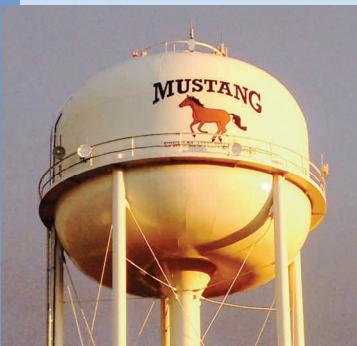


# 2017



## **Mustang Special Utility District**

**Annual Budget  
2016-2017**



**Adopted September 26, 2016**

**[www.mustangwater.com](http://www.mustangwater.com)**

**Mustang Special Utility District  
FY 2017 Budget  
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## Adopted Budget for the Fiscal Year 2016-2017

General Manager – Chris Boyd

Finance Director – Patty Parks

Operations Manager – Aldo Zamora

Customer Service Supervisor – Beth Kazel

## Mustang Special Utility District Board Members

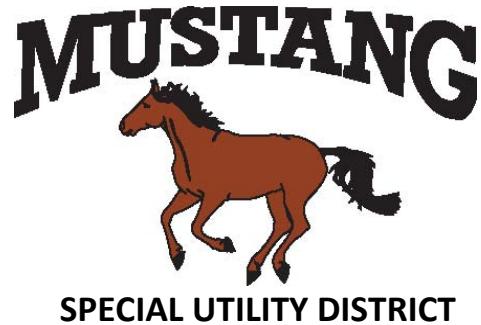


Front Row L-R: Dean Jameson, Vice President; Mike Frazier, President; James Burnham, Secretary

Back Row L-R: Marc Hodak, Wade Veeder, Michael Walker, Kim Lehene, Donna Sims, Matt Gauntt

Three Directors are elected every year, for a term of three years.

The President, Vice President and Secretary are selected by vote of the Board each year.



## **MISSION STATEMENT**

**The mission of the District is to provide the District's residents and businesses with water supply and sewage disposal services that support a high quality of life.**

## **GOALS AND OBJECTIVES**

**To provide water and wastewater service that meets all Federal and State guidelines to our customers.**

# **Executive Summary**



## Manager's Letter of Transmittal

30 September 2016

To the Mustang S.U.D. Board of Directors and customers:

I am pleased to submit the published Mustang Special Utility District Fiscal Year 2016-2017 budget as approved by the Board of Directors on September 26, 2016. This document includes the Operating Budget and the Capital Improvement Program (CIP). These budgets outline the structure in which we provide outstanding water and wastewater service to the customers in our District.

### **1. General Economy**

Mustang has experienced an increase in growth due to the improvements in the housing market. Residential developers have begun new subdivisions as sales have remained solid. Commercial and retail development is continuing at a steady pace. I anticipate that all new development will maintain a level greater than 3-5% per year for the next few years.

Fortunately, Mustang is a rate-revenue driven organization and is not reliant upon property tax revenue. Mustang's rate structure has provided a consistent source of revenue with most variations due to uncontrollable climatic conditions.

### **2. Water Service**

Mustang continues to maintain an adequate reserve production capacity for future growth. The current water production capacity of 5.1 million gallons per day (MGD), plus two new wells coming online in FY2017 would serve an additional 1,300 customers. As a member of the Upper Trinity Regional Water District, Mustang has the ability to contract for water supplies to meet 50 year future demand. We also maintain significant reserve capacity in our ground and elevated storage facilities. Overall, we are well structured to handle additional future growth.

Maintenance of the distribution system remains a yearly focus for our Operations Department. Staff believes it to be of vital necessity to adequately fund ongoing maintenance in order to achieve the highest level of reliability and quality. Maintenance funding of \$150,000 assures that Mustang's distribution system operates in the most reliable and efficient manner possible.

Mustang water revenue continues to trend higher due to growth. However, water revenue is always highly variable because it is based on annual climatic conditions.

### **3. Wastewater**

Wastewater service will continue to expand as growth occurs in those areas where service is available. Mustang contracts for treatment capacity with the Upper Trinity Regional Water District (UTRWD). The current capacity of 940,000 GPD in the Peninsula Plant provides enough reserve to add an additional 2,000 connections, which will occur over the next five years. In 2011, we gained 110,000 GPD in the Riverbend Plant which is wholly committed to future growth. The Doe Branch Plant was completed in November 2016, which adds an additional 200,000 GPD. In September 2016, we purchased 750,000 in additional capacity in the expansion of the Riverbend Plant. It is expected to be completed by the Spring of 2018.

Most of Mustang's wastewater collection system is still new enough that no significant repairs or replacement needs are anticipated this year. In FY2017, we are adding a third person to wastewater staff. The Wastewater Department will continue to expand as more customers come online, and as the system continues to expand.

For FY2017, rates have been revised to cover the operating costs of the Wastewater Department, as well as the yearly debt service related to Wastewater Infrastructure.

### **4. Summary**

While the rate of growth and development in Mustang's service area has been approximately 15% in the last year, the budget is based upon a growth rate of approximately 3-5%. Climatic influence on water revenue is an annual challenge, but we have taken a moderately conservative approach, with historical trending, to project water revenue. Wastewater revenue will continue to be stable, while increasing due to growth.

Mustang does project the need for additional capital debt for 2017, as the infrastructure capital improvements planned will be more than what can be funded with dedicated reserves.

The FY 2016-2017 Annual Budget continues our commitment to our highest priority of providing excellent service with the best value for our customers.

