIC operates a public funds investment pool under the Public Funds Investment Act. The portfolio is managed by J. P. Morgan Investment Management Inc. (J. P. Morgan) and the day-to-day operations are provided by Hilltop Securities Asset Management, Inc., a Hilltop Holdings Company, and J. P. Morgan. LOGIC measures its portfolio assets at amortized cost. As a result, the District measures its investments in LOGIC at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from LOGIC.

The District invests in the Texas Short Term Asset Reserve Program ("TexSTAR"), an external public funds investment pool that is not SEC-registered. J.P. Morgan Investment Management Inc. provides investment management and Hilltop Securities Inc., provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexSTAR.

Certificates of deposit are recorded at acquisition cost.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of June 30, 2025, the District had the following investments and maturities:

Funds and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
Certificate of Deposit	$ 250,000	$ 250,000
LOGIC	870,171	870,171
TexSTAR	484,133	484,133
DEBT SERVICE FUND		
LOGIC	1,008,291	1,008,291
TexSTAR	459,927	459,927
CAPITAL PROJECTS FUND		
LOGIC	612,251	612,251
TOTAL INVESTMENTS	$3,684,773	$ 3,684,773

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District's investments in LOGIC and TexSTAR were rated AAAm by Standard and Poor's. The District manages credit risk by investing in certificates of deposit with balances below FDIC coverage.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in LOGIC and TexSTAR to have maturities of less than one year since the share positions can usually be redeemed each day at the discretion of the District, unless there have been significant changes in values. The District manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 6. CAPITAL ASSETS

The Development Agreement states that the Owner, or District as appropriate, will pay for the construction of all water, wastewater, drainage, roadway, and other infrastructure necessary to serve development within the District. In accordance with the agreements discussed in Notes 8, 9 and 10, certain completed infrastructure is conveyed to other entities for operation and maintenance. Those entities utilize the infrastructure to provide utility services to residents of the District. The District is entitled to significant residual interest in the facilities conveyed and records these facilities as District assets in accordance with GASB Statement No. 94.

Changes in capital assets during the current fiscal year is summarized in the following table:

	July 1, 2024	Increases	Decreases	June 30, 2025
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 2,651,824	$ - 0 -	$ - 0 -	$ 2,651,824
Capital Assets Subject to Depreciation				
Roads	$ 4,209,335	$ 64,293	$	$ 4,273,628
Water System	2,683,075			2,683,075
Wastewater System	3,032,502			3,032,502
Drainage System	2,295,783			2,295,783
Total Capital Assets Subject to Depreciaton	$ 12,220,695	$ 64,293	$ -0-	$ 12,284,988
Accumulated Depreciation				
Roads	$ 345,955	$ 94,500	$	$ 440,455
Water System	277,132	59,624		336,756
Wastewater System	282,965	67,389		350,354
Drainage System	291,240	51,017		342,257
Total Accumulated Depreciation	$ 1,197,292	$ 272,530	$ -0-	$ 1,469,822
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 11,023,403	$ (208,237)	$ -0-	$ 10,815,166
Total Capital Assets, Net of Accumulated Depreciation	$ 13,675,227	$ (208,237)	$ -0-	$ 13,466,990

NOTE 7. MAINTENANCE TAX

On November 6, 2012, voters of the District approved the levy and collection of a maintenance tax in an unlimited amount on each $100 of assessed valuation of taxable property within the District. During the year ended June 30, 2025, the District levied an ad valorem maintenance tax rate of $0.22065 per $100 of assessed valuation, which resulted in a tax levy of $490,859 on the adjusted taxable valuation of $222,459,339 for the 2024 tax year. The maintenance tax is to be used by the District for any lawfully authorized purpose

NOTE 8. AMENDED AND RESTATED DEVELOPMENT AGREEMENT

The Developer and Argyle are parties to an Amended and Restated Development Agreement, effective May 27, 2008 (the "Development Agreement"). The Development Agreement contains various agreements among the parties, including: agreement of the Developer to acquire and construct water, sanitary sewer and drainage facilities and roads to serve the area of the District; the authority of Argyle to review and approve utility and road design and inspect construction; agreement of Argyle to provide retail sewer service to the area of the District and use reasonable efforts to insure that sewer capacities are available in amounts sufficient to serve the District; and the agreement that the District shall remain in the ETJ of Argyle and shall be immune from annexation by Argyle until the earlier to occur of: (a) 15 years from the effective date; or (b) the date that construction of public infrastructure to serve 100 percent of the development is complete and bonds have been issued by the District for reimbursement of all eligible costs relating to the public infrastructure and interceptor line. The original term of the Development Agreement was 15 years from its effective date.

