



**Mustang Special Utility District  
Annual Budget  
2017 - 2018**

**Adopted September 25, 2017**

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

**2018**



**Mustang Special Utility District**  
**FY 2018 Budget**  
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## Adopted Budget for the Fiscal Year 2017-2018

General Manager – Chris Boyd

Financial Services Manager – Patty Parks

Operations Manager – Aldo Zamora

Customer Service Manager – Beth Kazel

## Mustang Special Utility District Board Members



Front Row L-R: Marc Hodak, Vice President; Dean Jameson, President; Kim Lehene, Secretary

Back Row L-R: Mike Frazier; Wade Veeder; Michael Walker; Ken Mitchell; 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.**



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**Mustang Special Utility District  
Texas**

For the Fiscal Year Beginning

**October 1, 2016**

A handwritten signature in black ink that reads "Jeffrey P. Eman".

Executive Director

# **Executive Summary**



## Manager's Letter of Transmittal

30 September 2017

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

I am pleased to submit the published Mustang Special Utility District Fiscal Year 2017-2018 budget as approved by the Board of Directors on September 25, 2017. 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 continued to experience rapid growth due to the demand in the housing market. Residential developers are constructing 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 in revenue being the result of 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 three new wells coming online in FY2018 would serve an additional 2,850 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 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 \$125,000 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 also based on annual climatic conditions.

For FY2018, rates have been revised to continue to cover the Operating Costs of the Water Department, as well as the yearly debt service related to Water Infrastructure.

### **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). Current capacity is 940,000 GPD in the Peninsula Plant, 160,000 GPD in the Riverbend Plant, and 200,000 GPD in the Doe Branch. In September 2016, we purchased 750,000 GPD in additional capacity in the expansion of the Riverbend Plant, which is expected to be completed by the Spring of 2018. Mustang has the ability to serve an additional 3,300 customers.

Most of Mustang's wastewater collection system is still new enough that no significant repairs or replacement needs are anticipated this year. In FY2018, 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 FY2018, rates have been revised to cover the operating costs of the Wastewater Department, the Wastewater Treatment Plant department, and the yearly debt service related to Wastewater Infrastructure.

### **4. Wastewater Treatment Plant**

Mustang is constructing a wastewater treatment plant, which should be operational by the late summer of 2018. The plant will have treatment capacity of 200,000 GPD. Few operational expenses are expected to occur in FY18.

### **5. Summary**

While the rate of growth and development in Mustang's service area has been approximately 12% 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 expect to issue additional capital debt for 2018 in the form of a loan with the Texas Water Development Board, as the infrastructure capital improvements planned will be more than what can be funded with dedicated reserves.

The FY 2017-2018 Annual Budget continues our commitment to our highest priority of providing excellent service with the best value for our customers.