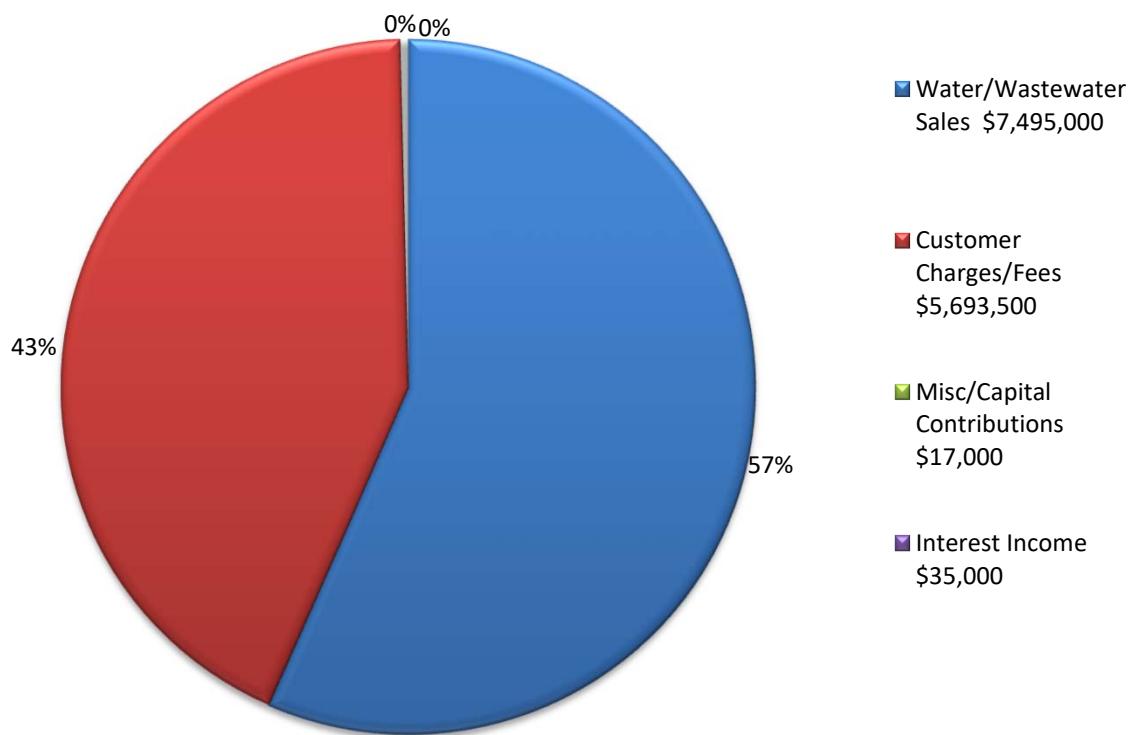
My Regards,



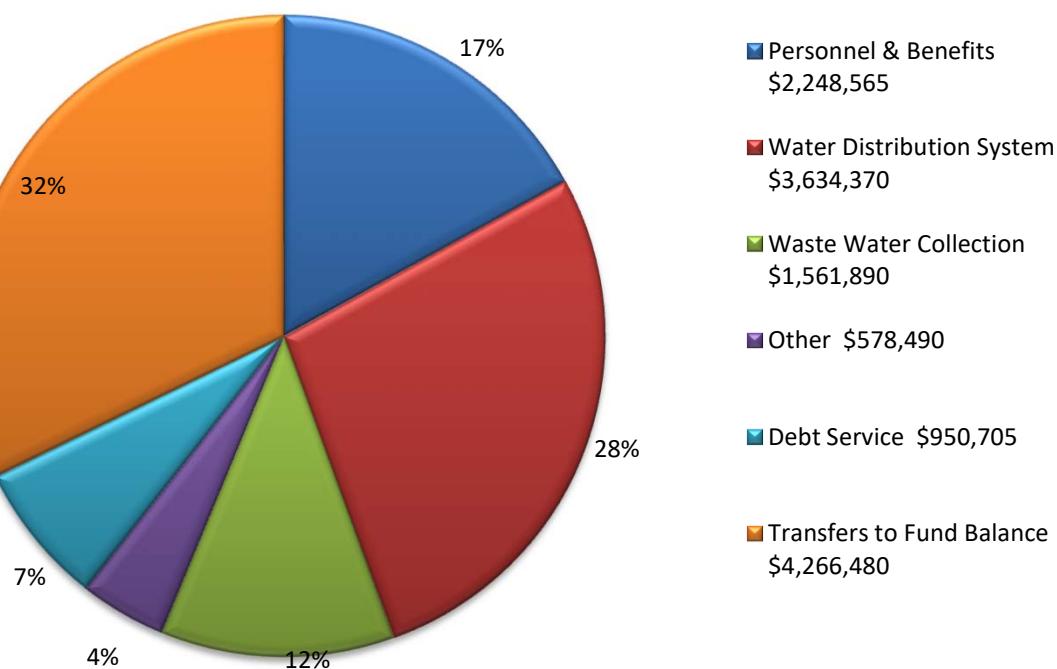
Chris Boyd  
General Manager

**Mustang Special Utility District  
FY2017 Adopted Budget  
Budget Summary Charts**

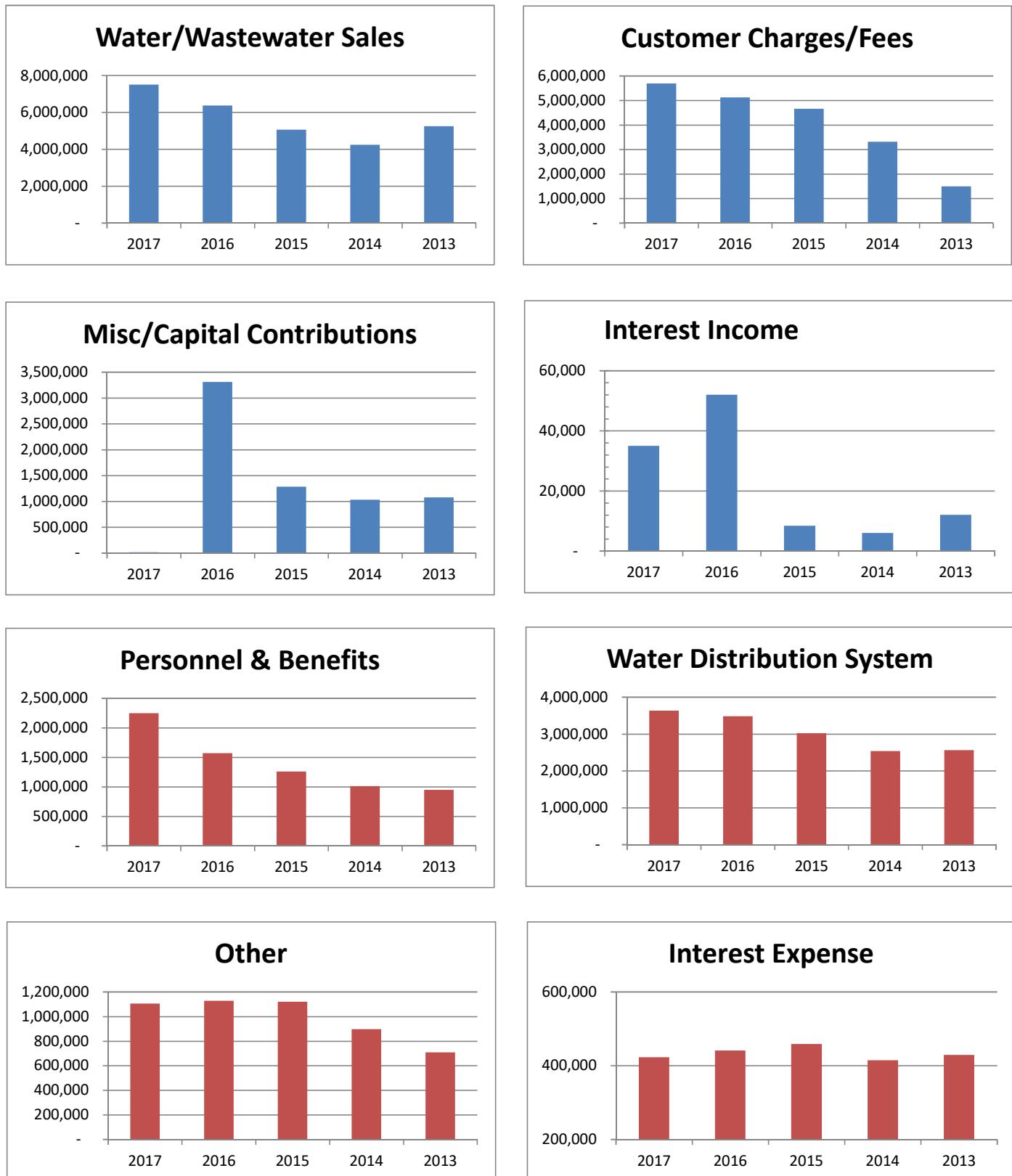
**Where the Money Comes From**



**Where the Money Goes**



**Mustang Special Utility District**  
**FY2017 Adopted Budget**  
**Significant Budgetary Trends**

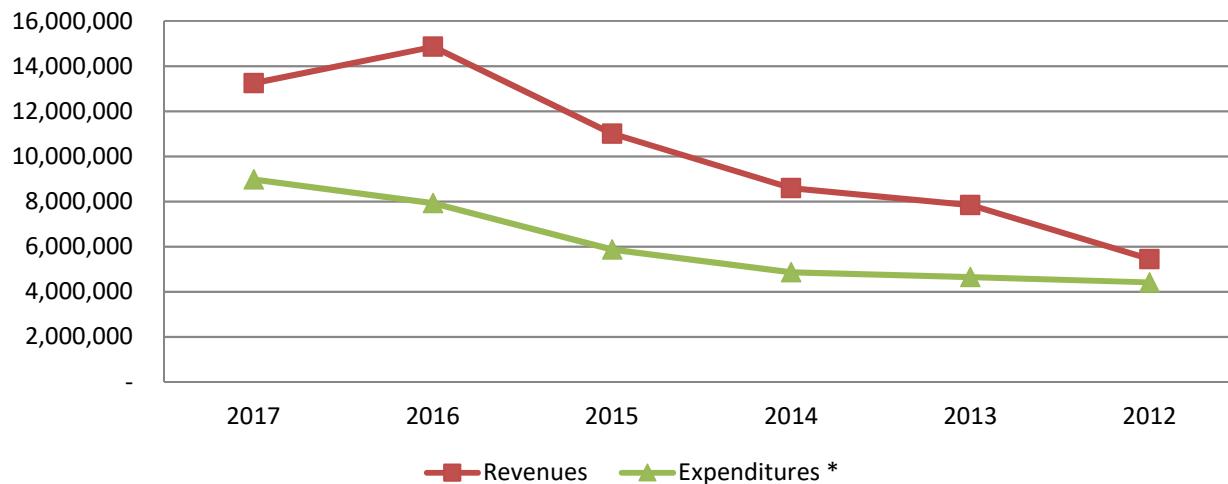


## Revenue versus Expenditures: Projected and Last 5 Years

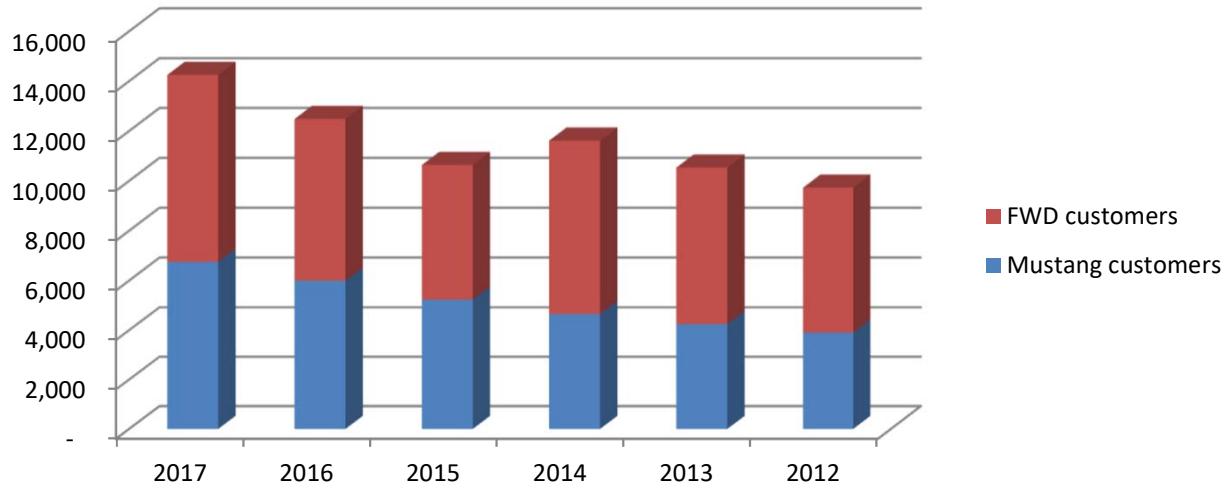
