



Control Number: 44947



Item Number: 23

Addendum StartPage: 0

# COATS | ROSE

PROFESSIONAL CORPORATION

ANGELA M. STEPHERSON  
OF COUNSEL

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DIRECT: (972) 982-8455  
FAX: (972) 982-8451

June 2, 2016

## VIA FEDERAL EXPRESS

Filing Clerk  
Public Utility Commission of Texas  
Central Records  
1701 N. Congress, Suite 8-100  
Austin, Texas 78701

RECEIVED  
2016 JUN -3 AM 11:27  
PUBLIC UTILITY COMMISSION  
FILING CLERK

Re: Docket No. 44947; Application of Denton County Municipal Utility District No. 7 to Obtain Water and Sewer Certificates of Convenience and Necessity in Denton County

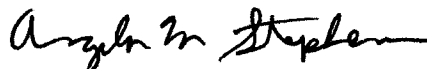
Dear Sir or Madam:

Enclosed for filing please find seven (7) copies of the financial information requested by PUC staff: (1) Annual Financial Reports (filed per Texas Commission on Environmental Quality requirements for districts); (2) projected financial statements for first five years; and (3) proposed rates. Debt service payments will be made from a debt service tax and not from water or sewer revenues.

Denton County Municipal Utility District No. 7 is not proposing to provide service within either Mobberly Municipal Utility District of Denton County or Talley Ranch Water Control and Improvement District No. 1 of Denton County; therefore, consent is not required from those entities.

Thank you.

Very truly yours,



Angela M. Stepherson

Enclosures

14755 PRESTON ROAD, SUITE 600, DALLAS, TEXAS 75254  
PHONE: (972) 788-1600 FAX: (972) 702-0662  
WEB: [www.coatsrose.com](http://www.coatsrose.com)

HOUSTON | AUSTIN | DALLAS | SAN ANTONIO | NEW ORLEANS  
4821-0421-1250.v1

23



ANNUAL FINANCIAL REPORT  
Of

District Name Denton County MUD 7  
Mailing Address: P.O. Box 80, Tomball, TX 77377  
For the Fiscal year ended: May 31, 2014  
Preparer: Cindy Schmidt  
Title: Bookkeeper  
Telephone Number: (AC) 281-356-7542  
Date: 7/15/14

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**AUDIT REPORT EXEMPTION**

Texas Water Code Section 49.198 (effective September 1, 1997)

- (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 \$100,000 during the fiscal period; and
  - (3) the district's cash and temporary investments were not in excess of \$100,000 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.

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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.

**FILING AFFIDAVIT**

To: Texas Commission on Environmental Quality

Under the penalties of perjury, I certify that I have inspected the attached balance sheet, statement of receipts and disbursements, including the accompanying schedules and statements, and to the best of my knowledge and belief, they are a true, correct, and complete representation of the financial condition of:

Denton County MUD 7

as of

*(Name of District)*

May 31, 2014

I also certify that the above district has complied in full

*(Date of Fiscal Year End)*

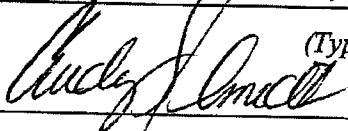
with all filing of audits, affidavits, and financial reports requirements of Section 49.194 of the Texas Water Code by filing copies of this Annual Financial Report in the district's office, located at:

c/o Coats Rose, 5420 LBJ Freeway #600 Dallas, TX 75240

*(Address of District)*

Cindy Schmidt, Bookkeeper

*(Typed Name and Title)*



7/15/14

*(Signature of Affiant)*

*(Date)*

Subscribed and Sworn to before me by this 15th day of July, 2014



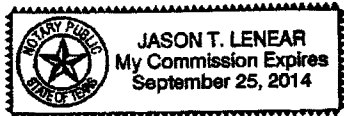
In and For Montgomery County, Texas

Jason Lenear

9/25/14

*(Typed Name of Notary)*

*(My Commission Expires On)*



District Name: Denton County MUD 7

**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. ☐ Yes ☒ No

If yes, have payments for these facilities been made by (an) other party (ies) on behalf of the district? ☐ Yes ☒ No

These payments are estimated to cumulatively be:

