

2019



**Mustang Special
Utility District**

**Annual Budget
2018-2019**

Adopted September 24, 2019

www.mustangwater.com

Mustang Special Utility District
FY 2019 Budget
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Adopted Budget for the
Fiscal Year 2018-2019

General Manager – Chris Boyd

Assistant General Manager – Jennifer Bland

Financial Services Manager – Patty Parks

Operations Manager – Aldo Zamora

Customer Service Manager – Beth Kazel

Mustang Special Utility District Board Members

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.

President	Dean Jameson
Vice President	Marc Hodak
Secretary	Kim Lehere
Director	Mike Frazier
Director	Wade Veeder
Director	Michael Walker
Director	Kenneth Mitchell
Director	Matt Gauntt
Director	Kathryn Langley



MISSION:

We provide reliable, sustainable, and efficient water utility services to our valued customers.

VISION:

To be a leading water utility dedicated to innovation, stewardship, collaboration, and excellent customer service.

STRATEGIC GOALS:

- 1. Water Resources Management** – Effectively managing the stewardship of current and future water resources.
- 2. Asset Management and Operational Optimization** – Innovating and optimizing our approach to managing all of our assets and operations.
- 3. Financial Strength and Resiliency** – Ensuring financial viability now and in the future.
- 4. Customer and Stakeholder Relationships** – Enhancing the quality and effectiveness of our relationships in the communities we serve.
- 5. Professional Development** – Enhancing the skills and capabilities of our highly qualified workforce.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Mustang Special Utility District
Texas**

For the Fiscal Year Beginning

October 1, 2017

Christopher P. Morill

Executive Director

Executive Summary



Manager's Letter of Transmittal

30 September 2018

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

I am pleased to submit the published Mustang Special Utility District Fiscal Year 2018-2019 budget as approved by the Board of Directors on September 24, 2018. 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 in production capacity for future growth. As a member of the Upper Trinity Regional Water District, Mustang can contract for water supplies to meet 50-year future demand. Current ground water production capacity, plus two new wells coming online in FY2019, will continue to serve the growing customer base. 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 FY2019, rates have not been changed, as growth is expected 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 maintained in the Peninsula Plant, the Riverbend Plant, and the Doe Branch. In Fiscal Year 2019, Mustang has budgeted for the purchase of additional capacity in these plants to continue to serve the growing customer base.

Most of Mustang's wastewater collection system is still new enough that no significant repairs are anticipated this year. No staffing changes are expected in FY2019, although the Wastewater Department will continue to expand as more customers come online, and as the system grows.

For FY2019, rates have not been changed, as growth is expected 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 spring of 2019. Operational expenses have been budgeted for FY2019.

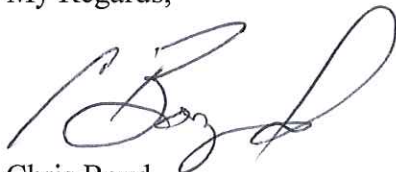
5. Summary

While the rate of growth and development in Mustang's service area has been approximately 20% 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 2019, as the infrastructure capital improvements planned will be more than what can be funded with dedicated reserves.

The FY 2018-2019 Annual Budget continues our commitment to providing reliable, sustainable, and efficient water utility services to our valued customers.

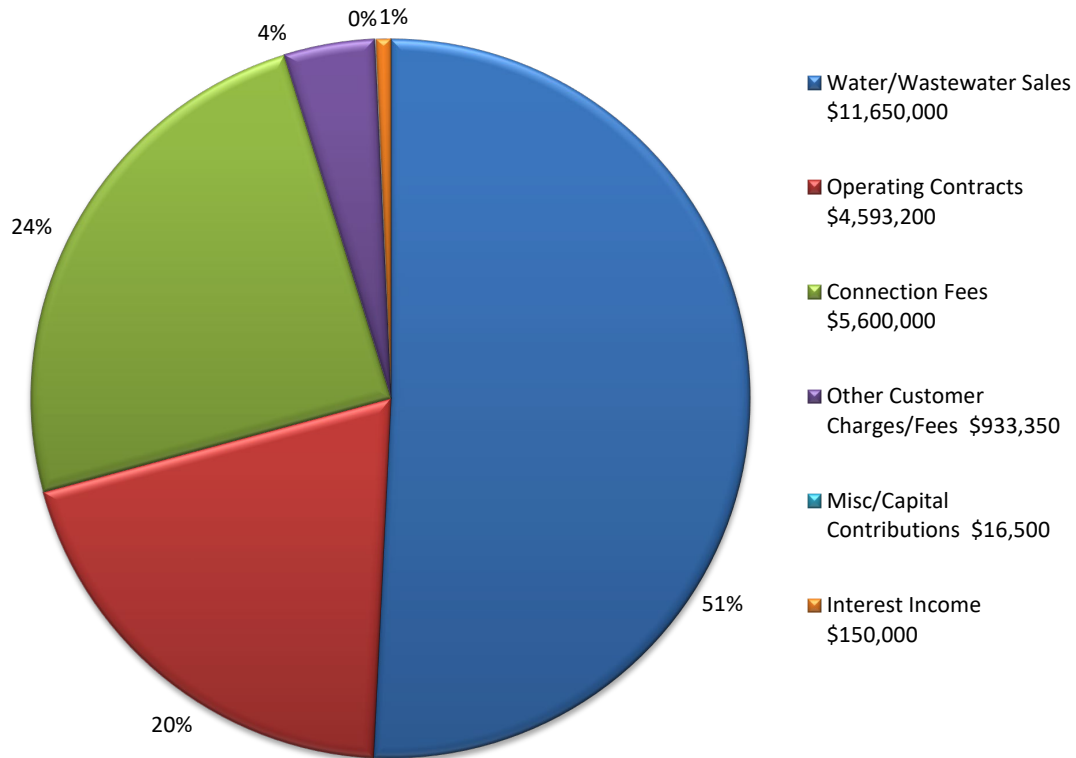
My Regards,

A handwritten signature in black ink, appearing to read "Chris Boyd", with a stylized, flowing script.