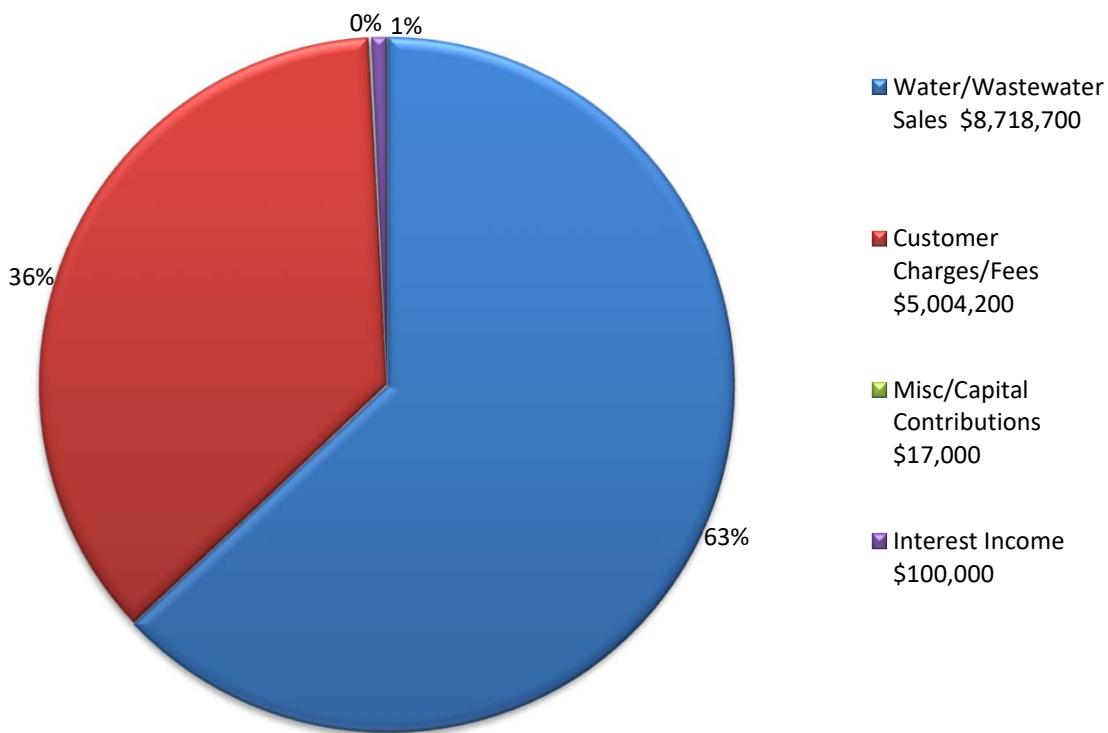
My Regards,



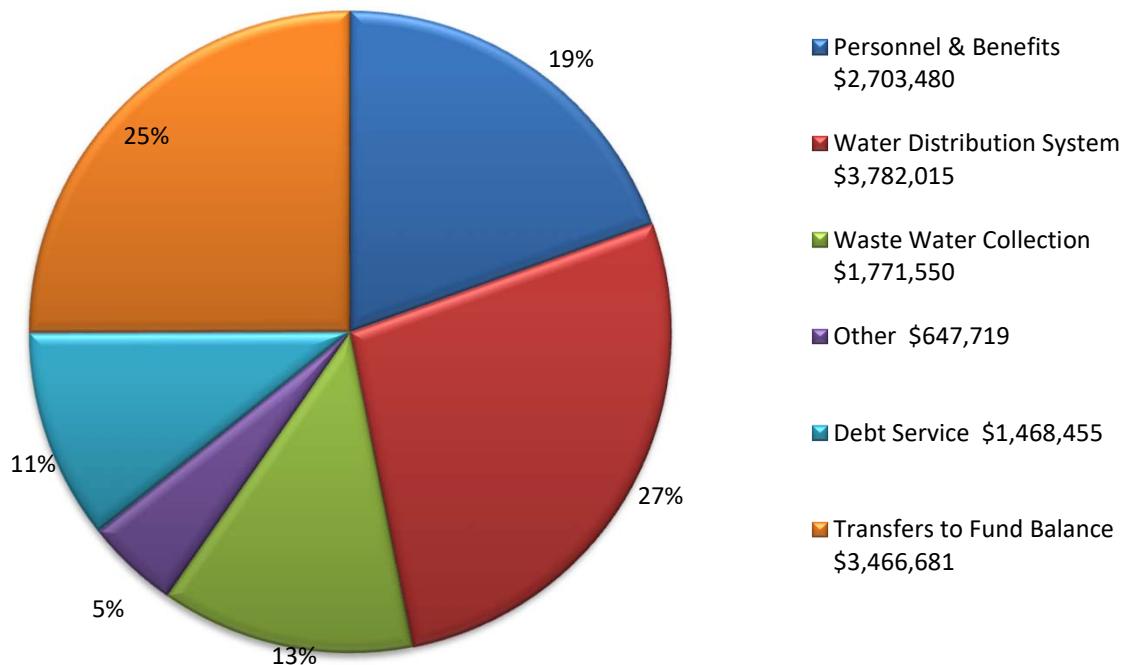
Chris Boyd  
General Manager

**Mustang Special Utility District  
FY2018 Adopted Budget  
Budget Summary Charts**

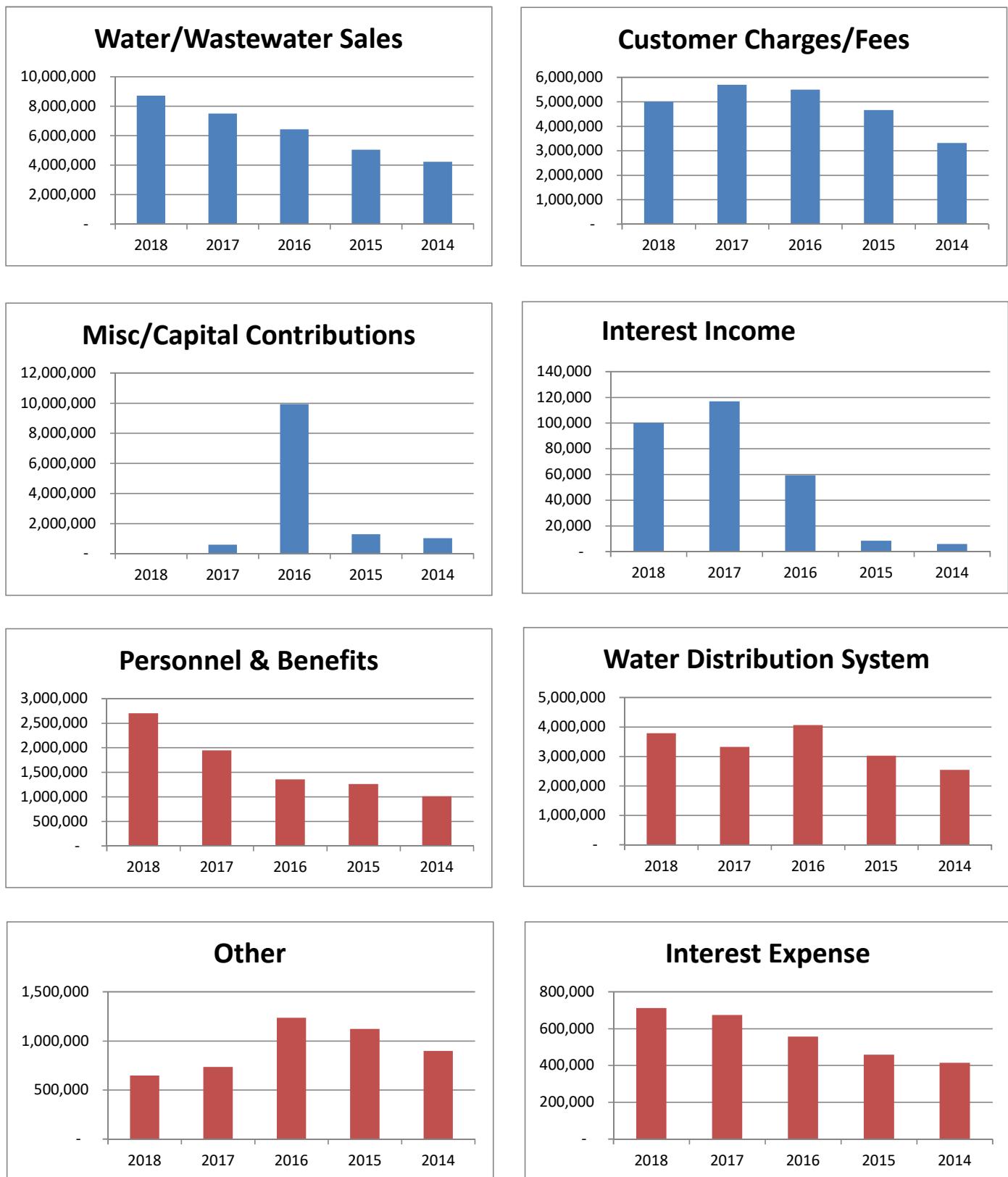
**Where the Money Comes From**



**Where the Money Goes**



**Mustang Special Utility District**  
**FY2018 Adopted Budget**  
**Significant