NOTE 9. WASTEWATER FACILITIES AND TREATMENT

The area within the District lies wholly within the sewer certificate of convenience and necessary (CCN) number 20826 held by Argyle. Argyle is the provider of retail wastewater service to the users within the District. Pursuant to the Development Agreement, upon completion of a phase of wastewater collection facilities by or on behalf of the District, the District conveys such facilities to Argyle. Such conveyance is made in consideration of various agreements made by Argyle in such Development Agreement, including the agreement to allocate and reserve capacity in such facilities for use by and benefit of the area within the District and assumption of all operation and maintenance responsibilities for such facilities. Argyle has entered into a four-party agreement with the Trinity River Authority (“TRA”), the City of Flower Mound and the Town of Northlake (“Northlake”), to participate in the Denton Creek Wastewater Transportation System.

NOTE 9. WASTEWATER FACILITIES AND TREATMENT (Continued)

NASH Canyon Falls LLC, or a predecessor in interest, on behalf of the District, funded 0.451 million gallons per day (MGD) of capacity in the TRA system capable of serving approximately 340 connections. As the retail provider of wastewater service to the District, Argyle has entered into the Denton Creek Regional Wastewater Treatment System Sixth Supplemental Contract dated December, 2001, with TRA; pursuant to which, it receives wastewater transportation and treatment service. Argyle has confirmed that treatment capacity is available in amounts sufficient to serve the entirety of the District area.

NOTE 10. WATER FACILITIES AND SUPPLY

The area within the District lies wholly within the water certificate of convenience and necessity (CCN) number 13270 held by the District. The District is the provider of retail water service to the users within the District. Service will be provided in phases to serve 340 single-family residential equivalent connections ("Connections") at ultimate development of the District. Following completion of each phase of the water distribution facilities (the "WDFs"), the District retains ownership, operation, and maintenance obligations of the WDFs. Currently, WDFs have been completed to serve 340 Connections located in District phases 7-AR, 8-AR, 9-AR, 10-AR, 19-AR and 20-AR. Additionally, the District has 20% share of ownership in a water distribution facility that provides for the distribution of treated water to the 340 connections anticipated at build out. The remaining 80% share is owned by the Town of Northlake ("Northlake").

Pursuant to an October 24, 2017, Water Systems Management Services Agreement between the District and Northlake, Northlake agreed to provide operations and management services for the WDFs, including the obligation to provide wholesale treated water to the area of the District, including the District's 340 Connections. The District receives treated surface water from the Upper Trinity Regional Water District ("UTRWD") delivered to a point of delivery within the District. Northlake entered into a Regional Treated Water Supply Contract, dated December 2, 2010, with UTRWD pursuant to which it receives wholesale treated water. That Regional Treated Water Supply Contract acknowledges that Northlake will provide wholesale water service to the District. In the Water Systems Management Services Agreement, Northlake has agreed to ensure that continuous and adequate water service will be provided to customers as the District develops.

NOTE 11. 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. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, general liability, automobile, boiler and machinery, errors and omissions, law enforcement and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 12. SURPLUS FUNDS

On December 20, 2024, the Board approved a resolution authorizing the use of surplus operating revenues totaling $32,500 to pay the costs of road improvement appurtenances to serve the District.

On June 20, 2025, the Board approved a resolution authorizing the use of surplus operating funds totaling $106,000 to upgrade the existing water distribution system to correct water pressure issues.