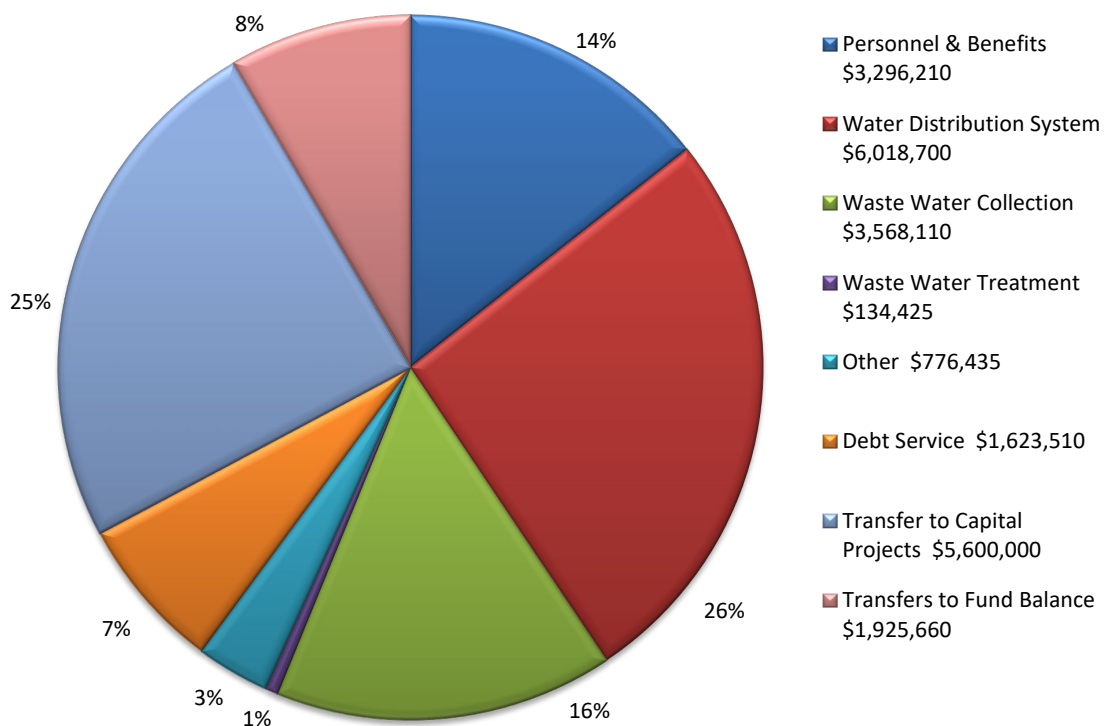
Chris Boyd
General Manager

Mustang Special Utility District FY2019 Adopted Budget Budget Summary Charts

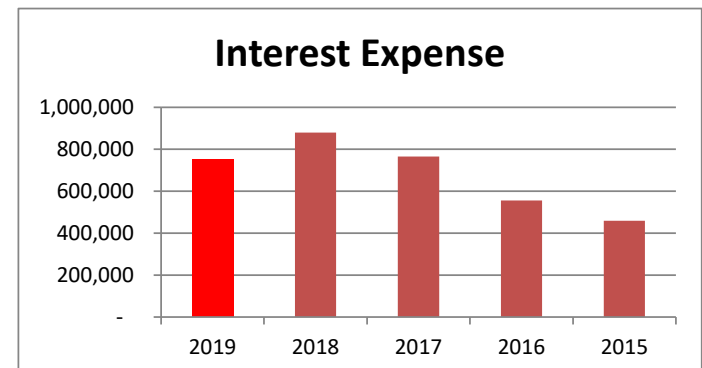
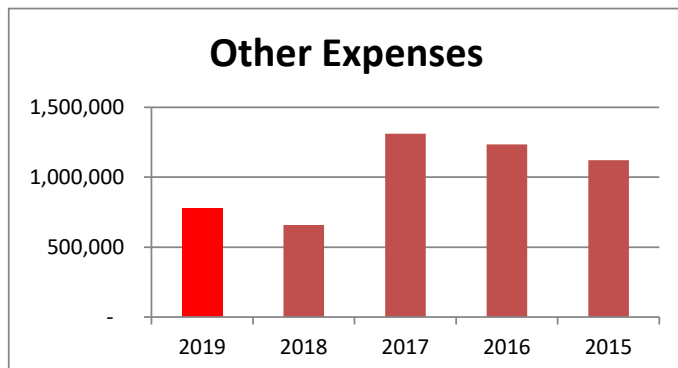
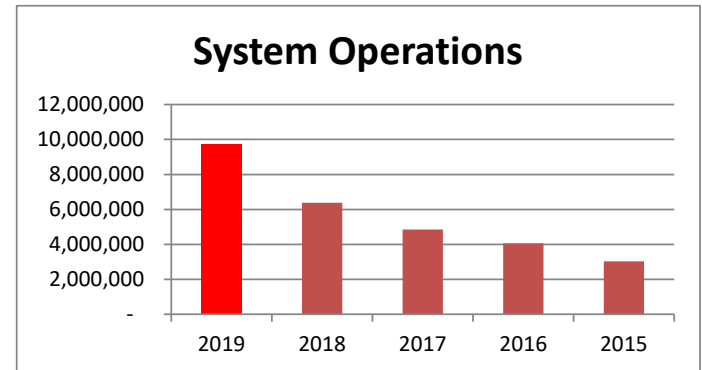
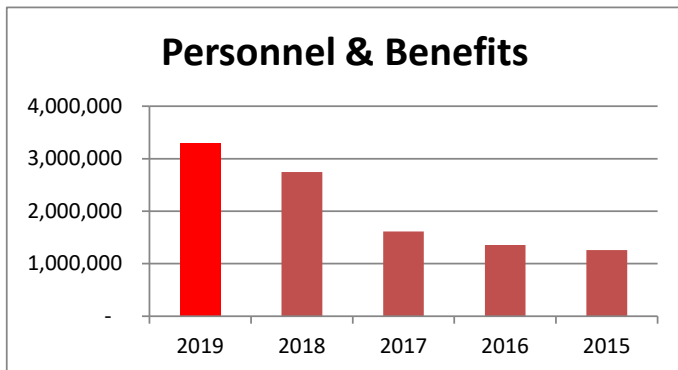
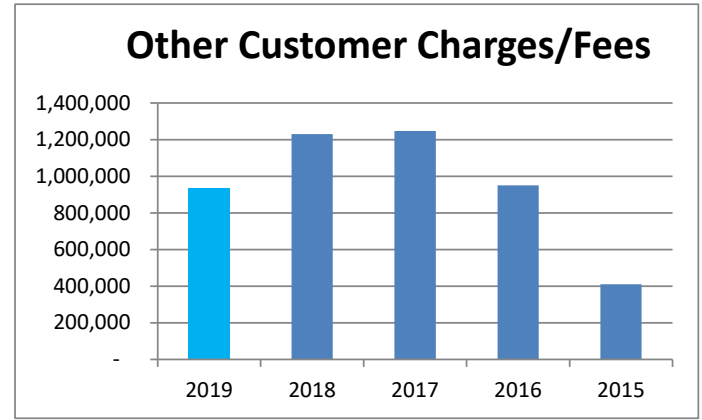
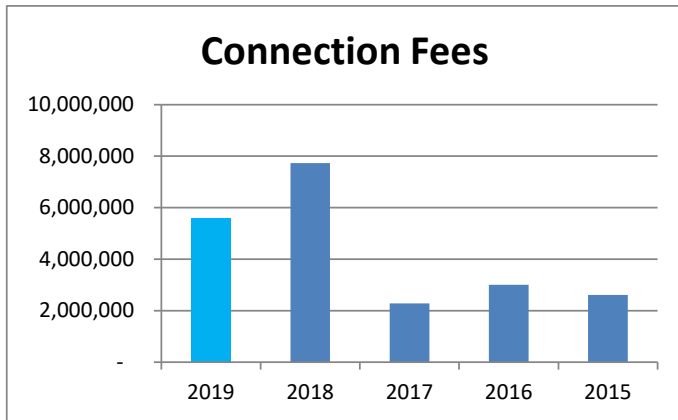
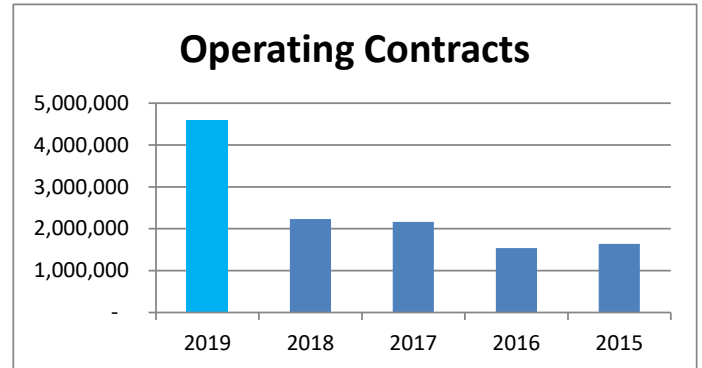
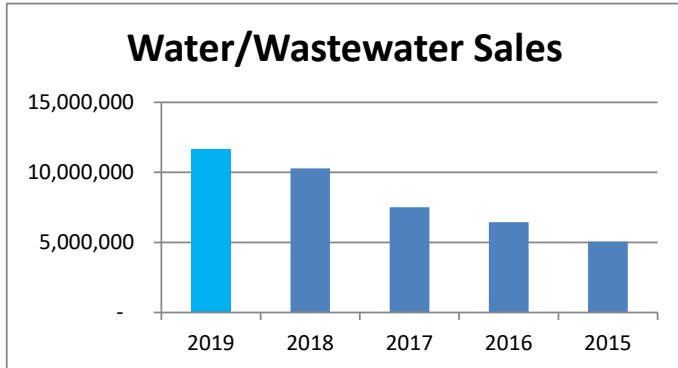
Where the Money Comes From