	Fiscal Year					
	2017	2016	2015	2014	2013	2012
	Budget	Estimated	Actuals (Audited)			
Revenues	13,240,500	14,854,235	11,005,520	8,585,391	7,833,495	5,443,130
Expenditures *	8,974,020	7,919,859	5,859,714	4,862,220	4,650,721	4,411,192

\* These numbers are shown on a modified accrual basis, with depreciation and amortization not included.

### Revenue vs. Expenditures



### Customer Accounts: Projected and Last 5 Years



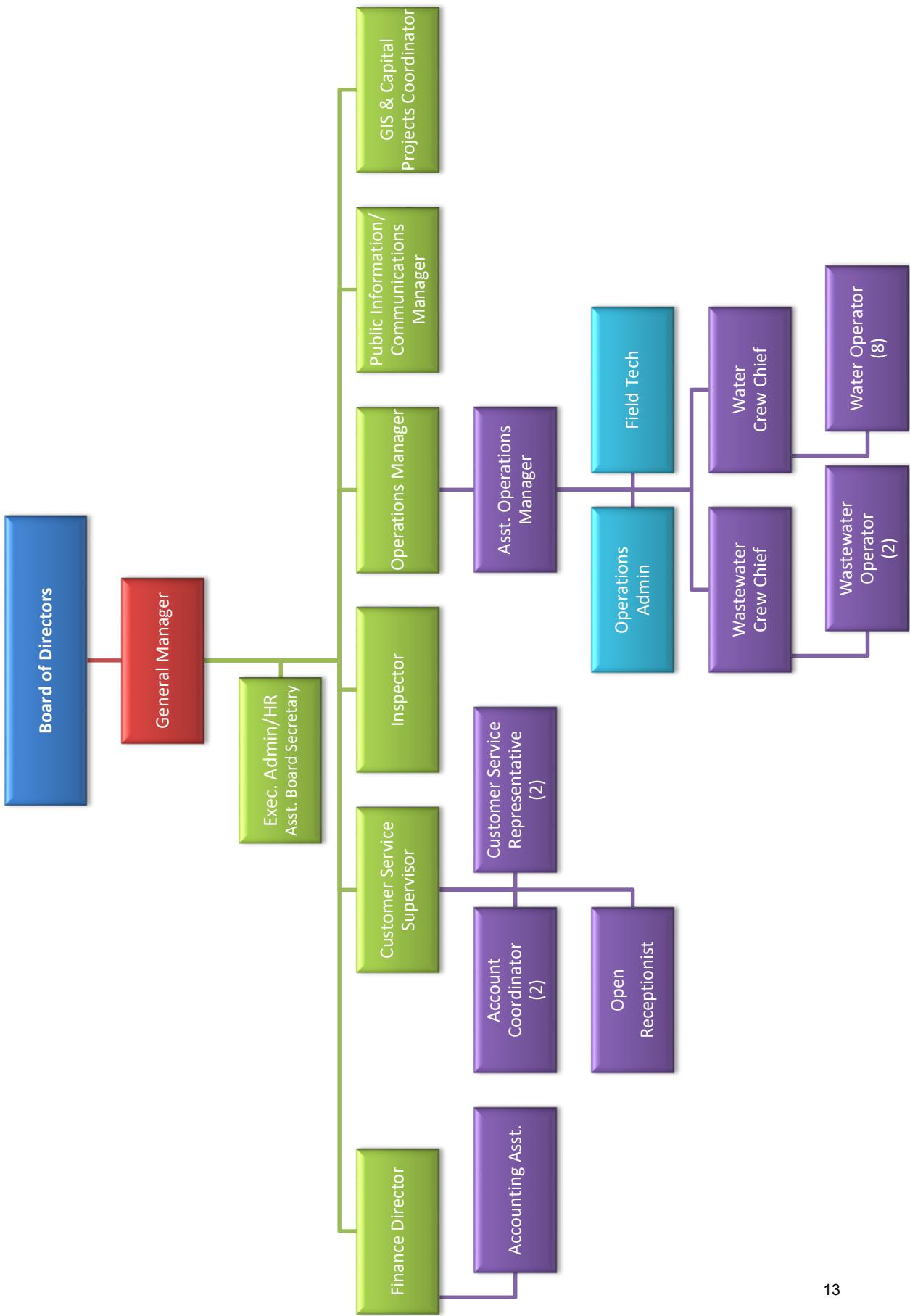
FWD customers are operated by Mustang SUD, per contract with individual Fresh Water Districts.