Budgetary Trends**

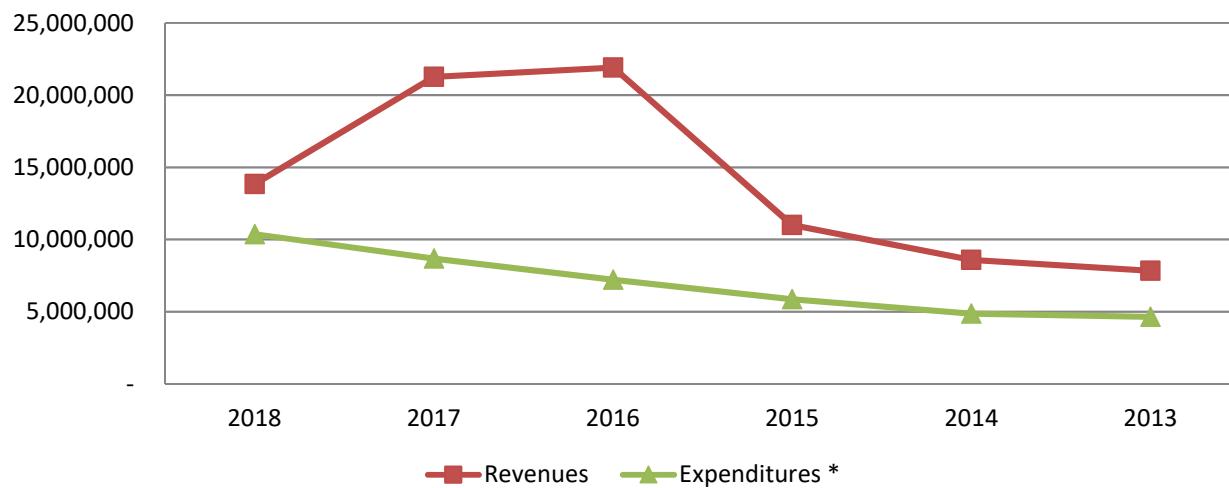


## Revenue versus Expenditures: Projected and Last 5 Years

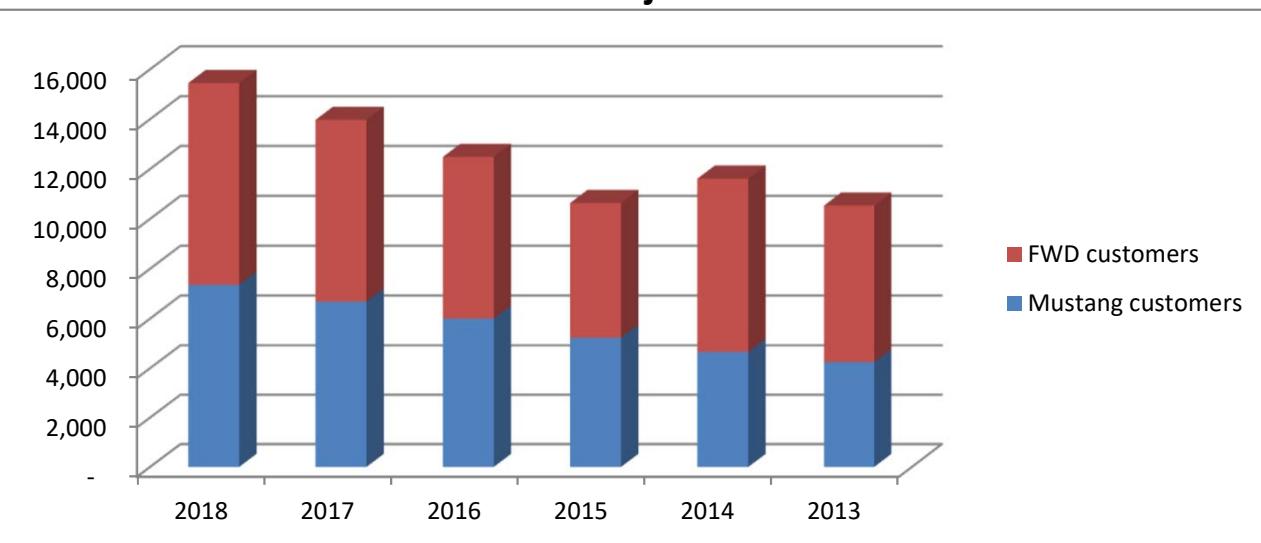
	Fiscal Year					
	2018	2017	2016	2015	2014	2013
	Budget	Estimated	Actuals (Audited)			
Revenues	13,839,900	21,260,456	21,913,612	11,005,520	8,585,391	7,833,495
Expenditures *	10,373,219	8,675,218	7,211,125	5,859,714	4,862,220	4,650,721