Where the Money Goes



**Mustang Special Utility District
FY2019 Adopted Budget
Significant Budgetary Trends**



Significant Budgetary Trends – and what drives them

Fiscal Years 2015, 2016, and 2017 are final audited numbers.

Fiscal Year 2018 is an estimate of the year end numbers, and is presented using the modified accrual basis.

Fiscal Year 2019 is the projected budget, and is presented using the modified accrual basis.

Water/Wastewater Sales – These numbers are driven by growth, and are greatly affected by weather. Projections are made using a conservative growth rate, and 3-year average consumptions to level out the effects of climate extremes.

Operating Contracts – Revenue from operating contracts are based on the expenditures contained in the budget. The revenue comes from operating contracts with six fresh water supply districts, and shared costs of an elevated storage tank and a water treatment plant. Revenues are expected to jump in FY19, because related expenses are also increasing.

Connection Fees – These fees are one-time charges of new customers connecting to the system. They may be paid by an individual, or by the developer. They are completely driven by growth, and so projections are always conservative.

Other Customer Charges/Fees - These numbers are not driven by growth, nor affected by the climate. The projections are very conservative, based on multi-year averages.

Personnel & Benefits – Number of personnel has increased over the years, as more employees have been added to handle the growth in customers.

System Operations – These costs cover water, waste water, and waste water collections operations. Costs have increased with the growth in the customer base.

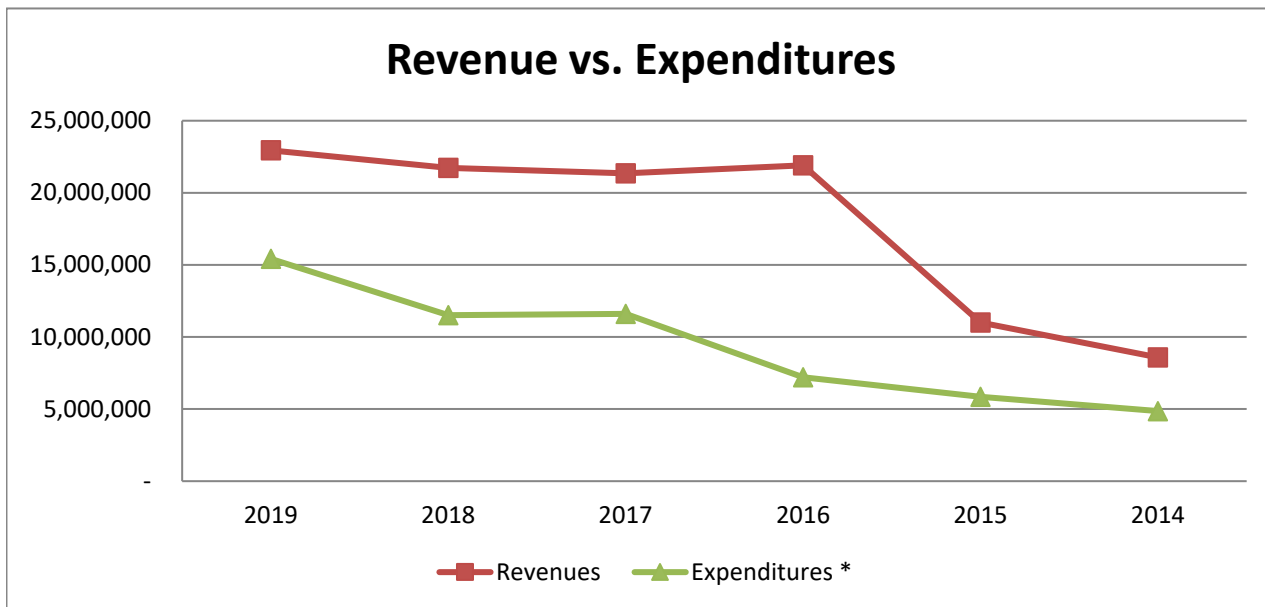
Other Expenses – These costs are the administrative costs, not as heavily influenced by growth. These costs are budgeted on an individual basis, in order to review their individual drivers.

Interest Expense – Debt service is an orderly projection, until new debt is issued, or old debt is retired.