CANYON FALLS MUNICIPAL UTILITY DISTRICT NO. 1 OF DENTON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2025

CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	$ 511,505	$ 482,530	$ 493,069	$ 10,539
Permit Fees	35,200	35,200	30,800	(4,400)
Investment and Miscellaneous Revenues	36,000	36,000	63,346	27,346
TOTAL REVENUES	$ 582,705	$ 553,730	$ 587,215	$ 33,485
EXPENDITURES				
Service Operations:				
Professional Fees	$ 86,000	$ 86,000	$ 93,473	$ (7,473)
Contracted Services	22,800	95,560	23,183	72,377
Repairs, Maintenance, Capital Outlay	60,000	110,000	33,417	76,583
Other	37,671	37,671	43,423	(5,752)
TOTAL EXPENDITURES	$ 206,471	$ 329,231	$ 193,496	$ 135,735
NET CHANGE IN FUND BALANCE	$ 376,234	$ 224,499	$ 393,719	$ 169,220
FUND BALANCE - JULY 1, 2024	1,198,434	1,198,434	1,198,434	
FUND BALANCE - JUNE 30, 2025	$ 1,574,668	$ 1,422,933	$ 1,592,153	$ 169,220

See accompanying independent auditor's report.

CANYON FALLS MUNICIPAL UTILITY DISTRICT NO. 1 OF DENTON COUNTY

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

JUNE 30, 2025

CANYON FALLS MUNICIPAL UTILITY DISTRICT NO. 1 OF DENTON COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2025

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

The District has financed the construction of water, wastewater, drainage and road infrastructure which are used to serve residents of the District. See Note 6, Note 8, Note 9 and Note 10 for information related to the entities responsible for providing such services to the District as well as which entities are responsible for the ownership and maintenance of related facilities.

2. LOCATION OF DISTRICT:

The District contains a portion of the development known as Canyon Falls ("Canyon Falls"). Canyon Falls is a 1,200-acre mixed-use master planned community located in southwestern Denton County approximately 37 miles northwest of the Central Business District of the City of Dallas, approximately 27 miles north of the Central Business District of the City of Fort Worth, and approximately 20 miles south of the City of Denton. Approximately 173 acres of Canyon Falls are located within the District and the extraterritorial jurisdiction of Argyle; approximately 514 acres are located within Canyon Falls Water Control and Improvement District No. 2 of Denton County and the corporate limits of the Town of Northlake; and the balance is not located within a special district but is located within the corporate limits of the Town of Flower Mound.

See accompanying independent auditor's report.

CANYON FALLS MUNICIPAL UTILITY DISTRICT NO. 1 OF DENTON COUNTY
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2025

PROFESSIONAL FEES:		
Auditing	$	15,500
Engineering		14,393
Legal		63,580
TOTAL PROFESSIONAL FEES	$	93,473
CONTRACTED SERVICES:		
Bookkeeping	$	23,183
REPAIRS AND MAINTENANCE	$	1,624
ADMINISTRATIVE EXPENDITURES:		
Director Fees, Expenses and Payroll Taxes	$	10,239
Insurance		4,079
Delivery, Courier and Publishing		1,557
Website and Other		9,933
TOTAL ADMINISTRATIVE EXPENDITURES	$	25,808
CAPITAL OUTLAY	$	31,793
OTHER EXPENDITURES:		
Inspection Fees	$	17,615
TOTAL EXPENDITURES	$	193,496

See accompanying independent auditor's report.

CANYON FALLS MUNICIPAL UTILITY DISTRICT NO. 1 OF DENTON COUNTY
INVESTMENTS
JUNE 30, 2025

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year
GENERAL FUND				
Certificate of Deposit	XXXX4766	5.10%	01/06/26	$ 250,000
LOGIC	XXXX0001	Varies	Daily	870,171
TexSTAR	XXXX1110	Varies	Daily	484,133
TOTAL GENERAL FUND				$ 1,604,304
DEBT SERVICE FUND				
LOGIC	XXXX0003	Varies	Daily	$ 1,008,291
TexSTAR	XXXX0300	Varies	Daily	459,927
TOTAL DEBT SERVICE FUND				$ 1,468,218
CAPITAL PROJECTS FUND				
LOGIC	XXXX0002	Varies	Daily	$ 612,251
TOTAL - ALL FUNDS				$ 3,684,773

See accompanying independent auditor's report.

CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2025

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE - JULY 1, 2024	$ 3,316		$ 8,557	
Adjustments to Beginning Balance	1,034	$ 4,350	533	$ 9,090
Original 2024 Tax Levy	$ 493,278		$ 1,295,175	
Adjustment to 2024 Tax Levy	(2,419)	490,859	(6,359)	1,288,816
TOTAL TO BE ACCOUNTED FOR		$ 495,209		$ 1,297,906
TAX COLLECTIONS:				
Prior Years	$ 4,350		$ 9,090	
Current Year	488,719	493,069	1,283,205	1,292,295
TAXES RECEIVABLE - JUNE 30, 2025		$ 2,140		$ 5,611
TAXES RECEIVABLE BY YEAR:				
2024		$ 2,140		$ 5,611

See accompanying independent auditor's report.

CANYON FALLS MUNICIPAL UTILITY DISTRICT NO. 1 OF DENTON COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2025

	2024	2023	2022	2021
PROPERTY VALUATIONS:				
Land	$ 57,077,274	$ 51,068,297	$ 41,901,745	$ 29,413,441
Improvements	174,655,083	158,922,172	82,147,038	27,677,238
Personal Property	368,040	77,672	72,912	
Exemptions	(9,641,058)	(14,205,290)	(4,707,033)	(1,695,804)
TOTAL PROPERTY VALUATIONS	$ 222,459,339	$ 195,862,851	$ 119,414,662	$ 55,394,875
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.57935	$ 0.5840	$ 0.6504	$ 0.70
Maintenance	0.22065	0.2263	0.2787	0.30
TOTAL TAX RATES PER $100 VALUATION	$ 0.8000	$ 0.8103	$ 0.9291	$ 1.00
ADJUSTED TAX LEVY*	$ 1,779,675	$ 1,587,077	$ 1,109,481	$ 553,949
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	99.56 %	100.00 %	100.00 %	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 – Maximum tax rate in an unlimited amount per $100 of assessed valuation approved by voters on November 6, 2012.

See accompanying independent auditor's report.

CANYON FALLS MUNICIPAL UTILITY DISTRICT NO. 1 OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

	SERIES-2020 ROAD		
Due During Fiscal Years Ending June 30	Principal Due February 15	Interest Due August 15/ February 15	Total
2026	$ 170,000	$ 127,574	$ 297,574
2027	175,000	124,004	299,004
2028	180,000	120,154	300,154
2029	180,000	116,013	296,013
2030	185,000	111,693	296,693
2031	190,000	107,069	297,069
2032	195,000	102,129	297,129
2033	205,000	96,863	301,863
2034	210,000	91,123	301,123
2035	215,000	85,033	300,033
2036	220,000	78,583	298,583
2037	225,000	71,983	296,983
2038	235,000	65,233	300,233
2039	240,000	58,184	298,184
2040	250,000	50,744	300,744
2041	260,000	42,994	302,994
2042	265,000	34,934	299,934
2043	275,000	26,720	301,720
2044	285,000	18,126	303,126
2045	295,000	9,219	304,219
2046			
2047			
2048			
	$ 4,455,000	$ 1,538,375	$ 5,993,375

See accompanying independent auditor's report.

CANYON FALLS MUNICIPAL UTILITY DISTRICT NO. 1 OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

Due During Fiscal Years Ending June 30	SERIES-2021 ROAD		
	Principal Due February 15	Interest Due August 15/ February 15	Total
2026	$ 115,000	$ 82,356	$ 197,356
2027	115,000	80,056	195,056
2028	120,000	77,756	197,756
2029	120,000	75,356	195,356
2030	125,000	72,956	197,956
2031	125,000	70,456	195,456
2032	130,000	67,800	197,800
2033	135,000	64,875	199,875
2034	135,000	61,669	196,669
2035	140,000	58,294	198,294
2036	145,000	54,794	199,794
2037	150,000	50,988	200,988
2038	155,000	46,863	201,863
2039	160,000	42,600	202,600
2040	165,000	37,800	202,800
2041	170,000	32,850	202,850
2042	175,000	27,750	202,750
2043	180,000	22,500	202,500
2044	185,000	17,100	202,100
2045	190,000	11,550	201,550
2046	195,000	5,850	200,850
2047			
2048			
	$ 3,130,000	$ 1,062,219	$ 4,192,219

See accompanying independent auditor's report.

