

MUSTANG SPECIAL UTILITY DISTRICT  
 ENTERPRISE FUND EXPENDITURES  
 YEAR ENDED SEPTEMBER 30, 2010

Payroll and Benefits	\$	756,843
Water Distribution System		2,260,955
Other Operating Costs		214,036
Professional and Legal Fees		109,688
Insurance		150,700
Amortization		425,420
Depreciation		1,115,651
Interest Expense		585,126
Bad Debt Expense		<u>61,970</u>
Total Expenditures	\$	<u><u>5,680,389</u></u>

Number of persons employed by the District:

Full Time	<u>14</u>
Part Time	<u>1</u>

MUSTANG SPECIAL UTILITY DISTRICT  
TEMPORARY INVESTMENTS  
YEAR ENDED SEPTEMBER 30, 2010

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at Year End
<u>Proprietary Fund Type</u>					
<u>Enterprise Fund</u>					
LOGIC Accounts:					
Customer Deposit Fund	237122845002	0.291%	9/30/2010	\$ 419,627	Monthly
System Growth Fund	237122845005	0.291%	9/30/2010	931,393	Monthly
Series 2006 Debt Service Reserve	237122845006	0.291%	9/30/2010	406,222	Monthly
UTRWD I & S Fund	237122845004	0.291%	9/30/2010	80,279	Monthly
Developers Escrow Account	237122845003	0.291%	9/30/2010	105,291	Monthly
NorthStar Accounts:					
System Growth Account	6011276	0.3271%	9/30/2010	92,094	Monthly
Series 2006 Revenue Bond Debt Reserve	6011349	0.3271%	9/30/2010	34,904	Monthly
Series 2006 Revenue Bond Construction	6011357	0.7411%	9/30/2010	1,052,570	Monthly
Series 2006 Revenue Bond Interest & Sinking	6011438	0.3271%	9/30/2010	36,500	Monthly
Developers Escrow	6011284	0.3271%	9/30/2010	4,869	Monthly
Series 2008 Revenue Bond Debt Service Reserve	1107550	0.3271%	9/30/2010	265,811	Monthly
Series 2008 Revenue Fund Debt Service Fund	1107542	0.3271%	9/30/2010	8,174	Monthly
Series 2009 Revenue Bonds Interest & Sinking	6011527	0.3271%	9/30/2010	6,983	Monthly
Series 2009 Revenue Bonds Debt Reserve	6011535	0.3271%	9/30/2010	100,804	Monthly
Total				\$ 3,545,521	\$ -

MUSTANG SPECIAL UTILITY DISTRICT  
 LONG-TERM DEBT SERVICE REQUIREMENTS  
 UTRWD NOTE - BY YEARS  
 YEAR ENDED SEPTEMBER 30, 2010

Year Ended September 30	Principal	Interest	Total Requirements
2011	\$ 91,255	\$ 143,002	\$ 234,257
2012	96,885	137,372	234,257
2013	102,862	131,395	234,257
2014	109,208	125,049	234,257
2015	115,945	118,312	234,257
2016	123,098	111,159	234,257
2017	130,692	103,565	234,257
2018	138,755	95,502	234,257
2019	147,316	86,942	234,258
2020	156,404	77,853	234,257
2021	166,053	68,204	234,257
2022	176,297	57,960	234,257
2023	187,174	47,083	234,257
2024	198,721	35,536	234,257
2025	210,981	23,276	234,257
2026	223,997	10,260	234,257
Totals	\$ 2,375,643	\$ 1,372,470	\$ 3,748,113

MUSTANG SPECIAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
SERIES 2006 - BY YEARS  
YEAR ENDED SEPTEMBER 30, 2010