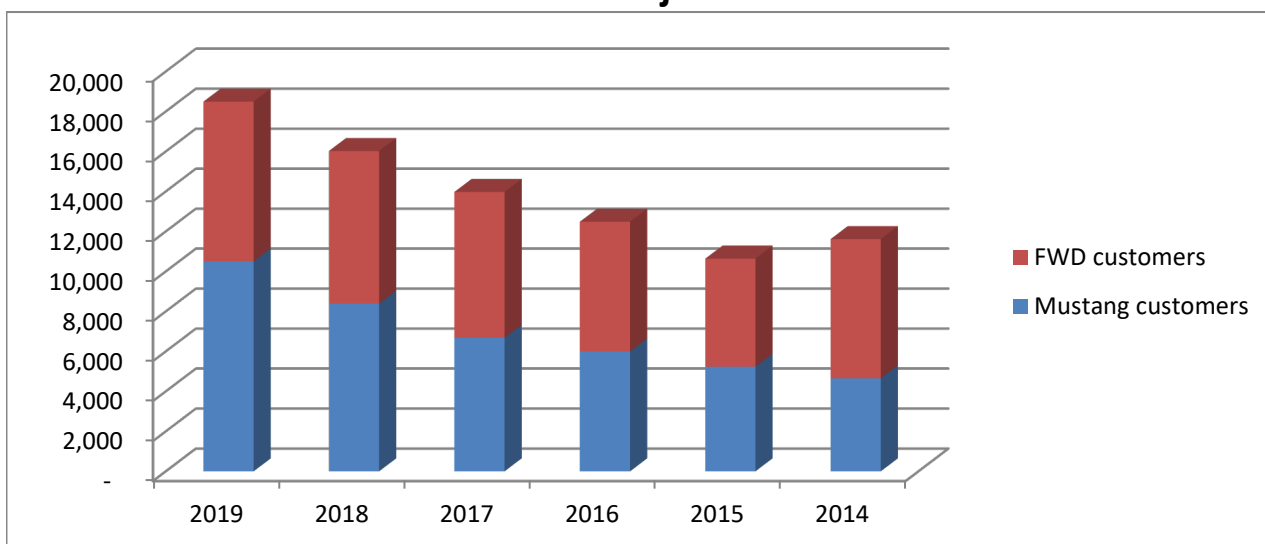
Revenue versus Expenditures: Projected and Last 5 Years

	Fiscal Year					
	2019	2018	2017	2016	2015	2014
	<i>Budget</i>	<i>Estimated</i>	<i>-----Actuals (Audited)-----</i>			
Revenues	22,943,050	21,730,450	21,357,332	21,913,612	11,005,520	8,585,391
Expenditures *	15,417,390	11,517,436	11,604,402	7,211,125	5,859,714	4,862,220

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



Customer Accounts: Projected and Last 5 Years



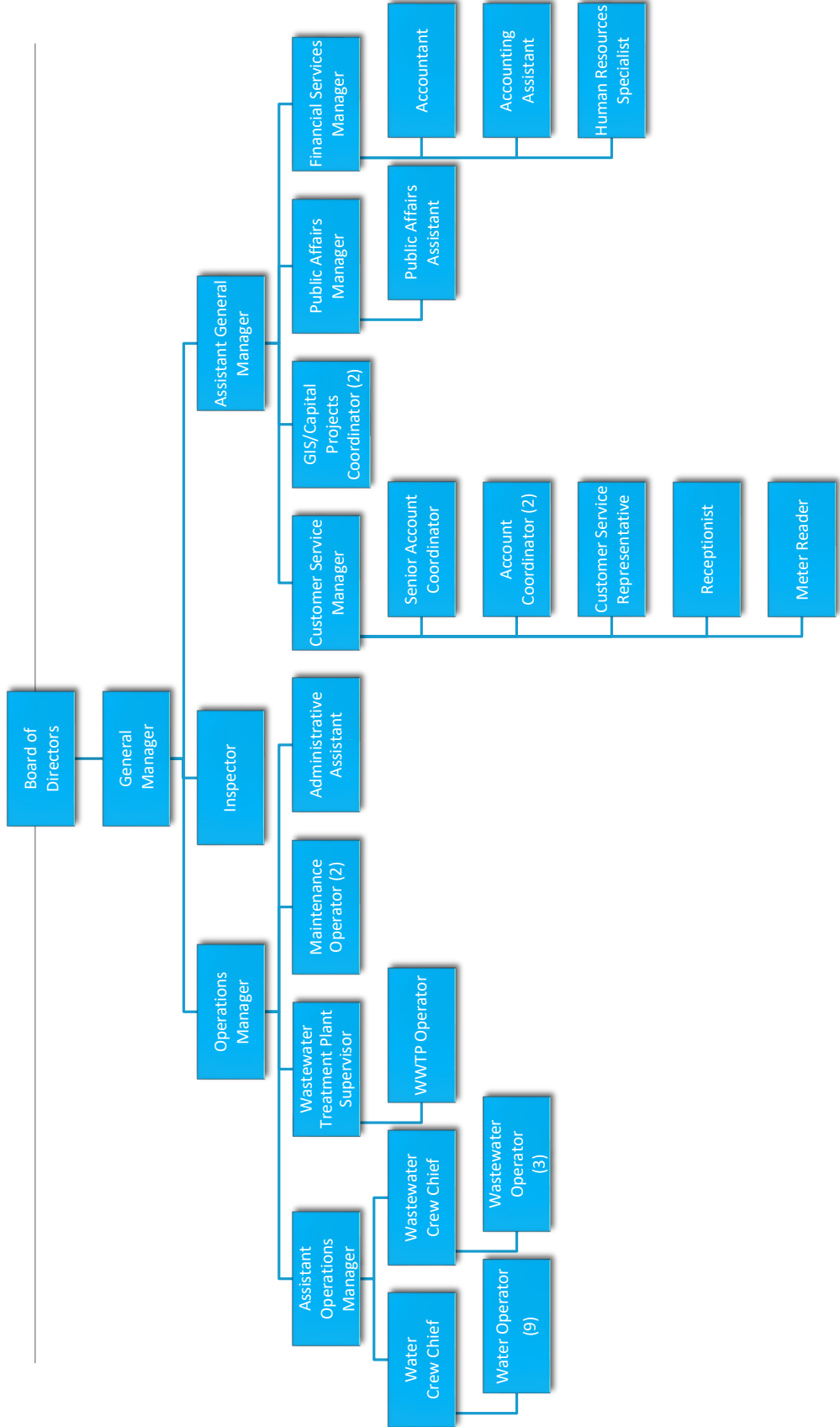
FWD customers are operated by Mustang SUD, per contract with individual Fresh Water Districts.