Organization Costs \_\_\_\_\_

Construction Costs \_\_\_\_\_

Administration Cost \_\_\_\_\_

Total Costs \_\_\_\_\_

- (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? ☐ Yes ☒ No

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 Number: (512) 239-4691 Facsimile Number: (512) 239-6190

## BALANCE SHEET – CASH BASIS

### ASSETS

Cash on Hand	_____
Cash in Bank (Schedule A)	_____
	1717
Investment (Schedule B)	_____
Total Cash and Investments (1)	_____
	1717
Accrued Interest Receivable – Optional (Schedule B)	_____
Inventory	_____
General Fixed Assets	_____
Other Assets	_____
(Explain):	_____
	_____

TOTAL ASSETS (2) 1717

### LIABILITIES AND EXCESS

Notes Payable	_____
Refundable Deposits	_____
Developer Advances	_____
Other Liabilities	_____
(Explain):	_____
	_____

### TOTAL LIABILITIES

Excess Assets Over Liabilities	_____
	1717
Total Liabilities and Excess (3)	_____
	1717
	_____

**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 ASSETS” (2).

**STATEMENT OF RECEIPTS AND DISBURSEMENTS – CASH BASIS**

**RECEIPTS**

Service Revenues	
Tax Receipts	
Penalty and Interest Received	
Interest Received on Investments	
Loans or Advances	
All Other Receipts	14,600
(Explain):	

**TOTAL RECEIPTS** 14,600

**LESS DISBURSEMENTS**

Purchased Services for Resale	
Payroll	2,745
Legal, Accounting, or Contract Service	10,138
Supplies and Materials	
Maintenance	
Note Payments and Repayment of Advances	
All other Disbursements (Schedule C)	
Total Disbursements	12,883
Excess of Receipts Over (Under) Disbursements	1,717
Cash and Investments – Beginning of Year	0
Cash and Investments – End of Year	1,717

(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.

### SCHEDULE 1 – CASH IN BANK (1)

Name of Bank	Account Number	Purpose of Account	Balance
Central Bank	3294511	GOF - Checking	1,717
TOTAL			1,717

### SCHEDULE B – INVESTMENTS (2)

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

### SCHEDULE C – SCHEDULE OF ALL OTHER DISBURSEMENTS (3)

Description of Disbursements (4)	Amount
TOTAL	

- (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.





## ANNUAL FINANCIAL REPORT

Of

District Name                      Denton County MUD 7  
Mailing Address:                  P.O. Box 80, Tomball, TX 77377  
For the Fiscal year ended:      May 31, 2015  
Preparer:                          Cindy Schmidt  
Title:                                Bookkeeper  
Telephone Number: (AC)        281-356-7542

Date: 7/15/15

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**FILING AFFIDAVIT**

To: Texas Commission on Environmental Quality

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Denton County MUD 7

as of

*(Name of District)*

May 31, 2015

I also certify that the above district has complied in full

*(Date of Fiscal Year End)*

with all filing of audits, affidavits, and financial reports requirements of Section 49.194 of the Texas Water Code by filing copies of this Annual Financial Report in the district's office, located at:

c/o Coats Rose, 5420 LBJ Freeway #600 Dallas, TX 75240

*(Address of District)*

Cindy Schmidt, Bookkeeper

*(Typed Name and Title)*

*Cindy Schmidt*

7/15/15

*(Signature of Affiant)*

*(Date)*

Subscribed and Sworn to before me by this 15th day of July, 2015

*Debra Loggins*

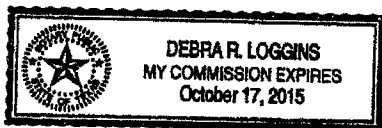
In and For Montgomery County, Texas

Debra Loggins

10/14/15

*(Typed Name of Notary)*

*(My Commission Expires On)*



District Name: Denton County MUD 7

**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. ☒ Yes ☐ No

If yes, have payments for these facilities been made by (an) other party (ies) on behalf of the district? ☒ Yes ☐ No

These payments are estimated to cumulatively be:

Organization Costs	<u>100,000</u>
Construction Costs	<u>                    </u>
Administration Cost	<u>273,316</u>
Total Costs	<u>373,316</u>

- (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? ☐ Yes ☒ No

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.