# District Information

# **Mustang Special Utility District**

## **2016 - 2017 Organizational Chart**

### **29 Full-Time Employees**



## About the District-

Mustang SUD began as Mustang Water Supply Corporation and was incorporated on May 13, 1966. The corporation began with 50 customers and 5 board members. Meters were read by each customer and new memberships were limited to available capacity in the lines.

On October 1, 2002, Mustang Water Supply Corporation was converted to the Mustang Special Utility District, under the authority of Article XVI, Section 59, of the Texas Constitution, as amended, and Chapters 49 and 65 of the Texas Water Code. Mustang SUD operates pursuant to the Texas law, and the regulation and authority of the Texas Commission on Environmental Quality. The District exists for the purpose of furnishing potable water and wastewater utility service. The management of the District is controlled by the Board of Directors, the members of which are elected by qualified voters residing within the District's boundaries.

The District's General Manager serves as agent of the Board of Directors, and as the District's Chief Executive Officer to ensure that services and operations are delivered in an efficient and effective manner.

In July 2001, the Board approved contracts with developers along Highway 380 to share service rights, thus allowing the formation of Fresh Water Supply Districts (FWSD) within Mustang. These Districts are now better known as Providence, Paloma Creek, and Savannah subdivisions. In August 2015, Mustang stopped serving the Providence Village WCID.

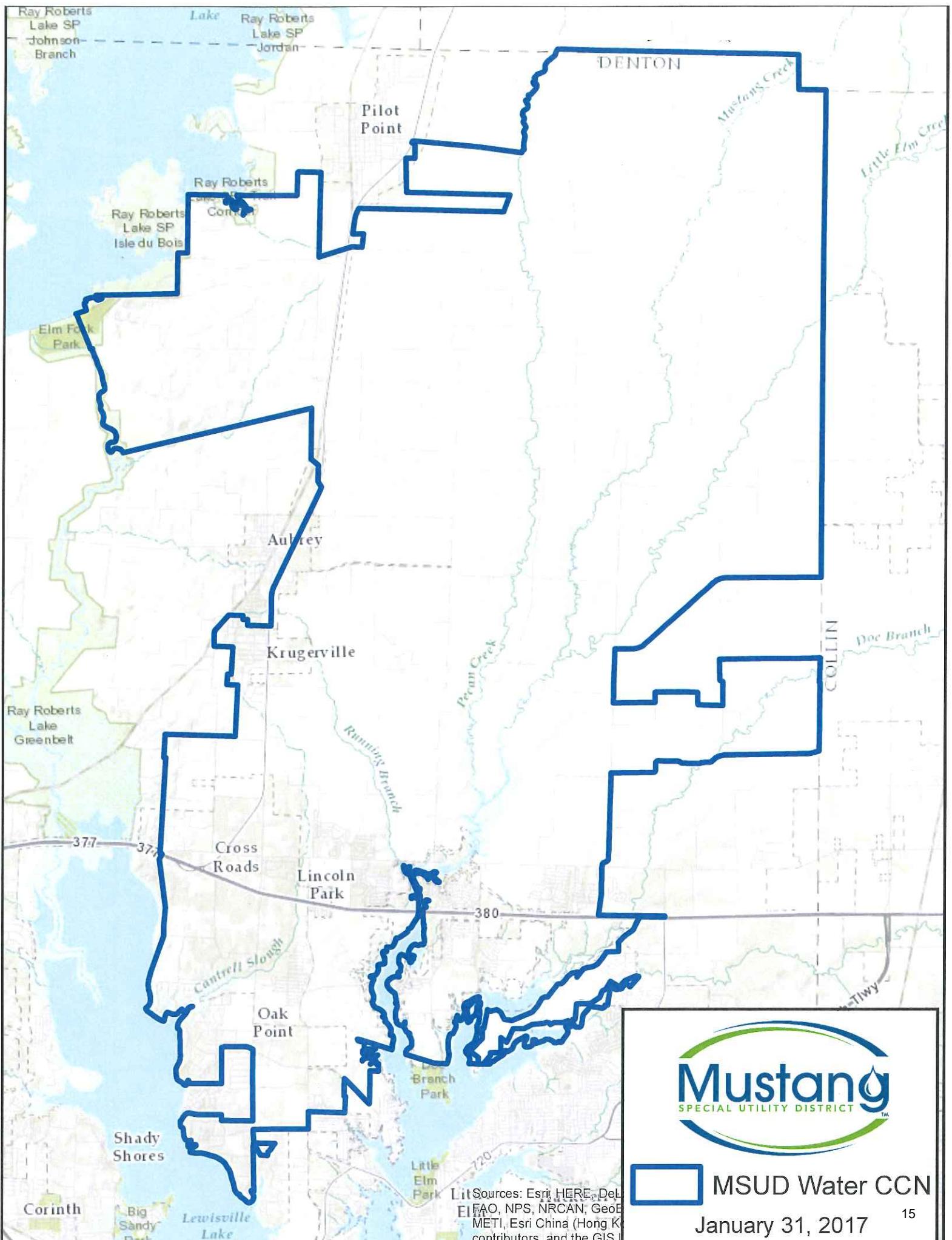
The District has active service agreements with six fresh water supply districts. Under the terms of these agreements, the District agrees to read each water meter of each retail customer of the freshwater districts one time every month and render a statement to each retail customer for the amount due the freshwater district for water service, sewer service, and solid waste collection, including initial deposits. The District collects the utility payments each month and remits them to the fresh water supply districts once per month. In addition, the District maintains and operates the utility infrastructure, and is compensated for the work per the agreements.

The District's water is obtained from surface and ground water sources. Ground water comes from the Trinity Aquifer and surface water comes from Lake Lewisville via the Upper Trinity Regional Water District. The District owns and operates 7 groundwater wells capable of pumping 1.2 million gallons per day; 9 ground storage tanks with total capacity of 2.975 million gallons, 5 pressure tanks with capacity of 23,000 gallons, and 2 elevated storage tanks with a capacity of 1.5 million gallons.

The District provides wastewater service to approximately 3,000 Mustang customers. Presently, wastewater treatment for Mustang customers is through a current subscription of 1,275,000 gallons per day in the Peninsula Water Reclamation Plan, the Riverbend Water Reclamation Plant, and the Doe Branch Water Reclamation Plant, all of which are operated by the Upper Trinity Regional Water District. Wastewater service is provided to approximately 6,500 fresh water supply district customers through separate subscriptions between Upper Trinity Regional Water District and their fresh water supply districts.

The District is located in Northeast Denton County and currently serves approximately 6,000 water customers and approximately 6,500 fresh water supply district customers over an area of 120 square miles.

Mustang SUD's offices are located in Aubrey, Texas.