District Information

Mustang Special Utility District

2018-2019 Organization Chart

39 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.

In August 2018, agreement was reached with Fresh Water Supply District 10 for the Savannah and Arrowbrooke subdivisions to become the retail customers of Mustang. This agreement is phased in over a six-year period, so the meters are still part of the fresh water supply district customer count.

The District's water is obtained from the Trinity Aquifer and 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 4,945 Mustang customers through a current subscription of 1.8 million gallons per day in the Peninsula Water Reclamation Plant, 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 7,365 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 8,0 water customers and approximately 7,460 fresh water supply district customers over an area of 120 square miles.

Mustang SUD's office is located in Aubrey, Texas.





























Mustang SUD District Boundary Cities and ETJ's

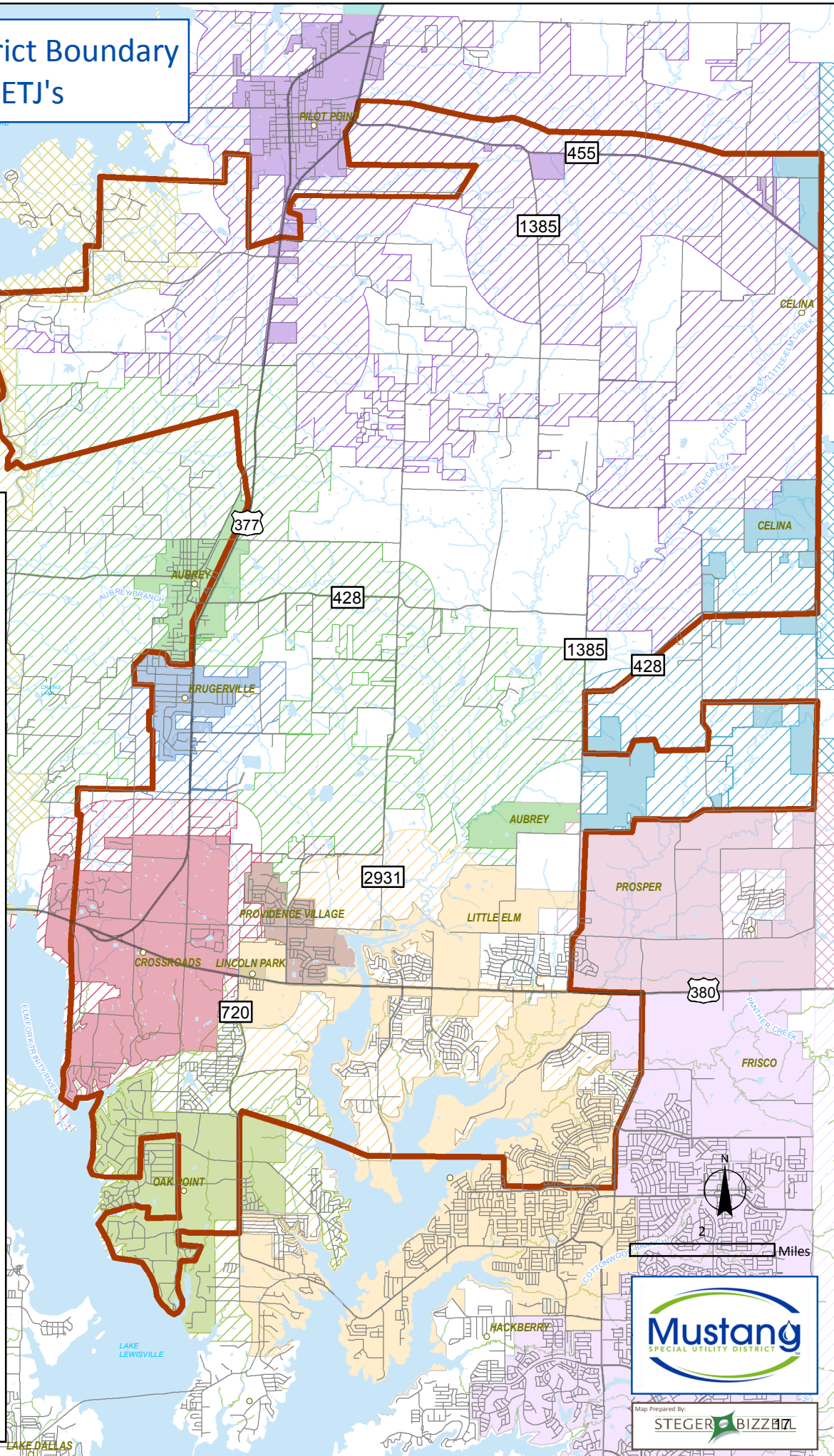
MAP LEGEND

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
Current and Historical Rates for Standard Meters

	FY2019	FY2018	FY2017	FY2016	FY2015
WATER					
Availability Fee, monthly	28.10	28.10	26.75	26.75	26.00
0-3,000 gallons, per thousand	2.75	2.75	2.65	2.65	2.60
3,001 to 9,000 gallons, per thousand	3.85	3.85	3.65	3.65	3.55
9,001 to 15,000 gallons, per thousand	4.80	4.80	4.55	4.55	4.45
15,001 to 25,000 gallons, per thousand	5.85	5.85	5.55	5.55	5.40
25,001 to remaining gallons, per thousand	8.95	8.95	8.50	8.50	8.25
Cost for 8,000 gallons usage	55.60	55.60	52.95	52.95	51.55
WASTEWATER					
meters <8,000 gallons usage, monthly	51.60	51.60	49.15	46.80	39.00
meters >8,000 gallons usage, monthly	57.55	57.55	54.80	52.20	43.50
Cost for 8,000 gallons usage	57.55	57.55	54.80	52.20	43.50

Mustang Special Utility District
Top Ten Customers, based on water usage*
FY 2019

By Amount

Western Rim Property Service	apartments	\$ 227,852
Wildridge Community Association Inc	amenity center, irrigation	142,397
Western Rim Property Service	apartments	51,725
3B & L Investments, LLC	car wash	45,502
Western Rim Property Service	apartments	40,786
Winnridge HOA	amenity center, irrigation	40,697
Hillstone Point HOA	amenity center, irrigation	35,098
Denton ISD (Middle School)	middle school	33,407
Holt Texas, LTD	equipment sales & maintenance	32,472
Winnridge HOA	amenity center, irrigation	32,293

By Consumption

Western Rim Property Service	apartments	25,755,600
Wildridge Community Association Inc	amenity center, irrigation	16,167,710
Western Rim Property Service	apartments	5,930,400
3B & L Investments, LLC	car wash	5,223,010
Western Rim Property Service	apartments	4,702,900
Winnridge HOA	amenity center, irrigation	4,641,117
Hillstone Point HOA	amenity center, irrigation	3,995,209
Denton ISD (Middle School)	middle school	3,993,000
Holt Texas, LTD	equipment sales & maintenance	3,880,770
Winnridge HOA	amenity center, irrigation	3,678,609

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

Budget Process

Budget Procedures

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 1st to September 30th. It is the District's policy to adopt the budget by October 1st. The District prepares a balanced operating budget where Revenues equal Expenditures.