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Texas Commission on Environmental Quality  
P.O. Box 13087

Austin, TX 78711-3087

Phone Number: (512) 239-4691 Facsimile Number: (512) 239-6190

## BALANCE SHEET – CASH BASIS

### ASSETS

Cash on Hand	_____
Cash in Bank (Schedule A)	_____
Investment (Schedule B)	9352
Total Cash and Investments (1)	_____
Accrued Interest Receivable – Optional (Schedule B)	9352
Inventory	_____
General Fixed Assets	_____
Other Assets	_____
(Explain):	_____
	_____

TOTAL ASSETS (2) 9352

### LIABILITIES AND EXCESS

Notes Payable	_____
Refundable Deposits	_____
Developer Advances	_____
Other Liabilities	_____
(Explain):	_____
	_____

### TOTAL LIABILITIES

Excess Assets Over Liabilities	9352
Total Liabilities and Excess (3)	_____
	9352
	_____

**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 ASSETS” (2).

**STATEMENT OF RECEIPTS AND DISBURSEMENTS – CASH BASIS**

**RECEIPTS**

Service Revenues	_____
Tax Receipts	_____
Penalty and Interest Received	_____
Interest Received on Investments	_____
Loans or Advances	_____
All Other Receipts	13,300
(Explain):	_____

**TOTAL RECEIPTS** 13,300

**LESS DISBURSEMENTS**

Purchased Services for Resale	_____
Payroll	1,453
Legal, Accounting, or Contract Service	4,212
Supplies and Materials	_____
Maintenance	_____
Note Payments and Repayment of Advances	_____
All other Disbursements (Schedule C)	_____
Total Disbursements	5,665
Excess of Receipts Over (Under) Disbursements	7,635
Cash and Investments – Beginning of Year	1,717
Cash and Investments – End of Year	9,352

(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.

### SCHEDULE 1 – CASH IN BANK (1)

Name of Bank	Account Number	Purpose of Account	Balance
Central Bank	3294511	GOF - Checking	9,352
TOTAL			9,352

### SCHEDULE B – INVESTMENTS (2)

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

### SCHEDULE C – SCHEDULE OF ALL OTHER DISBURSEMENTS (3)

Description of Disbursements (4)	Amount
TOTAL	

- (1) Please refer to Explanation of Terms, Cash in Bank, page 7 of this report, for proper reporting.
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- (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.

## PROJECTED BALANCE SHEETS

	START UP	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<b>CURRENT ASSETS</b>						
Cash	25,000.00	100,000.00	125,000.00	150,000.00	175,000.00	200,000.00
Accounts Receivable		25,000.00	40,000.00	75,000.00	75,000.00	75,000.00
Inventories	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00
Income Tax Receivable						
Other						
<b>Total</b>	<b>55,000.00</b>	<b>155,000.00</b>	<b>195,000.00</b>	<b>255,000.00</b>	<b>255,000.00</b>	<b>255,000.00</b>
<b>FIXED ASSETS</b>						
Land	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00
Collection/Distribution System	1,700,000.00	3,700,000.00	3,700,000.00	3,700,000.00	3,700,000.00	3,700,000.00
Buildings						
Equipment	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00
Other						
Less: Accum. Depreciation or Reserves	39,027.00	123,749.00	208,471.00	377,915.00	462,637.00	547,359.00
<b>Total</b>	<b>1,735,973.00</b>	<b>3,651,251.00</b>	<b>3,566,529.00</b>	<b>3,397,085.00</b>	<b>3,312,363.00</b>	<b>3,227,650.00</b>
<b>TOTAL ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
Accounts Payable	20,000.00	150,000.00	225,000.00	215,000.00	150,000.00	150,000.00
Notes Payable, Current						
Accrued Expenses						
Other						
<b>Total</b>	<b>20,000.00</b>	<b>150,000.00</b>	<b>225,000.00</b>	<b>215,000.00</b>	<b>150,000.00</b>	<b>150,000.00</b>
<b>LONGTERM LIABILITIES</b>						
Notes Payable, Long-term						
Other				4,200,000.00		
<b>TOTAL LIABILITIES</b>				<b>4,200,000.00</b>		
<b>OWNER'S EQUITY</b>						
Paid in Capital						
Retained Equity						
Other						
Current Period Profit or Loss						
<b>TOTAL OWNER'S EQUITY</b>						
<b>TOTAL LIABILITIES AND EQUITY</b>						
<b>WORKING CAPITAL</b>						
<b>CURRENT RATIO</b>						
<b>DEBT TO EQUITY RATIO</b>						
<b>EQUITY TO TOTAL ASSETS</b>						