\* 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



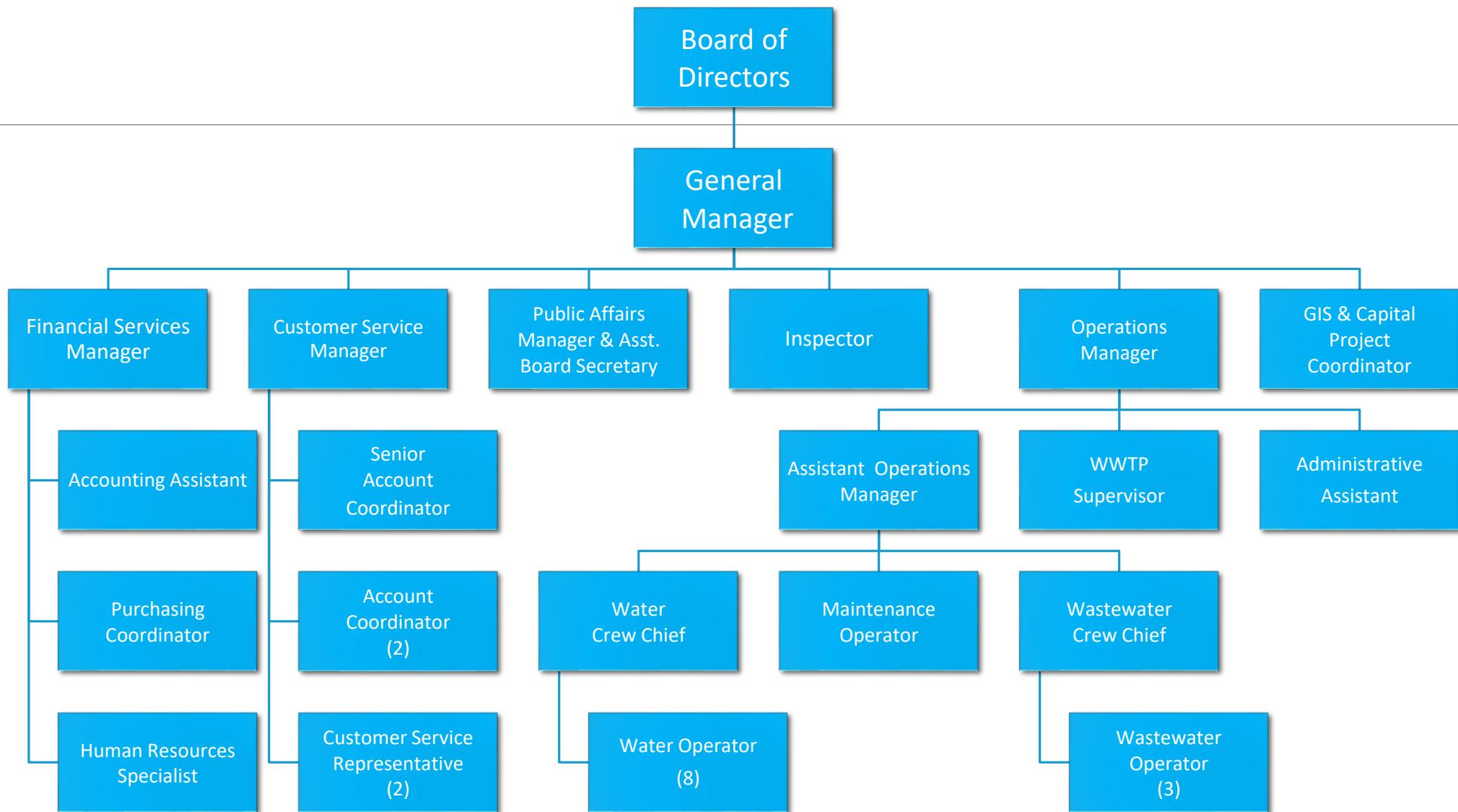
FWD customers are operated by Mustang SUD, per contract with individual Fresh Water Districts.

# District Information

# Mustang Special Utility District

2017-2018 Organization Chart

32 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 2.6 million gallons.

The District provides wastewater service to approximately 3,475 Mustang customers. Presently, wastewater treatment for Mustang customers is through a current subscription of 1,300,000 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 7,300 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 6,700 water customers and approximately 7,300 fresh water supply district customers over an area of 120 square miles.

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

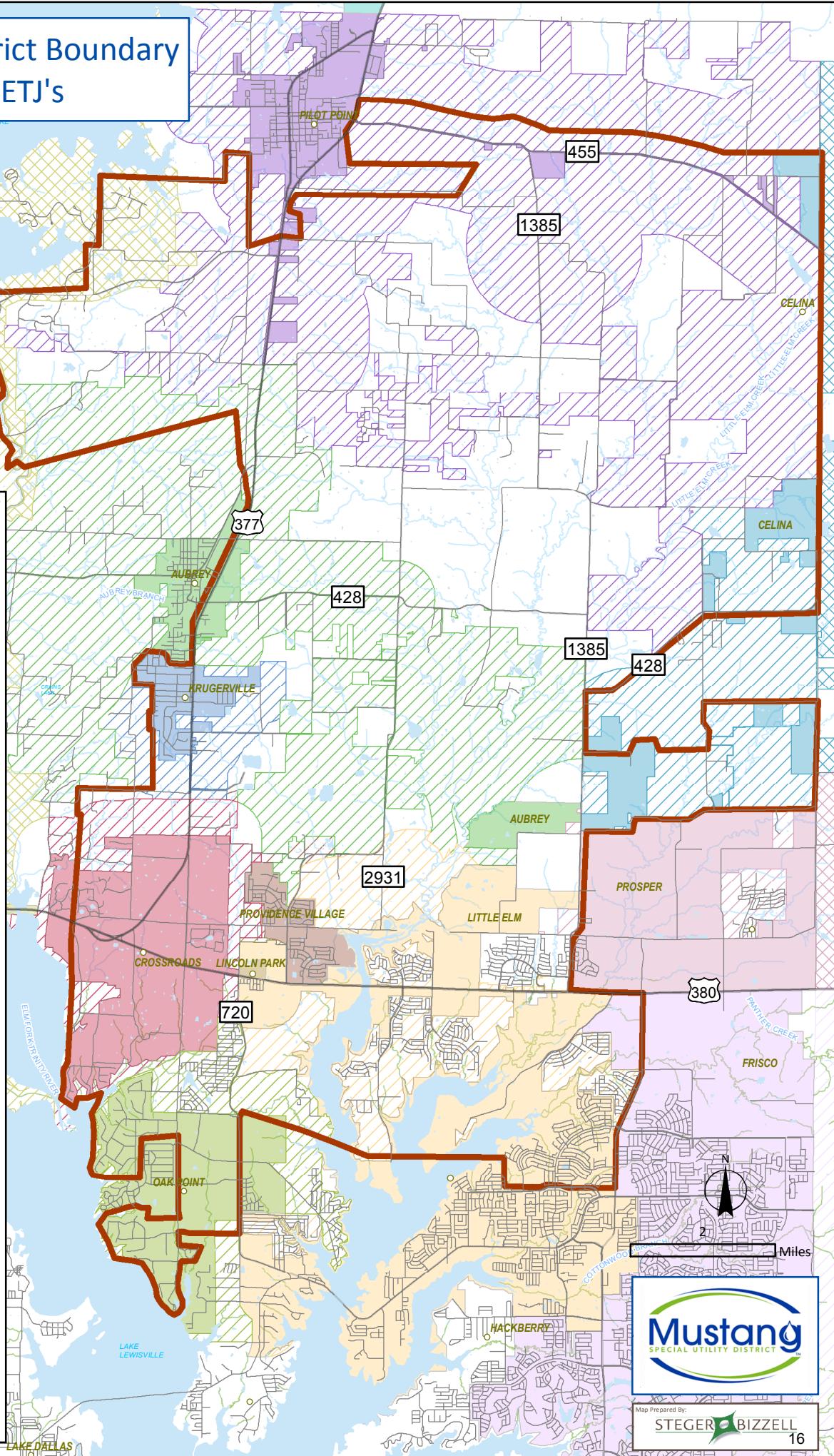
# Mustang SUD District Boundary Cities and ETJ's