Each Department Head turns in a line item budget proposal to the Financial Services Manager by June 1st. 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 July and August. 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 budgets and votes upon department-level budgets.

The workshop in July deals only with operating expenses. In the August workshop, the capital improvements are analyzed and discussed at length, and combined revenues and expenses are reviewed. Discussion of possible rate changes would be included in the August workshop. Finally, 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 and infrastructure. 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 chooses to track its CIP project expenditures in a separate Capital Improvement Fund (fund 05) which is also budgeted on 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

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 23, 2018	First workshop to discuss operating expense
August 27, 2018	Second workshop to discuss CIP, discuss operating revenue, and to finalize operating budget
September 24, 2018	Board Meeting to adopt the budget

Financial Policies

Budget Policy

- The district adopts an annual operating budget that is balanced, based on all district revenues and all projected district obligations and operating expenditures.
- The district adopts an annual capital budget that is within the limits of expected and available funds that have been set aside specifically for capital 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.
- A Balanced Budget is defined as yearly resources greater than yearly expenditures.

Capitalization Policy

Items that have a life expectancy greater than two years and have 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 maintains the requirements of the bond covenants. 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 conforms to the Texas Government Code Chapter 2256 Public Funds Investment Act.

Reserves Policy

The informal reserves policy of the District is to maintain Days Cash on Hand at 60 days or greater. Days Cash on Hand is calculated using Cash on Hand and dividing it by the yearly operating budget.

Enterprise Fund

Enterprise Fund

The District's General Fund is an Enterprise Fund. This fund is a 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: General Manager's Office, Financial Services, and Utility Billing.

The General Manager's Office 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, board elections, and to oversee the daily operations of the District.

Financial Services is responsible for preparing financial reports, maintaining the general ledger, processing accounts payable, purchasing, payroll, employee and property insurance, records retention, treasury, debt management, auditing, and budget preparation.

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.

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 Collection (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 (109) – This 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.

FY2019 Expenditures by Department

103 Administration	
Payroll and Benefits	1,587,830
General Operating Costs	335,635
Maintenance and Utility Costs	163,000
Legal and Professional	165,000
Insurance	11,900
Administration	2,263,365
 104 Water Operations	
Payroll and Benefits	1,207,495
Water Distribution	4,348,405
General Operating Costs	862,075
Maintenance and Utility Costs	478,520
Temple Dane PS Costs	134,700
Legal and Professional	155,000
Insurance	40,000
Water Operations	7,226,195
 105 Waste Water Collection	
Payroll and Benefits	349,315
Waste Water Collection	3,237,980
General Operating Costs	26,850
Maintenance and Utility Costs	136,280
Legal and Professional	155,000
Insurance	12,000
Waste Water Collection	3,917,425
 109 Waste Water Treatment	
Payroll and Benefits	151,570
Waste Water Treatment	37,000
General Operating Costs	27,425
Maintenance and Utility Costs	59,000
Legal and Professional	-
Insurance	11,000
Waste Water Treatment	285,995
 106 Water Debt Service	
Water Debt Service - P&I	1,017,575
Paying Agent & Issuance Costs	100,900
Debt Service - Water	1,118,475
 108 Waste Water Debt Service	
Waste Water Debt Service - P&I	605,935
Debt Service - Waste Water	605,935
 TOTAL EXPENDITURES	 15,417,390

Total Expenditures are presented on the modified accrual basis.

A reconciliation of the modified accrual basis to the accrual basis is presented in the Budget Summary.

Budget Summary

	2014-2015	2015-2016	2016-2017	Estimated* 2017-2018	Projected 2018-2019
Beginning Fund Equity**	24,557,233	27,831,398	38,937,961	48,690,889	56,765,952
Revenues	11,005,520	21,913,612	21,357,332	21,730,450	22,943,050
Expenditures	8,180,633	10,807,047	11,604,402	13,655,387	17,543,470
Net Change in Net Assets	2,824,887	11,106,565	9,752,930	8,075,063	5,399,580
Prior Period Adjustments	449,281	-	-	-	-
Ending Fund Equity**	27,831,398	38,937,961	48,690,889	56,765,952	62,165,532

*Unaudited

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

Revenues

	2014-2015	2015-2016	2016-2017	Estimated* 2017-2018	Projected 2018-2019
Water/Wastewater Sales	5,052,082	6,438,808	7,522,097	10,296,471	11,650,000
Customer Charges/Fees	4,661,809	5,490,867	5,695,206	11,198,161	11,126,550
Misc/Capital Contributions	1,283,192	9,924,639	8,021,621	34,542	16,500
Interest Income	8,437	59,298	118,408	201,276	150,000
Total Revenues	11,005,520	21,913,612	21,357,332	21,730,450	22,943,050

*Unaudited

Expenditures

	2014-2015	2015-2016	2016-2017	Estimated* 2017-2018	Projected 2018-2019
Personnel Services	1,259,770	1,355,214	1,614,456	2,744,193	3,296,210
Water Distribution System	3,020,253	4,064,515	4,845,654	6,373,691	9,721,235
Other	1,121,015	1,235,253	1,311,187	658,530	776,435
Interest Expense	458,676	556,143	765,969	878,973	749,590
Amortization & Depreciation	2,320,919	3,595,922	3,067,136	3,000,000	3,000,000
Total Expenditures	8,180,633	10,807,047	11,604,402	13,655,387	17,543,470

*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 2019 Adopted Budget	
Revenues	22,943,050
Transfer (to) from Fund Balance	(7,525,660)
Total Revenues	15,417,390
Expenditures	
103 Admin	2,263,365
104 Water Operations	7,226,195
105 Wastewater Operations	3,917,425
109 Wastewater Treatment Plant	285,995
106 Debt Service-Water	1,118,475
108 Debt Service-WW	605,935
Total Expenditures	15,417,390

Reconciliation of Adopted Budget to Budget Summary	
Total Expenditures, Adopted Budget	15,417,390
Add Depreciation & Amortization	3,000,000
Remove Principal Payments	(873,920)
Total Expenditures, Budget Summary	17,543,470

The Budget Summary is shown on the accrual basis, to match the audited financial reports. The Adopted Budget is based on modified accrual. The reconciliation bridges the variance between the two version.