<u>Year Ended</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2011	\$ 225,000	\$ 155,658	\$ 380,658
2012	245,000	144,408	389,408
2013	180,000	132,158	312,158
2014	180,000	124,733	304,733
2015	195,000	117,533	312,533
2016	195,000	109,733	304,733
2017	205,000	101,933	306,933
2018	210,000	93,733	303,733
2019	220,000	85,333	305,333
2020	230,000	76,533	306,533
2021	245,000	67,333	312,333
2022	250,000	57,288	307,288
2023	255,000	47,038	302,038
2024	270,000	36,200	306,200
2025	280,000	24,725	304,725
2026	295,000	12,685	307,685
Totals	<u>\$ 3,680,000</u>	<u>\$ 1,387,024</u>	<u>\$ 5,067,024</u>

MUSTANG SPECIAL UTILITY DISTRICT  
SERIES 2008 - BY YEAR  
YEAR ENDED SEPTEMBER 30, 2010

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2011	\$ 85,000	\$ 156,933	\$ 241,933
2012	90,000	152,045	242,045
2013	90,000	146,870	236,870
2014	95,000	141,695	236,695
2015	100,000	136,233	236,233
2016	105,000	130,483	235,483
2017	110,000	124,445	234,445
2018	115,000	118,120	233,120
2019	120,000	111,508	231,508
2020	125,000	104,608	229,608
2021	130,000	97,420	227,420
2022	140,000	89,945	229,945
2023	145,000	81,895	226,895
2024	155,000	73,558	228,558
2025	160,000	64,645	224,645
2026	170,000	55,445	225,445
2027	180,000	45,670	225,670
2028	190,000	35,320	225,320
2029	200,000	24,395	224,395
2030	210,000	12,495	222,495
<b>Totals</b>	<b>\$ 2,715,000</b>	<b>\$ 1,903,728</b>	<b>\$ 4,618,728</b>

MUSTANG SPECIAL UTILITY DISTRICT  
 SERIES 2009 - BY YEAR  
 YEAR ENDED SEPTEMBER 30, 2010

Year Ended September 30	Principal	Interest	Total Requirements
2011	\$ 35,000	\$ 62,645	\$ 97,645
2012	35,000	61,245	96,245
2013	40,000	60,195	100,195
2014	40,000	58,995	98,995
2015	40,000	57,795	97,795
2016	45,000	55,395	100,395
2017	45,000	52,695	97,695
2018	50,000	49,995	99,995
2019	50,000	46,995	96,995
2020	55,000	44,495	99,495
2021	55,000	41,745	96,745
2022	60,000	38,995	98,995
2023	60,000	35,995	95,995
2024	65,000	32,935	97,935
2025	65,000	29,555	94,555
2026	70,000	26,110	96,110
2027	75,000	22,400	97,400
2028	80,000	18,425	98,425
2029	80,000	14,025	94,025
2030	85,000	9,625	94,625
2031	90,000	4,950	94,950
2032	-	-	-
<b>Totals</b>	<b>\$ 1,220,000</b>	<b>\$ 825,210</b>	<b>\$ 2,045,210</b>

MUSTANG SPECIAL UTILITY DISTRICT  
 CHANGES IN LONG-TERM BONDED DEBT  
 YEAR ENDED SEPTEMBER 30, 2010

	Bond Issues			
	Series 2006	Series 2007	Series 2008	Series 2009
Interest Rate	4.00% - 5.00%	4.03%	5.75% - 6.00%	3.00% - 6.00%
Dates Interest Payable	3/1 - 9/1	3/1 - 9/1	3/1 - 9/1	9/30
Maturity Date	9/1/2026	9/1/2010	9/1/2030	9/30/2031
Beginning Bonds Outstanding	\$ 3,880,000	\$ 1,160,000	\$ 2,715,000	\$ 1,220,000
Bonds Sold During the Fiscal Year	-	-	-	-
Bonds Retired During the Fiscal Year	200,000	1,160,000	-	-
Ending Bonds Outstanding	<u>\$ 3,680,000</u>	<u>\$ -</u>	<u>\$ 2,715,000</u>	<u>\$ 1,220,000</u>