CANYON FALLS MUNICIPAL UTILITY DISTRICT NO. 1 OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

	SERIES-2022 UTILITY		
Due During Fiscal Years Ending June 30	Principal Due February 15	Interest Due August 15/ February 15	Total
2026	$ 160,000	$ 261,025	$ 421,025
2027	170,000	251,425	421,425
2028	175,000	241,225	416,225
2029	185,000	232,475	417,475
2030	195,000	221,375	416,375
2031	205,000	213,575	418,575
2032	210,000	205,375	415,375
2033	220,000	196,975	416,975
2034	230,000	188,175	418,175
2035	240,000	178,975	418,975
2036	250,000	169,375	419,375
2037	265,000	159,375	424,375
2038	275,000	148,775	423,775
2039	290,000	137,775	427,775
2040	300,000	125,450	425,450
2041	315,000	112,700	427,700
2042	330,000	99,313	429,313
2043	345,000	84,875	429,875
2044	365,000	69,781	434,781
2045	380,000	53,813	433,813
2046	420,000	37,187	457,187
2047	430,000	18,812	448,812
2048			
	$ 5,955,000	$ 3,407,831	$ 9,362,831

See accompanying independent auditor's report.

CANYON FALLS MUNICIPAL UTILITY DISTRICT NO. 1 OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

Due During Fiscal Years Ending June 30	SERIES-2024 UTILITY		
	Principal Due February 15	Interest Due August 15/ February 15	Total
2026	$ 75,000	$ 119,700	$ 194,700
2027	80,000	115,950	195,950
2028	85,000	112,750	197,750
2029	90,000	108,500	198,500
2030	90,000	104,000	194,000
2031	95,000	100,400	195,400
2032	100,000	96,600	196,600
2033	105,000	92,600	197,600
2034	110,000	88,400	198,400
2035	115,000	84,000	199,000
2036	120,000	79,400	199,400
2037	125,000	74,600	199,600
2038	130,000	69,600	199,600
2039	135,000	64,400	199,400
2040	140,000	59,000	199,000
2041	145,000	53,400	198,400
2042	150,000	47,600	197,600
2043	155,000	41,600	196,600
2044	165,000	35,400	200,400
2045	170,000	28,800	198,800
2046	175,000	22,000	197,000
2047	185,000	15,000	200,000
2048	190,000	7,600	197,600
	$ 2,930,000	$ 1,621,300	$ 4,551,300

See accompanying independent auditor's report.

CANYON FALLS MUNICIPAL UTILITY DISTRICT NO. 1 OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

	SERIES-2024 ROAD		
Due During Fiscal Years Ending June 30	Principal Due February 15	Interest Due August 15/ February 15	Total
2026	$ 70,000	$ 108,275	$ 178,275
2027	75,000	105,475	180,475
2028	75,000	101,725	176,725
2029	80,000	97,975	177,975
2030	85,000	93,975	178,975
2031	90,000	90,575	180,575
2032	90,000	86,975	176,975
2033	95,000	83,375	178,375
2034	100,000	79,575	179,575
2035	105,000	75,575	180,575
2036	110,000	71,375	181,375
2037	115,000	67,250	182,250
2038	115,000	62,938	177,938
2039	120,000	58,625	178,625
2040	125,000	53,825	178,825
2041	130,000	48,825	178,825
2042	135,000	43,625	178,625
2043	140,000	38,225	178,225
2044	150,000	32,625	182,625
2045	155,000	26,625	181,625
2046	160,000	20,425	180,425
2047	165,000	14,025	179,025
2048	175,000	7,218	182,218
	$ 2,660,000	$ 1,469,106	$ 4,129,106

See accompanying independent auditor's report.