Accomplishments

	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	Projected FY19
Department 103 - Administration										
Finance										
Payroll checks cut*	147	77	56	70	80	36	32	29	59	45
# of employees	16	16	16.5	18	19	21	26	29	32	39
% on direct deposit	80%	94%	94%	84%	89%	90%	100%	97%	100%	100%
Accounts Payable checks cut	1,143	1,326	1,157	1,302	1,035	1,102	1,570	1,409	1,484	1,500
Utility Billing										
Total customers, including FWD	8,838	9,207	9,727	10,535	11,615	10,637	12,483	14,000	16,021	18,490
% on ACH Direct Debit*	4.8%	7.9%	8.0%	9.0%	9.3%	10.4%	10.2%	15.0%	14.5%	15.0%
Department 104 - Water Operations										
Water taps - res/comm	8,863	9,099	9,335	10,660	11,637	10,637	12,581	14,000	15,500	17,500
Back flow preventer tests	432	258	300	450	410	175	200	400	300	300
Meters tested	15	20	20	30	25	20	20	40	50	50
Meters replaced	100	76	330	500	300	140	175	200	200	250
Water main breaks	6	25	28	39	22	39	43	42	30	50
Water service curb box repairs	60	45	60	140	162	210	300	350	300	300
Department 105 - Wastewater Collections										
Sanitary sewer lines cleaned (ft)	25,000	295,000	400,000	380,000	335,000	200,000	150,000	300,000	400,000	400,000
Sewer main blockages cleared	20	32	40	55	32	20	15	30	40	40

Operating Objectives for FY2018-19

Continue to provide excellent customer service.

Improve payment methods.

Futher integrate technology with all operations.

Major Operating Budget Items:

Water purchases (demand and volume) from Upper Trinity Regional Water Authority	\$ 4,267,635
Wastewater treatment charges (demand, treatment, and capital) from Upper Trinity Regional Water Authority	\$ 3,027,980
Debt service (principal and interest)	\$ 1,623,510
Meter replacement program and new meters	\$ 780,000

Authorized Full Time Employees (FTE)

Function/Program	Dept	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Administrative/Office	103										
General Manager		1	1	1	1	1	1	1	1	1	1
Assistant General Manager		0	0	0	0	0	0	0	0	0	1
Administrative Assistant		1	1	1	1	1	1	1	1	0	1
Contracts Manager/Marketing		1	0	0	0	1	1	1	0	0	0
Public Relations Manager		0	0	0	0	0	0	0	1	1	1
CIP/Projects Coordinator		0	0	0	0	0	0	0	0	0	1
GIS Technician		0	0	0	0	0	0	0	0	0	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	1	1
Purchasing Coordinator		0	0	0	0	0	0	0	0	1	0
Accountant		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
Meter Reader		0	0	0	0	0	0	0	0	0	1
Customer Account Coordinator		1	1	1	1	1	2	2	3	3	3
Customer Service Representative		1	1	1	2	2	1	1	2	2	2
Subtotal		8	7	7	8	9	9	9	11	12	17
Ops-Water	104										
Operations Manager		1	1	1	1	1	1	1	1	1	1
Administrative Assistant		0	1	1	1	0	1	1	1	1	1
Assistant Operations Manager		0	0	0	0	0	0	0	0	1	1
Inspector		1	1	1	1	1	1	1	1	1	1
CIP/Projects Coordinator		0	0	0	0	0	0	0	1	1	0
GIS Technician		0	0	0	0	0	1	1	0	0	0
Supervisor/Crew Chief		1	1	1	1	1	1	1	2	1	1
Field Operators/Technicians		5	4	4.5	4	5	5	6	9	9	11
Subtotal		8	8	8.5	8	8	10	11	15	15	16
Ops-Wastewater	105										
Supervisor/Crew Chief		0	1	1	1	1	1	1	1	1	1
Field Operators/Technicians		0	0	0	1	1	1	1	2	3	3
Subtotal		0	1	1	2	2	2	2	3	4	4
Ops-Wastewater Treatment Plant	107										
Supervisor		0	0	0	0	0	0	0	0	1	1
Plant Operator/Technician		0	0	0	0	0	0	0	0	0	1
Subtotal		0	0	0	0	0	0	0	0	1	2
Total All Depts.		16	16	16.5	18	19	21	22	29	32	39

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 Wastewater Treatment Plant Department was assigned its first employee.

In FY19, an Assistant General Manager has been added to help with the growth of the district and the growth in staff. The purchasing coordinator position has been replaced with an accountant position. GIS has been moved from Operations to Administration, and another position has been added to keep up with the volume of work. Operational staff has been added, to keep up with the increase in customers.

Debt Policy

The District has **no formal written debt policy**. All bonds are issued in accordance with 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.

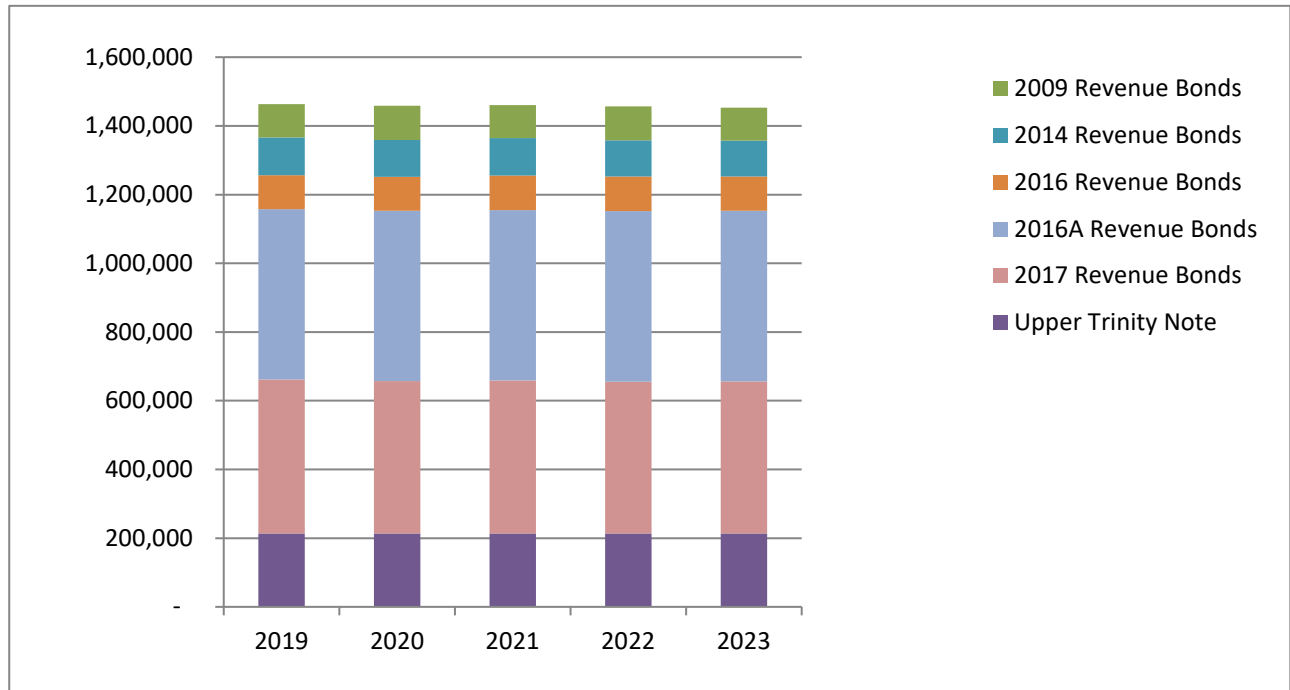
The Average Annual Debt Service (bonded) calculated as of Fiscal Year 2019 is \$945,037 multiplied by 1.10 equals \$1,039,541 and the unaudited projected net earnings for Fiscal Year 2018 was \$8,075,063.