Interest Paid During the Fiscal Year \$ 434,593

Paying Agent's Name and City First Southwest Company Dallas, TX

Bond Authority:	Tax Bonds	Refunding Bonds	Other Bonds
Original Amount Issued	\$ -	\$ -	\$ 7,615,000
Debt Service Fund cash and temporary investment balances as of September 30, 2010:			\$ 939,689
Average annual debt service payment (Principal and Interest) for remaining term of all debt:			\$ 645,016

MUSTANG SPECIAL UTILITY DISTRICT  
 COMPARATIVE STATEMENT OF REVENUES AND EXPENSES  
 ALL PROPRIETARY FUND TYPES  
 FIVE PERIODS ENDED SEPTEMBER 30, 2010

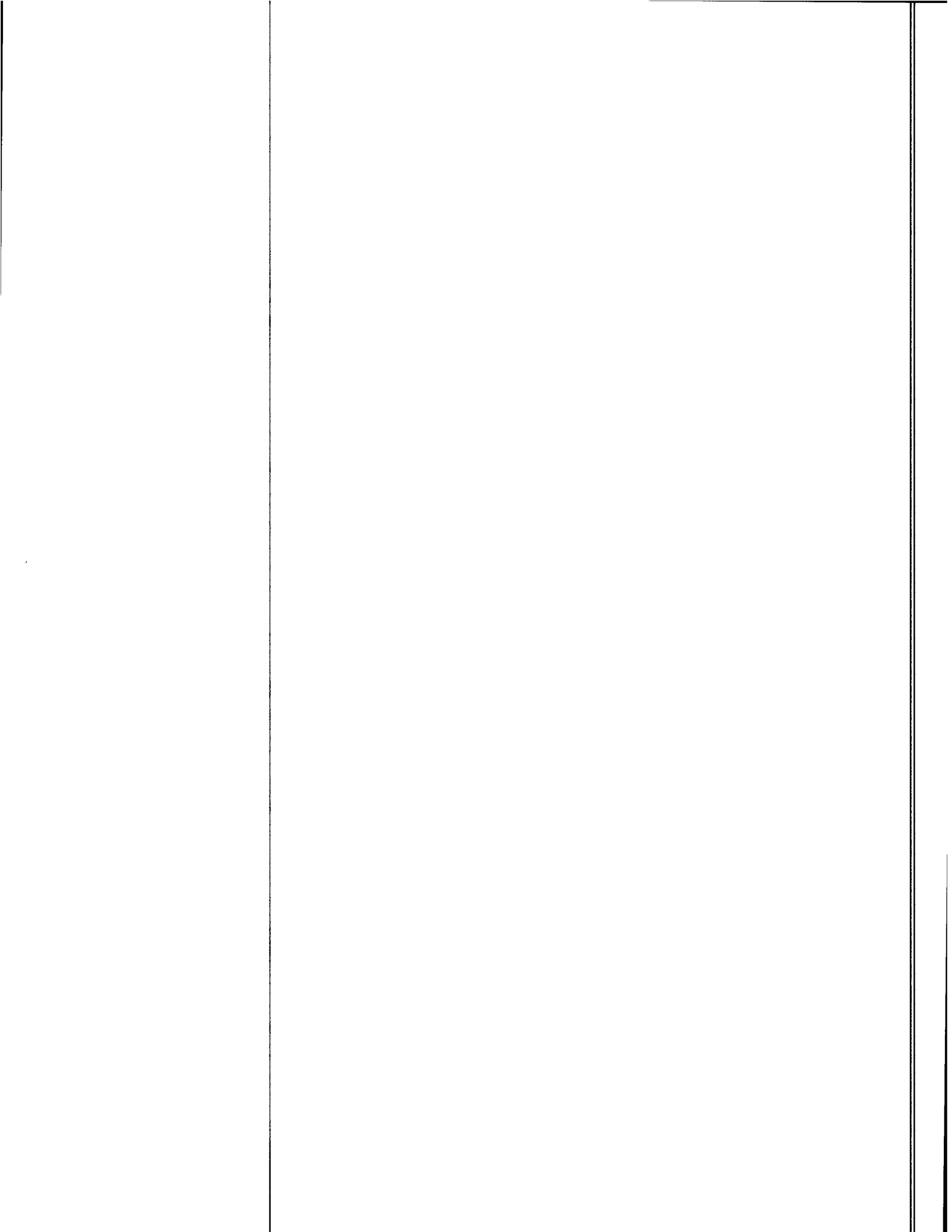
	AMOUNTS					PERCENT OF FUND TOTAL REVENUE				
	2010	2009	2008	2007	2006	2010	2009	2008	2007	2006
<b>OPERATING REVENUE</b>										
Water/Wastew ater Sales	\$ 3,338,626	\$ 3,018,990	\$ 2,932,828	\$ 3,402,385	\$ 3,263,187	74.25%	68.10%	60.29%	65.21%	65.06%
Customer Charges/Fees	1,134,975	1,029,752	1,866,900	1,773,406	1,421,706	25.24%	23.23%	38.17%	33.99%	28.35%
Miscellaneous Revenue	23,101	384,384	74,895	42,134	330,497	0.51%	8.67%	1.54%	0.81%	6.59%
<b>TOTAL OPERATING REVENUE</b>	<b>\$ 4,496,702</b>	<b>\$ 4,433,126</b>	<b>\$ 4,864,623</b>	<b>\$ 5,217,925</b>	<b>\$ 5,015,390</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>OPERATING EXPENSES</b>										
Payroll and Benefits	\$ 756,843	\$ 1,101,397	\$ 887,647	\$ 960,658	\$ 972,930	16.83%	24.84%	18.25%	18.41%	19.40%
Water Distribution System	2,260,965	2,143,834	1,321,471	1,531,437	1,778,281	50.28%	48.36%	27.16%	29.35%	35.46%
Other Operating Costs	214,036	225,730	587,199	230,389	258,711	4.76%	5.09%	12.07%	4.42%	5.16%
Professional and Legal Fees	109,688	285,093	129,779	331,075	202,844	2.44%	6.43%	2.67%	6.34%	4.04%
Insurance	150,700	261,044	156,952	129,985	48,433	3.35%	5.89%	3.23%	2.49%	0.97%
Amortization	425,420	422,744	421,688	384,267	15,935	9.46%	9.54%	8.67%	7.36%	0.32%
Depreciation	1,115,651	943,517	907,613	952,251	840,996	24.81%	21.28%	18.66%	18.25%	16.77%