MAP LEGEND March, 2017

  Mustang District Boundary

## NAME, TYPE

Aubrey, CITY
Aubrey, ETJ
Celina, CITY
Celina, ETJ
Celina, OutCITY
Cross Roads, CITY
Cross Roads, ETJ
Denton, CITY
Denton, DIV 2
Denton, ETJ
Frisco, CITY
Frisco, OutCITY
Krugerville, CITY
Krugerville, ETJ
Lincoln Park, CITY
Lincoln Park, ETJ
Little Elm, CITY
Little Elm, ETJ
Oak Point, CITY
Oak Point, ETJ
Pilot Point, CITY
Pilot Point, ETJ
Pilot Point, OutCITY
Prosper, CITY
Prosper, ETJ
Prosper, OutCITY
Providence Village, CITY
Providence Village, ETJ



**Mustang Special Utility District Water and Wastewater Rates**  
**For a Residence with a 5/8" Meter**  
**Approved 9/25/2017**

**Residential Water Rates:**

**Base Rate:** (Monthly)      \$28.10

**Gallonage Charge:**

<u>Gallons Used</u>	Unit Cost (per thousand)
1 to 3,000	\$2.75
3,001 to 9,000	\$3.85
9,001 to 15,000	\$4.80
15,001 to 25,000	\$5.85
>25,000	\$8.95

**Residential Wastewater Rates:**

<u>Gallons of Water Used</u>	<b>Rate (monthly)</b>
1 to 8,000	\$51.60
>8,000	\$57.55

**Mustang Special Utility District**  
**Top Ten Customers, based on water usage\***  
**FY 2017**

**By Amount**

Western Rim Property Services	apartments	\$ 159,867
Wildridge Community Association	amenity center, irrigation	83,235
Cross Oak Ranch HOA	amenity center, irrigation	50,961
Denton ISD - Navo	middle school	50,034
Holt Texas	equipment sales & maintenance	47,209
Denton ISD - Braswell	high school	35,430
Walmart	retail	25,433
DFP Properties I	strip mall	21,716
3B&L Investments	car wash	21,258
Pegasus Investments	strip mall	14,149

**By Consumption**

Western Rim Property Services	apartments	19,165,620
Wildridge Community Association	amenity center, irrigation	11,390,198
Cross Oak Ranch HOA	amenity center, irrigation	6,296,300
Denton ISD - Navo	middle school	6,153,042
Holt Texas	equipment sales & maintenance	5,697,439
Denton ISD - Braswell	high school	4,370,837
Walmart	retail	3,174,325
DFP Properties I	strip mall	2,960,719
3B&L Investments	car wash	2,596,411
Pegasus Investments	strip mall	1,768,690

\*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 Financial Services Manager and begins revenue projections based on historical figures, future trends and the economic climate. The General Manager then works with the Financial Services Manager 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 August and September. All workshops are open to the public, and are advertised according to Texas Open Meetings Act.

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 budgets.

The workshop in August deals only with the operating budget, covering revenue and expenses. In the September workshop, the capital improvements are analyzed and discussed at length. Then, the budget is put on the agenda of the regular September board meeting 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	Financial Services Manager sends line item worksheet to department heads for budget requests
Early June	General Manager meets with Operations Manager and Financial Services Manager to discuss needed CIP and funding
Early June	Worksheets with budget/personnel requests due
Late June	General Manager reviews budget worksheets
July 17, 2017	First workshop to discuss operating revenue and expense
August 7, 2017	Second workshop to discuss CIP and to finalize operating budget
September 25, 2017	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. Any part of the budget may be amended at any time by the Board of Directors; and the General Manager may amend any line item within a department, as long as the department total budget does not change.

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 near the beginning of each fiscal year, and is in conformance with 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 six departments:

**Administration (103)**- Within this department the following sections are accounted for: Utility Billing, Financial Services, and the General Manager.

Utility Billing is responsible for revenue collections such as 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.

Financial Services is responsible for preparing financial reports, maintaining the general ledger, processing accounts payable, purchasing, payroll, human resources, risk management, records retention, treasury, debt management, auditing, budget preparation, and board elections.

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, public relations, 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.