MSUD Water CCN  
January 31, 2017

Sources: Esri, HERE, DeLorme, FAO, NPS, NRCAN, GeoBIM, Esri China (Hong Kong), contributors, and the GIS

**Mustang Special Utility District Water and Wastewater Rates  
For a Residence with a 5/8" Meter  
As of 9/30/16**

**Residential Water Rates:**

<b>Base Rate:</b> (Monthly)	\$26.75
<b>Gallonage Charge:</b>	
<u>Gallons Used</u>	<u>Unit Cost (per thousand)</u>
1 to 3,000	\$2.65
3,001 to 9,000	\$3.65
9,001 to 15,000	\$4.55
15,001 to 25,000	\$5.55
>25,000	\$8.50

**Residential Wastewater Rates:**

<u>Gallons of Water Used</u>	<u>Rate (monthly)</u>
1 to 8,000	\$46.80
> 8,000	\$52.20

**Mustang Special Utility District**  
**Top Ten Customers\***  
**FY 2016**

**By Amount**

Western Rim Property Services	apartments	\$ 57,851
Midway Water	wholesale customer	46,408
Holt Texas	Caterpillar sales	46,221
Denton ISD	middle school	42,689
Walmart	retail	23,383
Denton ISD	middle school	18,215
QW Paloma 380 LLC	gas station	18,043
Walmart	retail	15,718
Little Elm ISD	elementary school	14,020
Pegasus Investments LLC	strip mall	12,998

**By Consumption**

Western Rim Property Services	apartments	7,207,200
Denton ISD	middle school	6,331,400
Holt Texas	Caterpillar sales	5,904,116
Midway Water	wholesale customer	3,847,398
Walmart	retail	3,608,960
Pegasus Investments	strip mall	2,496,840
QW Paloma 380	gas station	2,323,820
Cross Oak Ranch HOA	irrigation	2,126,786
DFP Properties I	strip mall	1,982,619
Charlie Musgrave	ranch	1,780,268

\*does not include customers of other districts that are maintained by Mustang SUD

# Budget Process

## Budget Procedures

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### *Budget Document*

The Mustang Special Utility District is an organization as set forth under the terms and conditions of Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 65 of the Texas Water Code, and operates pursuant to Texas law and the regulation and authority of the Texas Commission on Environmental Quality.

The District's fiscal year runs from October 1<sup>st</sup> to September 30<sup>th</sup>. It is the District's policy to adopt the budget by October 1<sup>st</sup>. The District prepares a balanced operating budget where Revenues equal Expenditures. In the event that Expenditures exceed projected Revenues, a transfer in from fund balance is shown on the budget.

Each Department Head turns in a line item budget proposal to the Finance Director by June 1<sup>st</sup>. The General Manager reviews it with the Finance Director and begins revenue projections based on historical figures, future trends and the economic climate. The General Manager then works with the Finance Director in finalizing a proposed budget to present to the Board of Directors.

There are a series of workshops conducted to review the proposed budget. These are held in July and August.

The workshops are divided up into segments so that the Board has sufficient time and insight into the District's operating and capital expenditures. The Board reviews the line item budget and votes upon department-level budget.

The workshop in July deals only with revenues. In August, expenditures and capital improvements are analyzed and discussed at length. At the last workshop the entire budget process concludes and the Board brings up any final questions or issues regarding the budget. If necessary, a special workshop can be called in September. If the Board has no further discussion, the budget is put on the September agenda to be approved and adopted.

### *Basis for Budgeting*

The District has one major fund (fund 01) which is an Enterprise Fund. The District refers to this fund as the *General Fund* of the District. The modified accrual basis of budgeting is used in the District's budget which differs from Generally Accepted Accounting Principles (GAAP). Whereas GAAP-basis accounts for depreciation and amortization, the District budgets for capital expenditures and excludes budgeting for depreciation. The purpose is to allow for monitoring and control of capital expenditures for the acquisition and replacement of equipment. It is acceptable to budget on a basis that differs from GAAP, as long as GAAP-basis financial reports are issued. The District's Comprehensive Annual Financial Report

is prepared in accordance with GAAP. The District also chooses to track its CIP project expenditures in a separate Capital Improvement Fund (fund 05) which is a modified accrual fund.

The General Manager has the authority to reallocate any line item within departments. The budget can be further amended with Board approval.

### *Budget Calendar (tentative)*

Early May	Finance Director sends line item worksheet to department heads for budget requests
Early June	General Manager meets with Operations Manager and Finance Director to discuss needed CIP and funding
Early June	Worksheets with budget/personnel requests due
Late June	General Manager reviews budget worksheets
Mid July	First workshop to discuss revenue
Mid August	Second and final workshop to discuss expenses and CIP and to finalize budget
Mid September	Board Meeting to adopt the budget

### *Financial Policies*

Budget Policy - The district adopts an annual budget that is balanced, based on all district revenues and all projected district obligations and expenditures. The budget may be amended at any time by the Board of Directors.

Capitalization Policy – Items that have a life expectancy greater than two years, and has a cost greater than \$5,000 are typically capitalized. More detail on this policy is given in the Capital Improvement Fund section.

Debt Policy – The district has no formal policy, but details of the informal policy are given with the debt information in the Enterprise Fund section.

Investment Policy – The policy is adopted each October, and is based on the Texas Government Code Chapter 2256 Public Funds Investment Act.

# **Enterprise Fund**

## **Enterprise Fund**

The District's General Fund is the Enterprise Fund. This fund is modified accrual fund for budgetary purposes, and is a full accrual fund when presented in the audited financial statements. It is used to account for operations that (a) are financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges ; or (b) the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989 and continue to follow new FASB pronouncements unless they conflict with GASB guidance.

The Enterprise Fund has five departments:

**Administration (103)**- This department is used to account for the day to day operations of the office management team and customer service clerks. Within this department the following sections are accounted for: Utility Billing, Finance, and General Manager and his assistant.

Utility Billing is responsible for revenue collections such as meter reading, customer billing, customer cash collections, customer refunds, setting up new customer service, posting all customer payments and adjustments for all customers including the fresh water districts' customers.

Finance is responsible for preparing financial reports, maintaining the general ledger, processing accounts payable, payroll, cash, debt management, auditing, and budget preparation.

The General Manager is responsible for the administration of all District affairs. These responsibilities include making recommendations to the Board, implementing the decisions of the Board of Directors, working with various groups to make District services more effective and to oversee the daily operations of the District.

**Operations –Water (104)**- This department is used to account for the day to day activities of the water operations department and for the repair and maintenance of all water lines, valves and pump station, water tower and wells.

**Waste Water Distribution (105)**- This department is used for the operation, maintenance and repair of all sewer lines, manholes, and lift stations connected to the wastewater collection system.

**Debt Service-Water (106)** -This department is used to account for the payment of debt in relation to bonds issued.

**Debt Service-Wastewater (108)**- This department is used to account for the payment of debt in relation to bonds issued.

## FY2017 Expenditure Breakdown by Department

	Proposed FY 2017
103 Administration	
Payroll and Benefits	979,765
General Operating Costs	212,695
Maintenance and Utility Costs	100,420
Legal and Professional	255,000
Insurance	10,375
<b>TOTAL EXPENDITURES- DEPT 103</b>	<b>1,558,255</b>

Total Budgeted Expenditures	8,974,020
Amortization and Depreciation*	2,700,000
<b>Total Projected Expenditures</b>	<b>11,674,020</b>

\*The District does not budget for amortization and depreciation. However, it does present it in the financial statements in accordance to GAAP.

	Proposed FY 2017
104 Water Operations	
Payroll and Benefits	1,031,380
Water Distribution	1,983,170
General Operating Costs	953,000
Maintenance and Utility Costs	482,500
Temple Dane PS Costs	106,700
Legal and Professional	80,000
Insurance	29,000
<b>TOTAL EXPENDITURES- DEPT 104</b>	<b>4,665,750</b>

	Proposed FY 2017
105 Waste Water Collection	
Payroll and Benefits	237,420
Waste Water Collection	1,138,890
General Operating Costs	230,700
Maintenance and Utility Costs	110,600
Legal and Professional	80,000
Insurance	1,700
<b>TOTAL EXPENDITURES- DEPT 105</b>	<b>1,799,310</b>

	Proposed FY 2017
106 Water Debt Service	
Water Debt Service - P&I	805,320
<b>TOTAL EXPENDITURES- DEPT 106</b>	<b>805,320</b>

	Proposed FY 2017
108 Waste Water Debt Service	
Waste Water Debt Service - P&I	145,385

## Budget Summary

	2012-2013	2013-2014	2014-2015	Estimated* 2015-2016	Projected 2016-2017
Beginning Fund Equity**	21,117,428	22,631,083	24,557,232	27,831,398	32,265,774
Revenues	7,833,495	8,585,391	11,005,520	14,854,235	13,240,500
Expenditures	6,319,840	6,659,239	8,180,633	10,419,859	11,674,020
Net Change in Net Assets	1,513,655	1,926,152	2,824,887	4,434,376	1,566,480
Prior Period Adjustments	-	-	449,281	-	-
Ending Fund Equity**	22,631,083	24,557,232	27,831,398	32,265,774	33,832,254

\*Unaudited

\*\*Fund Equity is the difference between assets and liabilities reported in an enterprise fund.