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 5,033,293</b>	<b>\$ 5,383,359</b>	<b>\$ 4,412,349</b>	<b>\$ 4,520,062</b>	<b>\$ 4,118,130</b>	<b>111.93%</b>	<b>121.43%</b>	<b>90.70%</b>	<b>86.63%</b>	<b>82.11%</b>
<b>NET OPERATING INCOME (EXPENSES)</b>	<b>\$ (536,591)</b>	<b>\$ (950,233)</b>	<b>\$ 452,274</b>	<b>\$ 697,863</b>	<b>\$ 897,260</b>	<b>-11.93%</b>	<b>-21.43%</b>	<b>9.30%</b>	<b>13.37%</b>	<b>17.89%</b>
<b>NONOPERATING REVENUE (EXPENSES)</b>										
Gain on Sale of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ 125,000	0.00%	0.00%	0.00%	0.00%	2.49%
Interest Income	26,714	48,221	154,360	318,969	225,866	0.59%	1.09%	3.17%	6.11%	4.50%
Interest Expense	(585,126)	(526,722)	(386,347)	(314,564)	(258,657)	-13.01%	-11.88%	-7.94%	-6.03%	-5.16%
Bad Debt Expense - Sale of CCN	(61,970)	-	-	-	-	-1.38%	0.00%	0.00%	0.00%	0.00%
<b>NET NONOPERATING REVENUE (EXPENSES)</b>	<b>\$ (620,382)</b>	<b>\$ (478,501)</b>	<b>\$ (231,987)</b>	<b>\$ 4,405</b>	<b>\$ 92,209</b>	<b>-13.80%</b>	<b>-10.79%</b>	<b>-4.77%</b>	<b>0.08%</b>	<b>1.84%</b>
<b>CHANGE IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS</b>	<b>\$ (1,156,973)</b>	<b>\$ (1,428,734)</b>	<b>\$ 220,287</b>	<b>\$ 702,268</b>	<b>\$ 989,469</b>	<b>-25.73%</b>	<b>-32.23%</b>	<b>4.53%</b>	<b>13.46%</b>	<b>19.73%</b>
<b>CAPITAL CONTRIBUTIONS</b>										
Wastew ater Capacity Fee Refunded Developers	\$ (166,994)	\$ 61,875	\$ 139,450	\$ 3,934,388	\$ -	-3.69%	1.40%	2.87%	75.40%	0.00%
<b>TOTAL CAPITAL CONTRIBUTIONS</b>	<b>\$ (166,994)</b>	<b>\$ 61,875</b>	<b>\$ 139,450</b>	<b>\$ 3,934,388</b>	<b>\$ -</b>	<b>-3.69%</b>	<b>1.40%</b>	<b>2.87%</b>	<b>75.40%</b>	<b>0.00%</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ (1,322,967)</b>	<b>\$ (1,366,859)</b>	<b>\$ 359,737</b>	<b>\$ 4,636,656</b>	<b>\$ 989,469</b>	<b>-29.42%</b>	<b>-30.83%</b>	<b>7.39%</b>	<b>88.86%</b>	<b>19.73%</b>