**Waste Water Treatment Plant (107)** – This new department is used to account for the operation and maintenance of the Waste Water Treatment Plant.

**Debt Service – Water (106) and Debt Service-Wastewater (108)**- These departments are used to account for the payment of debt in relation to bonds issued.

## Budget Summary

	2013-2014	2014-2015	2015-2016	Estimated* 2016-2017	Projected 2017-2018
Beginning Fund Equity**	22,631,081	24,557,233	27,831,398	38,937,961	41,983,484
Revenues	8,585,391	11,005,520	21,913,612	13,909,334	13,839,900
Expenditures	6,659,239	8,180,633	10,807,047	10,863,811	12,516,169
Net Change in Net Assets	1,926,152	2,824,887	11,106,565	3,045,523	1,323,731
Prior Period Adjustments	-	449,281	-	-	-
Ending Fund Equity**	24,557,233	27,831,398	38,937,961	41,983,484	43,307,215

\*Unaudited

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

### Revenues

	2013-2014	2014-2015	2015-2016	Estimated* 2016-2017	Projected 2017-2018
Water/Wastewater Sales	4,233,713	5,052,082	6,438,808	7,504,038	8,718,700
Customer Charges/Fees	3,315,147	4,661,809	5,490,867	5,695,206	5,004,200
Misc/Capital Contributions	1,030,541	1,283,192	9,924,639	593,213	17,000
Interest Income	5,990	8,437	59,298	116,877	100,000
Total Revenues	8,585,391	11,005,520	21,913,612	13,909,334	13,839,900

\*Unaudited

### Expenditures

	2013-2014	2014-2015	2015-2016	Estimated* 2016-2017	Projected 2017-2018
Personnel Services	1,011,663	1,259,770	1,355,214	1,946,729	2,703,480
Water Distribution System	2,539,509	3,020,253	4,064,515	4,810,171	5,553,565
Other	896,497	1,121,015	1,235,253	733,634	647,719
Interest Expense	414,551	458,676	556,143	673,277	711,405
Amortization & Depreciation	1,797,019	2,320,919	3,595,922	2,700,000	2,900,000
Total Expenditures	6,659,239	8,180,633	10,807,047	10,863,811	12,516,169

\*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 2018 Adopted Budget	
<b>Revenues</b>	13,839,900
Transfer (to) from Fund Balance	(3,466,681)
<b>Total Revenues</b>	<b>10,373,219</b>
<b>Expenditures</b>	
103 Admin	1,800,704
104 Water Operations	4,904,320
105 Wastewater Operations	2,198,540
106 Debt Service-Water	860,935
108 Debt Service-WW	608,720
<b>Total Expenditures</b>	<b>10,373,219</b>

## FY2018 Expenditure Breakdown by Department

	Proposed FY 2018
103 Administration	
Payroll and Benefits	1,154,185
General Operating Costs	297,500
Maintenance and Utility Costs	167,444
Legal and Professional	170,000
Insurance	11,575
<b>TOTAL EXPENDITURES- DEPT 103</b>	<b>1,800,704</b>

	Proposed FY 2018
104 Water Operations	
Payroll and Benefits	1,122,305
Water Distribution	2,231,315
General Operating Costs	832,500
Maintenance and Utility Costs	438,000
Temple Dane PS Costs	98,700
Legal and Professional	152,500
Insurance	29,000
<b>TOTAL EXPENDITURES- DEPT 104</b>	<b>4,904,320</b>

	Proposed FY 2018
105 Waste Water Collection	
Payroll and Benefits	426,990
Waste Water Collection	1,528,950
General Operating Costs	22,400
Maintenance and Utility Costs	104,700
Legal and Professional	112,500
Insurance	3,000
<b>TOTAL EXPENDITURES- DEPT 105</b>	<b>2,198,540</b>

	Proposed FY 2018
106 Water Debt Service	
Water Debt Service - P&I	860,935
<b>TOTAL EXPENDITURES- DEPT 106</b>	<b>860,935</b>

	Proposed FY 2018
108 Waste Water Debt Service	
Waste Water Debt Service - P&I	608,720
<b>TOTAL EXPENDITURES- DEPT 108</b>	<b>608,720</b>

Total Budgeted Expenditures	10,373,219
Amortization and Depreciation*	2,900,000
<b>Total Projected Expenditures</b>	<b>13,273,219</b>

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

## Accomplishments

	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	Projected FY18
<b>Department 103 - Administration</b>										
<b>Finance</b>										
Payroll checks cut*	177	147	77	56	70	80	36	32	29	58
# of employees	17.5	16	16	16.5	18	19	21	26	29	32
% on direct deposit	80%	80%	94%	94%	84%	89%	90%	100%	97%	97%
Accounts Payable checks cut	1,392	1,143	1,326	1,157	1,302	1,035	1,102	1,570	1,409	1,500
<b>Utility Billing</b>										
Total customers, including FWD	8,327	8,838	9,207	9,727	10,535	11,615	10,637	12,483	14,000	15,500
% on ACH Direct Debit*	4.2%	4.8%	7.9%	8.0%	9.0%	9.3%	10.4%	10.2%	15.0%	18.0%
<b>Department 104 - Water Operations</b>										
Water taps - res/comm	8,431	8,863	9,099	9,335	10,660	11,637	10,637	12,581	14,000	15,500
Back flow preventer tests	492	432	258	300	450	410	175	200	400	300
Meters tested	12	15	20	20	30	25	20	20	40	50
Meters replaced	50	100	76	330	500	300	140	175	200	200
Water main breaks	12	6	25	28	39	22	39	43	42	30
Water service curb box repairs	52	60	45	60	140	162	210	300	350	300
<b>Department 105 - Wastewater Collections</b>										
Sanitary sewer lines cleaned (ft)	18,000	25,000	295,000	400,000	380,000	335,000	200,000	150,000	300,000	400,000
Sewer main blockages cleared	18	20	32	40	55	32	20	15	30	40

### Operating Objectives for FY2017-18

Continue to provide excellent customer service.  
Improve payment methods.  
Further integrate technology with all operations.