### Revenues

	2012-2013	2013-2014	2014-2015	Estimated* 2015-2016	Projected 2016-2017
Water/Wastewater Sales	5,245,597	4,233,713	5,052,082	6,365,500	7,495,000
Customer Charges/Fees	1,496,888	3,315,147	4,661,809	5,127,754	5,693,500
Misc/Capital Contributions	1,078,956	1,030,541	1,283,192	3,308,981	17,000
Interest Income	12,054	5,990	8,437	52,000	35,000
Total Revenues	7,833,495	8,585,391	11,005,520	14,854,235	13,240,500

\*Unaudited

### Expenditures

	2012-2013	2013-2014	2014-2015	Estimated* 2015-2016	Projected 2016-2017
Personnel Services	949,557	1,011,663	1,259,770	1,569,383	2,248,565
Water Distribution System	2,563,783	2,539,509	3,020,253	3,484,660	3,634,370
Other	708,072	896,497	1,121,015	2,424,935	2,667,995
Interest Expense	429,309	414,551	458,676	440,881	423,090
Amortization & Depreciation	1,669,119	1,797,019	2,320,919	2,500,000	2,700,000
Total Expenditures	6,319,840	6,659,239	8,180,633	10,419,859	11,674,020

\*Unaudited

There are two major challenges to budgeting each year. Climatic change make predicting water sales a challenge. And since a portion of the water is bought from Upper Trinity Regional Water District (UTRWD), climatic change also makes budgeting for water purchases a challenge.

FY 2017 Adopted Budget	
<b>Revenues</b>	13,240,500
Transfer (to) from Fund Balance	(4,266,480)
<b>Total Revenues</b>	<b>8,974,020</b>
<b>Expenditures</b>	
103 Admin	1,558,255
104 Water Operations	4,665,750
105 Wastewater Operations	1,799,310
106 Debt Service-Water	805,320
108 Debt Service-WW	145,385
<b>Total Expenditures</b>	<b>8,974,020</b>

## Accomplishments

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	Projected FY17
<b>Department 103 - Administration</b>										
<b>Finance</b>										
Payroll checks cut*	179	177	147	77	56	70	80	36	32	35
# of employees	17.5	17.5	16	16	16.5	18	19	21	26	29
% on direct deposit	69%	80%	80%	94%	94%	84%	89%	90%	100%	100%
Accounts Payable checks cut	1,470	1,392	1,143	1,326	1,157	1,302	1,035	1,102	1,570	1,700
<b>Utility Billing</b>										
Total customers, including FWD	7,852	8,327	8,838	9,207	9,727	10,535	11,615	10,637	12,483	14,200
% on ACH Direct Debit*	4.60%	4.20%	4.80%	7.90%	8.00%	9.00%	9.26%	10.37%	10.18%	11.00%
<b>Department 104 - Water Operations</b>										
Water taps - res/comm	7,939	8,431	8,863	9,099	9,335	10,660	11,637	10,637	12,581	14,000
Back flow preventer tests	581	492	432	258	300	450	410	175	200	200
Meters tested	20	12	15	20	20	30	25	20	20	40
Meters replaced	75	50	100	76	330	500	300	140	175	200
Water main breaks	10	12	6	25	28	39	22	39	43	30
Water service curb box repairs	40	52	60	45	60	140	162	210	300	200
<b>Department 105 - Wastewater Collections</b>										
Sanitary sewer lines cleaned (ft)	12,000	18,000	25,000	295,000	400,000	380,000	335,000	200,000	150,000	300,000
Sewer main blockages cleared	15	18	20	32	40	55	32	20	15	30

### Operating Objectives for FY2016-17

Continue to provide excellent customer service.

Further integrate GIS system with all of operations.

Improve payment methods.

Integrate IVR (interactive voice response) software with the phone system.

### Major Operating Budget Items:

Water purchases (demand and volume) from Upper Trinity Regional Water Authority	\$ 1,935,500
Wastewater treatment charges from Upper Trinity Regional Water Authority	\$ 1,138,890
Debt service	\$ 950,705
Meter replacement program and new meters	\$ 850,000

## Authorized Full Time Employees (FTE)

Function/Program	Dept	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
<b>Administrative/Office</b>	<b>103</b>										
General Manager		1	1	1	1	1	1	1	1	1	1
Finance Director		1	1	1	1	1	1	1	1	1	1
Contracts Manager		1	1	1	0	0	0	0	0	0	0
Contracts/Marketing		0	0	0	0	0	0	1	1	1	0
Public Relations Manager		0	0	0	0	0	0	0	0	0	1
Administrative Asst.		1	1	1	1	1	1	1	1	1	1
Customer Service Lead		1	1	1	1	1	1	1	1	1	1
Customer Service Rep		1.5	1.5	1	1	1	2	2	1	1	2
Customer Account Coor		1	1	1	1	1	1	1	2	2	3
Accounting Asst.		1	1	1	1	1	1	1	1	1	1
<b>Subtotal</b>		<b>8.5</b>	<b>8.5</b>	<b>8</b>	<b>7</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>11</b>
<b>Ops-Water</b>	<b>104</b>										
Operations Manager		1	1	1	1	1	1	1	1	1	1
Administrative Asst.		0	0	0	1	1	1	0	1	1	1
CIP/Projects Coordinator		0	0	0	0	0	0	0	0	0	1
Inspector		1	1	1	1	1	1	1	1	1	1
GIS Technician		0	0	0	0	0	0	0	1	1	0
Supervisor		1	1	1	1	1	1	1	1	1	2
Field Opers/Techs		5	6	5	4	4.5	4	5	5	6	9
CIP Lead		1	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>		<b>9</b>	<b>9</b>	<b>8</b>	<b>8</b>	<b>8.5</b>	<b>8</b>	<b>8</b>	<b>10</b>	<b>11</b>	<b>15</b>
<b>Ops-Wastewater</b>	<b>105</b>										
Supervisor		0	0	0	1	1	1	1	1	1	1
Field Opers/Techs		0	0	0	0	0	1	1	1	1	2
<b>Subtotal</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>
<b>Total All Depts.</b>		<b>17.5</b>	<b>17.5</b>	<b>16</b>	<b>16</b>	<b>16.5</b>	<b>16.5</b>	<b>19</b>	<b>21</b>	<b>22</b>	<b>29</b>

In FY2013, additional growth in our service area created a need to add a Customer Service Rep, and to move the part-time employee in Water Operations over to a full-time position in Wastewater Operations.

In FY2014, a Contracts/Marketing position was added. This position is to help the General Manager with contracts, and to work with marketing the District to its Customers. Also, the Operations Administrative Assistant was converted to another Operator position.

In FY2015, the GIS Technician position was added. This position handles everything GIS-related, as well as line locates. Also, the Administrative Assistant for Operations was re-instated.

In FY2016, additional growth in our service area created a need to add another full-time employee to Water Operations.