## PROJECTED INCOME STATEMENT

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
METER NUMBER						
Existing Number of Taps	0 00	120.00	240.00	360.00	480.00	
New Taps per Year	120.00	120.00	120.00	120.00	120.00	
Total Meters at Year End	120.00	240.00	360.00	480.00	600.00	600.00
METER REVENUE						
Fees Per Meter						
Cost Per Meter						
Operating Revenue Per Meter						
GROSS WATER REVENUE						
Fees	280,000.00	560,000.00	840,000.00	1,120,000.00	1,400,000.00	
Other	15,000.00	30,000.00	50,000.00	120,000.00	150,000.00	
Gross Income	295,000.00	590,000.00	890,000.00	1,240,000.00	1,550,000.00	
OPERATING EXPENSES						
General & Administrative	268,500.00	434,600.00	665,700.00	1,035,800.00	1,488,200.00	
Interest						
Other						
NET INCOME	26,500.00	155,400.00	224,300.00	204,200.00	61,800.00	



## PROJECTED EXPENSES STATEMENT

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
<b>GENERAL/ADMINISTRATIVE EXPENSES</b>						
Salaries						
Office Expense						
Computer Expense						
Auto Expense						
Insurance Expense	5,000.00	5,300.00	5,700.00	5,700.00	5,700.00	5,700.00
Telephone Expense						
Utilities Expense						
Depreciation Expense						
Property Taxes						
Professional Fees	35,000.00	35,000.00	40,000.00	40,000.00	40,000.00	40,000.00
Other	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00
<b>Total</b>	60,000.00	60,300.00	65,700.00	65,700.00	65,700.00	65,700.00
% Increase Per Year						
<b>OPERATIONAL EXPENSES</b>						
Salaries	6,000.00	25,000.00	30,000.00	35,000.00	40,000.00	45,000.00
Auto Expense						
Utilities Expense	5,000.00	12,000.00	15,000.00	20,000.00	25,000.00	30,000.00
Depreciation Expense						
Repair & Maintenance	7,500.00	20,000.00	25,000.00	30,000.00	25,000.00	25,000.00
Supplies						
Other	190,000.00	317,300.00	530,000.00	885,100.00	1,150,000.00	1,322,500.00
<b>Total</b>	208,500.00	374,300.00	600,000.00	970,100.00	1,215,000.00	1,422,500.00
% Increase Per Year						
<b>ASSUMPTIONS</b>						
Interest Rate/Terms						
Utility Cost/gal.						
Depreciation Schedule						
Other						

# DENTON COUNTY MUNICIPAL UTILITY DISTRICT

## PROPOSED WATER AND SEWER RATES

### Water

METER SIZE	METER EQUIVALENTS	MONTHLY BASE RATE
5/8" x 3/4" (standard)	1.0	\$26.75
3/4" x 3/4"	1.5	\$40.15
1"	2.5	\$66.95
1½"	5.0	\$133.90
2"	8.0	\$214.25
3"	15.0	\$401.70

### Gallage Charges

1 to 3,000 gallons .....	\$2.65 per thousand
3,001 to 9,000 gallons .....	\$3.65 per thousand
9,001 to 15,000 gallons .....	\$4.55 per thousand
15,001 to 25,000 gallons .....	\$5.55 per thousand
>25,000 gallons .....	\$8.50 per thousand

### Sewer

For Standard, ¾" Meters":

1 to 8,000 gallons of water used .....	\$46.80 per month
>8,000 gallons of water used .....	\$52.20 per month

For 1", 1.5", 2" Meters:

Usage Charge	\$17.10 per month
Usage per 1,000 gallons	\$3.30 per thousand

For 3" Meters:

Usage Charge	\$33.00 per month
Usage per 1,000 gallons	\$5.30 per thousand