The District plans on issuing Revenue Bonds in Fiscal Year 2019 for large infrastructure projects.

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 FY2019 Adopted Budget 5-Year Debt Service Schedule



	2019	2020	2021	2022	2023
2009 Revenue Bonds	96,995	99,495	96,745	98,995	95,995
2014 Revenue Bonds	109,968	106,968	108,968	105,668	104,018
2016 Revenue Bonds	98,821	98,930	100,010	100,033	100,026
2016A Revenue Bonds	495,965	496,043	495,983	496,785	496,423
2017 Revenue Bonds	448,300	443,700	445,700	442,100	443,100
2017B Revenue Bonds	172,125	172,209	175,887	175,431	174,517
Upper Trinity Note	213,451	213,451	213,451	213,451	213,451
Total	1,635,625	1,630,796	1,636,744	1,632,463	1,627,530

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

Year Ended September 30	Principal	Interest	Total Requirements
2019	\$ 873,920	\$ 761,705	\$ 1,635,625
2020	896,034	734,761	1,630,795
2021	934,399	702,345	1,636,743
2022	963,025	669,438	1,632,462
2023	990,922	636,608	1,627,530
2024	1,015,103	601,810	1,616,913
2025	1,030,579	565,699	1,596,278
2026	1,075,362	529,645	1,605,007
2027	661,000	483,299	1,144,299
2028	684,000	463,545	1,147,545
2029	697,000	441,484	1,138,484
2030	725,000	419,797	1,144,797
2031	579,000	396,844	975,844
2032	503,000	378,403	881,403
2033	517,000	363,510	880,510
2034	531,000	348,907	879,907
2035	546,000	333,577	879,577
2036	561,000	318,126	879,126
2037	582,000	301,289	883,289
2038	603,000	284,505	887,505
2039	509,000	266,878	775,878
2040	525,000	253,374	778,374
2041	537,000	238,685	775,685
2042	554,000	224,210	778,210
2043	567,000	209,088	776,088
2044	584,000	193,785	777,785
2045	603,000	177,425	780,425
2046	621,000	161,000	782,000
2047	635,000	143,945	778,945
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
Totals	<u>\$ 24,502,345</u>	<u>\$ 12,171,624</u>	<u>\$ 36,673,969</u>

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, connection fee revenues, and specific funding sources. Prior year revenue bonds and connection fees held in the General Fund are transferred from the General Fund into the CIP Fund budget. Completed projects are transferred to the General Fund as assets. All balances are 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: FY2019

Description	Budget 2019	Cash	TWDB	USDA	Bonds
Professional Services					
Vehicles and Equipment					
F150 Truck (new)					
Forklift					
Vactor Truck (replace #401, purch 2004)	450,000	450,000			
1/2 Ton Pickup Truck	32,000	32,000			
Administration SUV (replace #501)	38,000	38,000			
Buildings & Structures (not part of a system)					
Operations Building	900,000	900,000			
Office Generator	300,000	300,000			
Operations Building - furniture and appliances					
Water Systems					
Well #1 Improvements					
Hathaway Well & Pump & yard piping	425,000	275,000	150,000		
Hathaway Elevated Tank (1 MG) WDB debt					
Light Ranch Estates Well (USDA funded)	400,000			400,000	
FM 720: Line relocation for TXDOT project - Phase 2					
Repair Exposed Line across Cantrell Slough, 12" Line					
Temple Dane Building Improvements (shown at 35% of full cost)					
Houlihan Delivery Point					
Houlihan Ground Storage Tank					
Houlihan Pump Station	2,200,000	2,200,000			
SCADA upgrades - water infrastructure					
Silverado Point of Delivery					
Silverado Well, Pump, Ground Storage Tank (to be paid by developer)					
Silverado Well, Pump, Ground Storage Tank repaid by developer					
Lincoln Park Infrastructure	100,000	100,000			
New Line Installation					
FM 455 Water Line Replacement	160,000	160,000			
Byran Road EST/UTRWD Interconnect	200,000	200,000			
Hwy 377/Fishtrap Water Transmission Main Extension	570,000	570,000			
Well #10 Expansion (.5 MG)	360,000	360,000			
Crescent Oaks line replacement	900,000	900,000			
1385/428 Water Transmission Main, 36" Line	4,700,000				4,700,000
1385/Sandbrock Water Line Extension 24"	1,100,000	1,100,000			
Silverado Elevated Storage Tank (1 MG)	50,000	50,000			
Houlihan Elevated Storage Tank (2.25 MG)	100,000	100,000			
377/Liberty Water Transmission Main Extension	1,500,000	1,500,000			
Byran Road EST repaint	770,000	770,000			
Hathaway generator	225,000	225,000			
Capital Improvement Plan Update	125,000	125,000			
Wastewater Systems					
Naylor Road Lift Station					
Sandbrock WW Plant Land	250,000	250,000			
Sandbrock Wastewater Treatment Plant (Developer)					
Sandbrock Wastewater Treatment Plant repaid by developer					
Silverado Wastewater Service (Brewer Road)					
Jackson Ridge/Winn Ridge sewer line	279,860	279,860			
Additional Capacity - UTRWD Doe Branch	12,000,000			1,000,000	11,000,000
Additional Capacity - UTRWD Riverbend (USDA loan)	1,447,000			1,447,000	
Additional Capacity - UTRWD Peninsula	13,000,000			1,000,000	12,000,000
Totals	42,581,860	10,884,860	150,000	3,847,000	27,700,000

Glossary

Glossary

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.

Amortization: The reduction of debt through regular payments of principal and interest sufficient to retire the debt instrument at a predetermined date known as maturity.

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 1st to September 30th, 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.