In FY2017, the Contracts/Marketing Manager was split into two positions. The GIS Technician position was turned into a Supervisor position. Staffing was added to Customer Service, Water, and Wastewater positions, to keep up with the growth of the District.

### *Debt Policy*

The District has **no formal written debt policy**. All bonds are issued in accordance to the Constitution and general laws of the State of Texas, including particularly Chapters 49 and 65 of the Texas Water Code. The District issues only Revenue Bonds, and conducts an additional bonds test that is included in each of the bond covenants. This test dictates that the District's "net earnings at least equal the sum of 1.10 times the average annual debt service requirements (computed on a fiscal year basis), of all prior lien obligations outstanding during each fiscal year." (Bond Covenants)

The District realizes that incurring debt is a serious matter and therefore abides by the rule that it is important to finance all necessary capital improvements while being fiscally responsible with the rate payer's money, and incurs debt in a conservative and prudent manner.

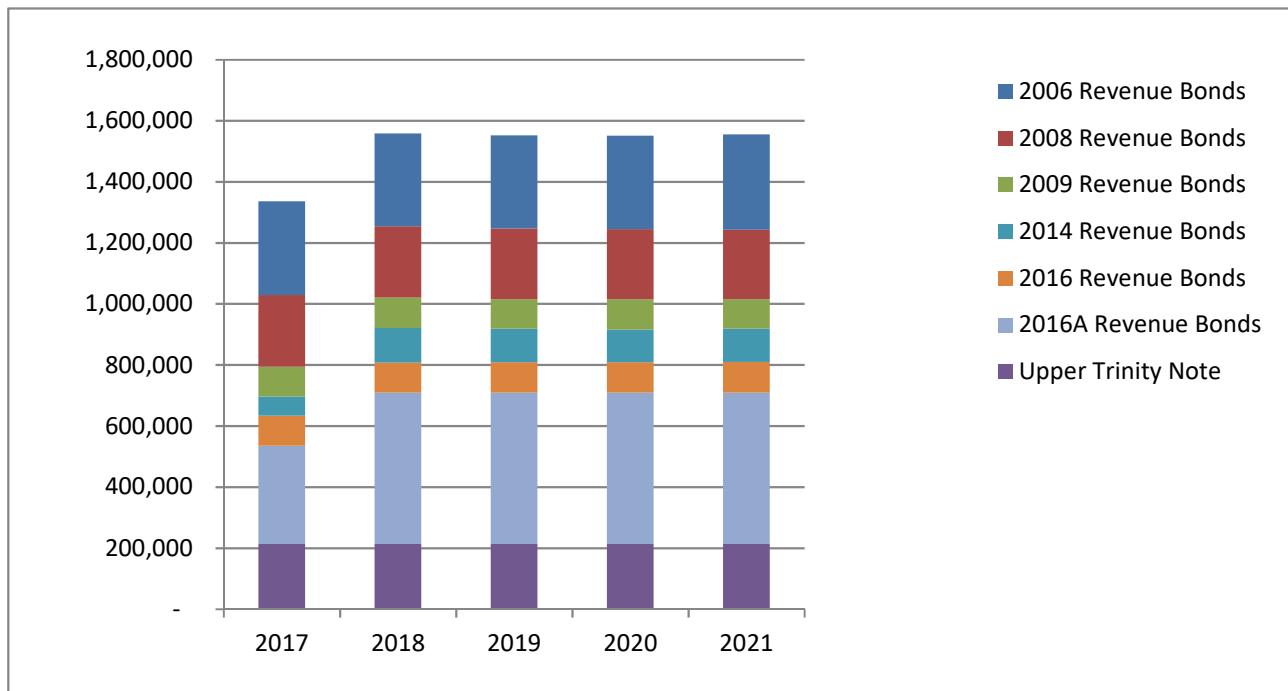
The Average Annual Debt Service calculated as of Fiscal Year 2017 is \$913,866 multiplied by 1.10 equals \$1,005,253 and the unaudited projected net earnings for Fiscal Year 2016 was \$4,434,376.

The District may issue Revenue Bonds in Fiscal Year 2017.

Mustang SUD does not have any legal debt limits.

Mustang SUD currently has a rating of AA- from Standard & Poor's Corporation.

**Mustang Special Utility District**  
**FY2017 Adopted Budget**  
**5-Year Debt Service Schedule**



	2017	2018	2019	2020	2021
2006 Revenue Bonds	306,933	303,733	305,333	306,533	312,333
2008 Revenue Bonds	234,445	233,120	231,508	229,608	227,420
2009 Revenue Bonds	97,695	99,995	96,995	99,495	96,745
2014 Revenue Bonds	62,968	112,968	109,968	106,968	108,968
2016 Revenue Bonds	98,518	98,684	98,821	98,930	100,010
2016A Revenue Bonds	321,750	495,750	495,965	496,043	495,983
Upper Trinity Note	213,451	213,451	213,451	213,451	213,451
Total	1,335,760	1,557,701	1,552,041	1,551,028	1,554,910

Mustang Special Utility District  
 Long Term Debt Service Requirements  
 All Series and Notes - By Years

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	\$ 526,407	\$ 809,353	\$ 1,335,760
2018	772,048	785,653	1,557,701
2019	798,920	753,121	1,552,042
2020	831,034	719,994	1,551,028
2021	869,399	685,511	1,554,910
2022	903,025	649,140	1,552,165
2023	925,922	612,924	1,538,846
2024	975,103	574,223	1,549,326
2025	1,005,579	534,330	1,539,909
2026	1,055,362	492,871	1,548,233
2027	586,000	441,127	1,027,127
2028	614,000	416,996	1,030,996
2029	632,000	391,353	1,023,353
2030	660,000	364,441	1,024,441
2031	469,000	336,239	805,239
2032	388,000	319,806	707,806
2033	402,000	308,074	710,074
2034	416,000	295,893	711,893
2035	426,000	283,261	709,261
2036	441,000	270,353	711,353
2037	457,000	256,966	713,966
2038	473,000	243,075	716,075
2039	379,000	228,678	607,678
2040	390,000	218,175	608,175
2041	402,000	207,368	609,368
2042	414,000	196,228	610,228
2043	427,000	184,754	611,754
2044	439,000	172,919	611,919
2045	453,000	160,751	613,751
2046	466,000	148,195	614,195
2047	480,000	135,278	615,278
2048	495,000	121,971	616,971
2049	509,000	108,249	617,249
2050	524,000	94,138	618,138
2051	541,000	79,610	620,610
2052	556,000	64,610	620,610
2053	574,000	49,194	623,194
2054	591,000	33,278	624,278
2055	609,000	16,889	625,889
 <b>Totals</b>	 <b>\$ 22,875,799</b>	 <b>\$ 12,764,984</b>	 <b>\$ 35,640,784</b>

# **Capital Improvement Fund**

### *Capital Improvement Fund*

This fund is used to track all capital improvement projects relating to the improvement of the District's water and wastewater systems that are financed by revenue bonds and connection fee revenues. Prior year revenue bonds and connection fees held in the General Fund fund balance are transferred from the General Fund into the CIP Fund budget. Completed projects are transferred to the General Fund as assets. Fund balance consisting of active projects is rolled into the General Fund for reporting purposes.

The CIP fund uses the modified accrual basis of accounting.

### *Capital Asset Policy*

Capital assets are assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add value to the asset nor materially extend the asset's life are not capitalized.