### Major Operating Budget Items:

Water purchases (demand and volume) from Upper Trinity Regional Water Authority	\$ 2,155,210
Wastewater treatment charges (demand, treatment, and capital) from Upper Trinity Regional Water Authority	\$ 1,318,950
Debt service (principal and interest)	\$ 1,468,455
Meter replacement program and new meters	\$ 750,000

## Authorized Full Time Employees (FTE)

Function/Program	Dept	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Administrative/Office</b>	<b>103</b>										
General Manager		1	1	1	1	1	1	1	1	1	1
Administrative Assistant		1	1	1	1	1	1	1	1	1	0
Contracts Manager/Marketing		1	1	0	0	0	1	1	1	0	0
Public Relations Manager		0	0	0	0	0	0	0	0	1	1
Finance Director/Financial Services Manager		1	1	1	1	1	1	1	1	1	1
Human Resources Coordinator		0	0	0	0	0	0	0	0	0	1
Purchasing Coordinator		0	0	0	0	0	0	0	0	0	1
Accounting Assistant		1	1	1	1	1	1	1	1	1	1
Customer Service Lead/Manager		1	1	1	1	1	1	1	1	1	1
Customer Account Coordinator		1	1	1	1	1	1	2	2	3	3
Customer Service Representative		1.5	1	1	1	2	2	1	1	2	2
<b>Subtotal</b>		8.5	8	7	7	8	9	9	9	11	12
<b>Ops-Water</b>	<b>104</b>										
Operations Manager		1	1	1	1	1	1	1	1	1	1
Administrative Assistant		0	0	1	1	1	0	1	1	1	1
Assistant Operations Manager		0	0	0	0	0	0	0	0	0	1
Inspector		1	1	1	1	1	1	1	1	1	1
CIP/Projects Coordinator		0	0	0	0	0	0	0	0	1	1
GIS Technician		0	0	0	0	0	0	1	1	0	0
Supervisor/Crew Chief		1	1	1	1	1	1	1	1	2	1
Field Operators/Technicians		6	5	4	4.5	4	5	5	6	9	9
<b>Subtotal</b>		9	8	8	8.5	8	8	10	11	15	15
<b>Ops-Wastewater</b>	<b>105</b>										
Supervisor/Crew Chief		0	0	1	1	1	1	1	1	1	1
Field Operators/Technicians		0	0	0	0	1	1	1	1	2	3
<b>Subtotal</b>		0	0	1	1	2	2	2	2	3	4
<b>Ops-Wastewater Treatment Plant</b>	<b>107</b>										
Supervisor		0	0	0	0	0	0	0	0	0	1
<b>Subtotal</b>		0	0	0	0	0	0	0	0	0	1
<b>Total All Depts.</b>		17.5	16	16	16.5	16.5	19	21	22	29	32

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.

In FY2018, some titles were changed to reflect additional responsibilities. Some positions were released so that the employees could take on new responsibilities, like the Purchasing Coordinator, the HR Coordinator, and the Assistant Operations Manager. Two new positions were added : the Wastewater Department gained another operator and the Watewater Treatment Plant Department was assigned its first employee.

## *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 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.

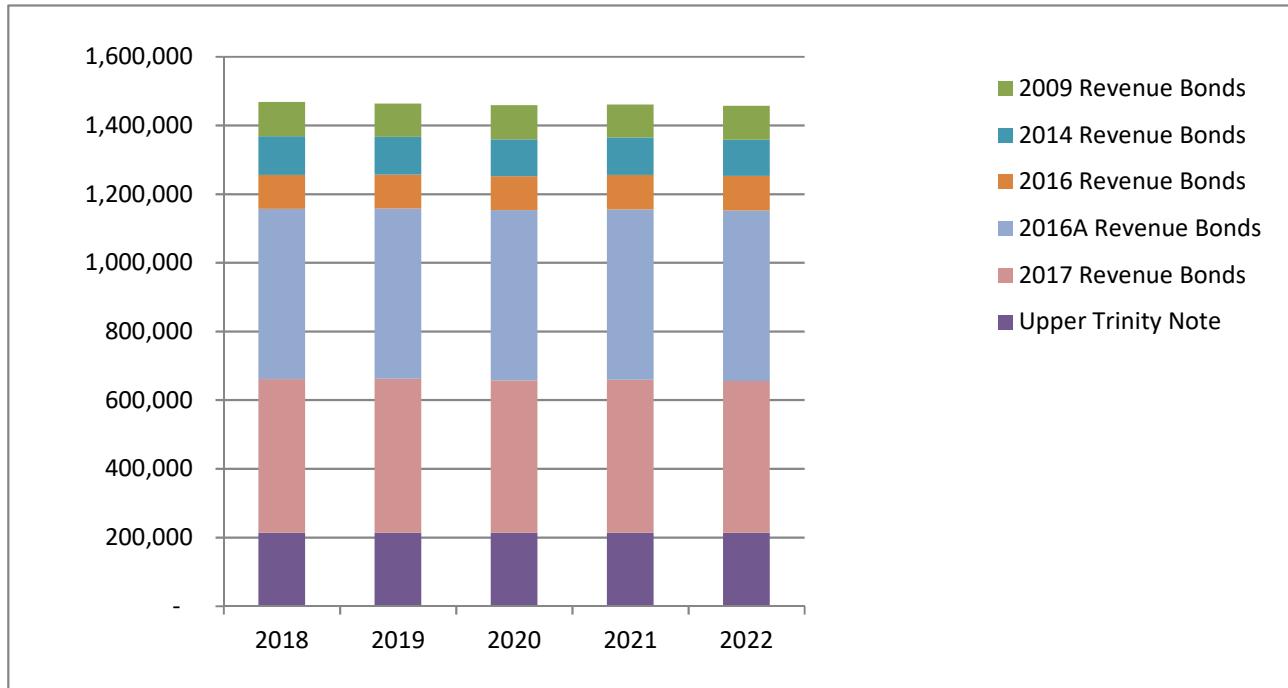
The Average Annual Debt Service (bonded) calculated as of Fiscal Year 2018 is \$823,244 multiplied by 1.10 equals \$1,005,253 and the unaudited projected net earnings for Fiscal Year 2017 was \$5,234,116.