CANYON FALLS MUNICIPAL UTILITY DISTRICT NO. 1 OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

Due During Fiscal Years Ending June 30	ANNUAL REQUIREMENTS FOR ALL SERIES		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2026	$ 590,000	$ 698,930	$ 1,288,930
2027	615,000	676,910	1,291,910
2028	635,000	653,610	1,288,610
2029	655,000	630,319	1,285,319
2030	680,000	603,999	1,283,999
2031	705,000	582,075	1,287,075
2032	725,000	558,879	1,283,879
2033	760,000	534,688	1,294,688
2034	785,000	508,942	1,293,942
2035	815,000	481,877	1,296,877
2036	845,000	453,527	1,298,527
2037	880,000	424,196	1,304,196
2038	910,000	393,409	1,303,409
2039	945,000	361,584	1,306,584
2040	980,000	326,819	1,306,819
2041	1,020,000	290,769	1,310,769
2042	1,055,000	253,222	1,308,222
2043	1,095,000	213,920	1,308,920
2044	1,150,000	173,032	1,323,032
2045	1,190,000	130,007	1,320,007
2046	950,000	85,462	1,035,462
2047	780,000	47,837	827,837
2048	365,000	14,818	379,818
	$ 19,130,000	$ 9,098,831	$ 28,228,831

See accompanying independent auditor's report.

CANYON FALLS MUNICIPAL UTILITY DISTRICT NO. 1 OF DENTON COUNTY
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2025

Description	Original Bonds Issued	Bonds Outstanding July 1, 2024
Canyon Falls Municipal Utility District No. 1 of Denton County Unlimited Tax Road Bonds, Series 2020	$ 4,945,000	$ 4,620,000
Canyon Falls Municipal Utility District No. 1 of Denton County Unlimited Tax Road Bonds, Series 2021	3,375,000	3,240,000
Canyon Falls Municipal Utility District No. 1 of Denton County Unlimited Tax Bonds, Series 2022	6,250,000	6,105,000
Canyon Falls Municipal Utility District No. 1 of Denton County Unlimited Tax Bonds, Series 2024	3,000,000	3,000,000
Canyon Falls Municipal Utility District No. 1 of Denton County Unlimited Tax Road Bonds, Series 2024	2,725,000	2,725,000
TOTAL	$ 20,295,000	$ 19,690,000

Debt Service Fund cash and investment balances as of June 30, 2025:	$ 1,469,846
Average annual debt service payment for remaining term of all bond debt:	$ 1,227,340

See Note 3 for interest rates, interest payment dates and maturity dates.

See accompanying independent auditor's report.

Current Year Transactions				
	Retirements			
Bonds Sold	Principal	Interest	Bonds Outstanding June 30, 2025	Paying Agent
$	$ 165,000	$ 130,874	$ 4,455,000	BOKF, N.A. Dallas, TX
	110,000	84,556	3,130,000	BOKF, N.A. Dallas, TX
	150,000	270,025	5,955,000	BOKF, N.A. Dallas, TX
	70,000	121,147	2,930,000	BOKF, N.A. Dallas, TX
	65,000	109,027	2,660,000	BOKF, N.A. Dallas, TX
$ - 0 -	$ 560,000	$ 715,629	$ 19,130,000	

Bond Authority:	Utility Bonds	Refunding Bonds-Utility	Road Bonds	Refunding Bonds-Road
Amount Authorized by Voters	$ 50,515,000	$ 50,515,000	$ 48,595,000	$ 48,595,000
Amount Issued	(9,250,000)		(11,045,000)	
Remaining to be Issued	$ 41,265,000	$ 50,515,000	$ 37,550,000	$ 48,595,000

See accompanying independent auditor's report.

CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	$ 493,069	$ 443,363	$ 330,997
Permit Fees	30,800	59,400	66,000
Investment and Miscellaneous Revenues	63,346	62,829	27,064
TOTAL REVENUES	$ 587,215	$ 565,592	$ 424,061
EXPENDITURES			
Professional Fees	$ 93,473	$ 91,436	$ 80,642
Contracted Services	23,183	20,141	20,168
Repairs and Maintenance	1,624	14,095	
Other	43,423	46,821	41,150
Capital Outlay/Developer Reimbursement	31,793	268,194	
TOTAL EXPENDITURES	$ 193,496	$ 440,687	$ 141,960
NET CHANGE IN FUND BALANCE	$ 393,719	$ 124,905	$ 282,101
BEGINNING FUND BALANCE	1,198,434	1,073,529	791,428
ENDING FUND BALANCE	$ 1,592,153	$ 1,198,434	$ 1,073,529