MUSTANG SPECIAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
YEAR ENDED SEPTEMBER 30, 2010

Complete District Mailing Address: 7985 FM 2931, Aubrey, Texas 76227  
District Business Telephone Number: 940-440-9561  
Submission Date of the most recent District Registration Form: 4/19/10  
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200

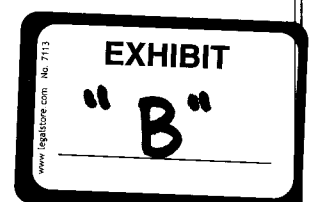
	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees of Office Paid (FYE 9/30/10)</u>	<u>Expense Reimbursements (FYE 9/30/10)</u>	<u>Title at Year End</u>
<b>Board Members:</b>				
Bill Hathaway	2010-2013 (Elec)	\$ -	\$ 29	President
Mike Frazier	2010-2013 (Elec)	\$ -	\$ 31	Vice-Pres.
Randy Wallace	2010-2013 (Elec)	\$ -	\$ -	Secretary
Mike Breslin	2009 (Elec)	\$ -	\$ -	Director/Resigned
Steve Rebhan	2008-2011 (Elec)	\$ -	\$ 41	Director
Shelby Moore	2009-2012 (Elec)	\$ -	\$ -	Director
Dean Jameson	2009-2012 (Elec)	\$ -	\$ -	Director
Barbara Swadling	2008-2011(Elec)	\$ -	\$ -	Director
James Burnham	2008-2011 (Elec)	\$ -	\$ 39	Director
Bill Falzett	2010 - 2012 (App)	\$ -	\$ -	Director
<b>Key Administrative Personnel:</b>				
Chris Boyd	02/21/07	\$ 133,121	\$ -	General Manager
Patty Martinez	03/24/09	\$ 59,711	\$ -	Director of Finance
Aldo Zamora	10/11/04	\$ 60,358	\$ -	Operations Manager
<b>Consultants:</b>				
Rapier & Wilson		\$ 28,149	\$ -	Attorney
Skip Newsom		\$ 19,605	\$ -	Attorney
Rutherford, Taylor & Company, P.C.		\$ 16,750	\$ -	Auditor
HDR Engineering, Inc		\$ 32,571	\$ -	Engineer
Steger Bizzell		\$ 12,216	\$ -	Engineer