The District will issue Revenue Bonds as collateral for a loan from the Texas Water Development Board in Fiscal Year 2018.

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**  
**FY2018 Adopted Budget**  
**5-Year Debt Service Schedule**



	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
2009 Revenue Bonds	99,995	96,995	99,495	96,745	98,995
2014 Revenue Bonds	112,968	109,968	106,968	108,968	105,668
2016 Revenue Bonds	98,684	98,821	98,930	100,010	100,033
2016A Revenue Bonds	495,750	495,965	496,043	495,983	496,785
2017 Revenue Bonds	447,600	448,300	443,700	445,700	442,100
Upper Trinity Note	213,451	213,451	213,451	213,451	213,451
<b>Total</b>	<b>1,468,448</b>	<b>1,463,500</b>	<b>1,458,587</b>	<b>1,460,857</b>	<b>1,457,032</b>

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

Year Ended September 30	Principal	Interest	Total Requirements
2018	\$ 757,048	\$ 711,400	\$ 1,468,448
2019	778,920	684,580	1,463,501
2020	801,034	657,553	1,458,587
2021	834,399	626,458	1,460,857
2022	863,025	594,007	1,457,032
2023	890,922	562,091	1,453,013
2024	915,103	527,965	1,443,068
2025	930,579	493,860	1,424,439
2026	975,362	459,041	1,434,403
2027	556,000	414,357	970,357
2028	579,000	396,076	975,076
2029	592,000	376,708	968,708
2030	615,000	356,896	971,896
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	<u>609,000</u>	<u>16,889</u>	<u>625,889</u>
 <b>Totals</b>	 <b><u>\$ 21,809,393</u></b>	 <b><u>\$ 11,394,940</u></b>	 <b><u>\$ 33,204,332</u></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 two 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 FY2018

5 Year CIP Planning

Description	Status	Budget 2018	Budget 2019	Budget 2020	Budget 2021	Budget 2022	Totals
<b>Professional Services</b>							
F150 Truck (new)	open	30,000					30,000
Forklift	open	40,000					40,000
Vactor Truck (replace 401, purch 2004)	future		400,000				400,000
<b>Buildings &amp; Structures (not part of a system)</b>							
Operations Building	open	1,500,000					1,500,000
Office Generator	open	60,000					60,000
<b>Water Systems</b>							
Well #1 Improvements	open	8,000					8,000
Hathaway (Cross Roads/Riley) Well & Pump	open	152,187					152,187
Hathaway (Cross Roads/Riley) Elevated Tank (1 MG) WDB debt	open	2,505,000	1,000,000				3,505,000
Light Ranch Estates Well (USDA funded)	open	227,330					227,330
FM 720: Line relocation for TXDOT project - Phase 2	open	500,000					500,000
Repair Exposed Line across Cantrell Slough, 12" Line	open	75,000					75,000
Temple Dane Building Improvements (shown at 35% of full cost)	open	17,500					17,500
Houlihan (Green Meadows/428) Delivery Point (removed UTRWD portion)	open	-					-
Houlihan Delivery Point expected UTRWD reimbursement	open	-					-
Houlihan (Green Meadows/428) Ground Storage Tank	open	1,712,230					1,712,230
Houlihan (Green Meadows/428) Pump Station	open	200,000					200,000
SCADA upgrades - water infrastructure	open	125,000					125,000
Silverado Point of Delivery	open	455,000					455,000
Silverado Well, pump (to be repaid by developer)	open	-					-
Silverado Well, pump repaid by developer	open	-					-
Silverado Ground Storage Tank (to be paid by developer)	open	1,300,000					1,300,000
Silverado Ground Storage Tank repaid by developer	open	(1,300,000)					(1,300,000)
Lincoln Park Infrastructure	open	100,000	100,000	100,000	100,000	100,000	500,000
New Line Installation	open	150,000					150,000
FM 455 Water Line Replacement	open	230,000					230,000
Byran Road EST/UTRWD Interconnect	open	230,000					230,000
Distribution Main - Replace Asbestos Line, 16" Line	future		300,000				300,000
Wild Horse Ranch Elevated Storage Tank (1 MG)	future		2,584,950				2,584,950
Houlihan (Green Meadows/428) Elevated Storage Tank (2.25 MG)	future			6,000,000			6,000,000
Light Ranch Ground Storage Tank	future			500,000			500,000
Transmission Main: Smiley Rd to Tally Ranch, 24" Line	future			4,715,166			4,715,166
<b>Wastewater Systems</b>							
Naylor Road Lift Station	open	528,470					528,470
Sandrock WW Plant Land	open	225,000	225,000	225,000	225,000	225,000	1,125,000
Sandrock Wastewater Treatment Plant (Developer)	open	2,215,000					2,215,000
Sandrock Wastewater Treatment Plant repaid by developer	open	(2,215,000)					(2,215,000)
Silverado Wastewater Service (Brewer Road)	open	900,000					900,000
Additional Capacity - UTRWD Riverbend (USDA loan)	future		2,000,000				2,000,000
Additional Capacity - UTRWD Peninsula	future		8,000,000				8,000,000
Additional Capacity - UTRWD Doe Branch	future			7,000,000			7,000,000
<b>Totals</b>		9,970,717	14,609,950	18,540,166	325,000	325,000	33,800,116

# 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.