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2022	2021	2025	2024	2023	2022	2021
$ 178,853	$ 247,417	84.0 %	78.4 %	78.0 %	49.0 %	47.1 %
184,800	277,200	5.2	10.5	15.6	50.6	52.8
1,543	376	10.8	11.1	6.4	0.4	0.1
$ 365,196	$ 524,993	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 79,845	$ 76,598	15.9 %	16.2 %	19.0 %	21.9 %	14.6 %
18,730	18,022	3.9	3.6	4.8	5.1	3.4
		0.3	2.5			
82,253	91,138	7.4	8.3	9.7	22.5	17.4
		5.4	47.4			
$ 180,828	$ 185,758	32.9 %	78.0 %	33.5 %	49.5 %	35.4 %
$ 184,368	$ 339,235	67.1 %	22.0 %	66.5 %	50.5 %	64.6 %
607,060	267,825					
$ 791,428	$ 607,060					

See accompanying independent auditor's report.

CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND – FIVE YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	$ 1,292,295	$ 1,143,934	$ 772,011
Investment and Miscellaneous Revenues	55,712	54,709	27,876
TOTAL REVENUES	$ 1,348,007	$ 1,198,643	$ 799,887
EXPENDITURES			
Tax Collection Expenditures	$ 12,518	$ 10,479	$ 6,404
Debt Service Principal	560,000	420,000	185,000
Debt Service Interest and Fees	715,629	536,190	243,508
TOTAL EXPENDITURES	$ 1,288,147	$ 966,669	$ 434,912
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 59,860	$ 231,974	$ 364,975
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Long-Term Debt	$ -0-	$ 113,136	$ 174,977
NET CHANGE IN FUND BALANCE	$ 59,860	$ 345,110	$ 539,952
BEGINNING FUND BALANCE	1,409,986	1,064,876	524,924
ENDING FUND BALANCE	$ 1,469,846	$ 1,409,986	$ 1,064,876

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2022	2021	2025	2024	2023	2022	2021
$ 385,067	$	95.9 %	95.4 %	96.5 %	96.4 %	%
14,494	84	4.1	4.6	3.5	3.6	100.0
$ 399,561	$ 84	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 3,475	$ 1,494	0.9 %	0.9 %	0.8 %	0.9 %	1,778.6 %
		41.5	35.0	23.1		
165,094		53.1	44.7	30.4	41.3	
$ 168,569	$ 1,494	95.5 %	80.6 %	54.3 %	42.2 %	1,778.6 %
$ 230,992	$ (1,410)	4.5 %	19.4 %	45.7 %	57.8 %	(1,678.6) %
$ 61,807	$ 233,535					
$ 292,799	$ 232,125					
232,125						
$ 524,924	$ 232,125					

See accompanying independent auditor's report.

CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2025

District Mailing Address - Canyon Falls Municipal Utility
District No. 1 of Denton County
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

Board Members:	Term of Office (Elected or Appointed)	Fees of Office for the year ended June 30, 2025	Expense Reimbursements for the year ended June 30, 2025	Title
Lauren Goodman	03/2025 05/2028 (Appointed)	$ 884	$ 4	President
David Stoner	05/2024 05/2028 (Elected)	$ 2,210	$ 314	Vice President
John Leonard	03/2025 05/2028 (Appointed)	$ 663	$ 67	Secretary
Peter Tilton	04/2025 05/2026 (Appointed)	$ 442	$ 5	Assistant Secretary
Jon Holder (Resigned July 2025)	03/2025 05/2026 (Appointed)	$ 663	$ 5	Director

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.

The most recent submission date of the District Registration Form was on June 30, 2025.

The limit on Fees of Office that a Director may receive during a fiscal year is the maximum amount allowed by law as set by Board Resolution on August 16, 2012. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

Note: Directors Jeremy Holden, Steven Britton, Rob McClain, and James Campbell resigned during the current fiscal year.

See accompanying independent auditor's report.

CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2025

Consultants:	Date Hired	Fees / Compensation for the year ended June 30, 2025	Title
Allen Boone Humphries Robinson LLP	08/19/16	$ 63,720	General Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	07/17/20	$ 15,500	Auditor
Dye & Tovery, LLC	07/24/12	$ 23,210	Bookkeeper
Johnson Volk Consulting	04/15/16	$ 14,393	Engineer
Hilltop Securities Inc.	09/18/20	$ - 0 -	Financial Advisor

See accompanying independent auditor's report.