#### Property, plant and equipment:

The District uses the straight line depreciation method with estimated useful lives as follows:

Vehicles	5 years
Office furniture and equipment	3-10 years
Machinery and equipment	5-10 years
Water distribution system	5-40 years
Buildings	20-40 years

### *Capital Improvement Projects*

Capital Improvement Projects (CIP) are any project or physical improvement that results in a permanent addition to the District's capital assets or revitalization/improvement that extends a capital asset's useful life or increases its usefulness or capacity. Examples include:

\*Renovation, reconstruction, repair or major maintenance to existing facilities

\*Equipment for any facility or improvement when first erected or acquired

\*Utility modification

The District has adopted a formal five year CIP plan, and the projects adopted are consistent with the plan.

## Mustang SUD Capital Improvement Plan

Proposed Budget FY'2017

5 Year CIP Planning

Professional Services	Description	Status	Budget 2017	Budget 2018	Budget 2019	Budget 2020	Budget 2021	Totals
<b>Vehicles and Equipment</b>								
New Mower								
New Mower	open	12,000						12,000
F-150 Truck (Replace 108)	future	30,000						30,000
F-150 Truck (new)	future	30,000						30,000
F-150 Truck (new)	future	30,000						30,000
F-350 Truck with service body and crane - wastewater	future	60,000						60,000
Gas-powered Compactor/Tamper	future	4,000						4,000
ICS Gas Chain Saw	future	4,000						4,000
Walk Behind Saw for Concrete/Pavement	future	3,900						3,900
Vactor Truck (replace 401, purch 2004)	future	160,000						160,000
<b>Buildings &amp; Structures (not part of a system)</b>								
Office Building - Internal Expansion								
Office Building - Internal Expansion	future	75,000						75,000
Office Building - Painting	future	10,000						10,000
<b>Water Systems</b>								
Well #1 Improvements								
Repair Exposed Line across Cantrell Slough, 12" Line	future	8,000						8,000
Add Level Sensors to Wells	open	75,000						75,000
Naylor Road Line Extension - South End	open	10,000						10,000
Cross Roads (Riley) Well	future	79,725						79,725
Light Ranch Estates Well (USDA funded)	open	278,000						278,000
FM 720: Line relocation for TXDOT project - Phase 2	open	1,725,000						1,725,000
FM 720: Line relocation for TXDOT project - Phase 2	open	1,792,000						1,792,000
Temple Dame Building Improvements (shown at 35% of full cost)	future	500,000						500,000
Temple Dame Building Improvements (shown at 35% of full cost)	future	17,500						17,500
New Line Installation	future	150,000						150,000
Green Meadows Delivery Point	open	438,000						438,000
SCADA Upgrades	open	125,000						125,000
Lincoln Park Infrastructure	future	100,000						100,000
Distribution Main - Replace Asbestos Line, 16" Line	open	300,000						300,000
Riley Point (WCID 4) 12" Line	future	212,520						212,520
Riley Well Elevated Tank (1 MG)	future	3,200,000						3,200,000
Green Meadows Ground Storage Tank (5 MGD)	future	750,000						750,000
Green Meadows Pump Station	future	500,000						500,000
Sandbrook Transmission Line 24"	future	750,000						750,000
Light Ranch Ground Storage Tank	future	500,000						500,000
Wild Ridge (WCID 4) Well and Treatment Facility (1,000 GPM)	future	1,444,377						1,444,377
Distribution Main - Mustang Road, 6" Line	future	361,914						361,914
Arvin Hill - Hwy 377 8" Line Installation	future	215,000						215,000
FM 456 Water Line Replacement	open	221,000						221,000
New Hope Road 8 Inch Line Installation	open	100,000						100,000
Transmission Main: Navo Rd to Fishtrap Rd, 18" Line	future	2,981,900						2,981,900
Transmission Main: FM 1385 to FM 428, 36" Line	future	2,933,469						2,933,469
The Lakes Elevated Tank (1 MG) (Developer Responsibility)	future	2,584,950						2,584,950
Transmission Main: Fishtrap Rd to Bryan Rd, 24" Line	future	1,473,030						1,473,030
Transmission Main: FM 428 to Smiley Rd EST, 36" Line	future	4,570,183						4,570,183
Green Meadows Elevated Storage Tank (1 MG)	future	2,584,950						2,584,950
Transmission Main: Smiley Rd to Tally Ranch, 24" Line	future	4,715,166						4,715,166
Jackson Ridge Ground Storage Tank (2 MG)	future							1,000,000
Jackson Ridge Pump Station (2,000 GPM)	future							4,107,500
<b>Wastewater Systems</b>								
Oak Hill Estates Interceptor Line	future	597,970						597,970
Additional Capacity - UTRWWD Riverbend (USDA loan)	future	1,655,000						1,655,000
Discharge Permit	future	65,000						65,000
Additional Capacity - UTRWWD Doe Branch	future							7,000,000
<b>Totals</b>		13,507,890	12,555,365	12,815,166	5,107,500	38,154,164		

# Glossary

## Glossary

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**Accrual basis:** Accrual basis accounting recognizes transactions when they occur, regardless of the timing of related cash flows. The application of accrual accounting techniques prevents distortions in financial statement representations due to shifts in the timing of cash flows and related underlying economic events near the end of a fiscal period.

**Business type activity:** Business type activities are financed in whole or in part by fees charged to external parties for goods and services. These activities are usually reported in enterprise funds which follow essentially the same accounting rules as a private enterprise.

**Depreciation:** Depreciation is the accrual accounting concept using various methods to expense capitalized costs of an asset over its estimated useful life.

**Enterprise fund:** A fund established to account for operations that are financed and operated in a manner similar to a private business, i.e. the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Expenditure:** The cost of goods delivered and services rendered whether paid or unpaid.

**Fiscal year (FY):** The 12 month period, October 1<sup>st</sup> to September 30<sup>th</sup>, to which the annual operating budget applies and, at the end of which, financial position and the results of operations are determined.

**Full-Time Equivalent (FTE):** A method to convert part-time hours worked to that of full-time worker in a like position based on 2080 hours per year.

**Fund:** Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions, activities or objectives with special regulations, restrictions, or limitations. A fund is a self-balancing set of accounts recording financial resources with all related liabilities resulting in equities or balances. The accounts of the District are organized on the basis of funds and account groups in order to report on its financial position and results of its operations.

**Fund Equity:** The difference between assets and liabilities reported in an enterprise fund.

**Generally Accepted Accounting Principles (GAAP):** Conventions, rules and procedures that serve as the norm for the fair presentation of financial statements.

**General Fund:** The District's major operating fund to account for all financial resources except those accounted for in another fund.

**Government Finance Officers Association (GFOA):** The GFOA of the United States and Canada is a professional organization of public officials united to enhance and promote the professional management of governmental financial resources by identifying, developing and advancing fiscal strategies, policies and practices for public benefit.

**Modified Accrual:** The modification of full accrual accounting; in the example of this budget, amortization and depreciation expenses are not included in the operating budget.

**Net Assets:** The difference between assets and liabilities of assets and liabilities of proprietary funds. Net assets may be further divided into unrestricted and restricted amounts like constraints of legislation or external parties, trust amounts for pensions or pools, or other purposes like invested in capital assets, net of related debt.

**Operating budget:** The operating budget is the authorized revenues and expenditures for on-going district services and is the primary means by which a government is controlled. The life span of an operating budget is typically one year. Personnel costs, supplies, and other charges are found in an operating budget.

**Revenue:** The income of the District used to fund operations. Typical revenue examples for the District are charges for services, interest, fees and developer contributions.

**Special Utility District (SUD):** is a special-purpose district or other governmental jurisdiction that provides public utilities (such as water and wastewater) to the residents of that district.

**Upper Trinity Regional Water District (UTRWD):** A conservation district, created by the State of Texas in 1989 to provide towns, cities and utilities with a sound, long-term water supply. UTRWD is authorized to provide water, wastewater, solid waste, and storm water (watershed protection) services -- all on a wholesale basis.