MUSTANG SPECIAL UTILITY DISTRICT  
ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2009

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ENVIRONMENTAL QUALITY

RUTHERFORD, TAYLOR & COMPANY, P.C.  
*Certified Public Accountants*  
2802 Washington Street  
Greenville, Texas 75401  
(903) 455-6252



**MUSTANG SPECIAL UTILITY DISTRICT  
ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2009**

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MUSTANG SPECIAL UTILITY DISTRICT

ANNUAL FILING AFFIDAVIT

STATE OF TEXAS

COUNTY OF \_\_\_\_\_

I, \_\_\_\_\_ of the  
(Name of Duly Authorized District Representative)

Mustang Special Utility District

(Name of District)

hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the \_\_\_\_\_ day of \_\_\_\_\_,

its annual audit report for the fiscal period ended September 30, 2009

and that copies of the annual report have been filed in the District's office, located at \_\_\_\_\_

7985 FM 2931 Aubrey, TX 76227

(Address of the District's Office)

This filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of Texas Water Code Section 49.194.

Date: \_\_\_\_\_, \_\_\_\_\_ By: \_\_\_\_\_

(Signature of District Representative)

\_\_\_\_\_  
(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this \_\_\_\_\_ day of \_\_\_\_\_,

(SEAL)

\_\_\_\_\_  
(Signature of Notary)

My Commission Expires On: \_\_\_\_\_,

Notary Public of the State of Texas.

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
Mustang Special Utility District  
7985 FM 2931  
Aubrey, Texas 76227

Members of the Board:

We have audited the accompanying basic financial statements of the proprietary funds of the Mustang Special Utility District (District), as of and for the year ended September 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Mustang Special Utility District as of September 30, 2009, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Audit Standards*, we have also issued our report dated January 8, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Management's discussion and analysis and budgetary comparison information identified as other supplementary information are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the basic financial statements that collectively comprise the District's basic financial statements. The supplementary schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Mustang Special Utility District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

January 8, 2010  
Greenville, Texas

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors  
Mustang Special Utility District  
7985 FM 2931  
Aubrey, Texas 76227

Members of the Board:

We have audited the basic financial statements of the proprietary funds of the Mustang Special Utility District (District), as of and for the year ended September 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood that a misstatement of the District's basic financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the District's basic financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose as described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the District's management and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

January 8, 2010  
Greenville, Texas



MUSTANG SPECIAL UTILITY DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2009

**Schedule  
Reference  
Number**

**Findings**

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NONE

MUSTANG SPECIAL UTILITY DISTRICT  
STATUS OF PRIOR YEAR FINDINGS  
YEAR ENDED SEPTEMBER 30, 2009

Schedule  
Reference  
Number

Prior Findings

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NONE

MUSTANG SPECIAL UTILITY DISTRICT  
CORRECTIVE ACTION PLAN  
YEAR ENDED SEPTEMBER 30, 2009

**Schedule  
Reference  
Number**

**Prior Findings**

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NONE

MUSTANG SPECIAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2009

This section of Mustang Special Utility District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended September 30, 2009. Please read it in conjunction with the District's basic financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's total net assets were \$ 22,229,403 at September 30, 2009.
- The District issued "Mustang Special Utility District Revenue bonds, Series 2008," totaling \$ 2,715,000 and "Mustang Special Utility District Revenue Bonds, Series 2009," totaling \$ 1,220,000 to fund capital improvements to the District's distribution system.
- During the year, the District's expenses were \$ 1,366,859 more than the \$ 4,543,222 generated from charges for services and other revenues for business-type activities.

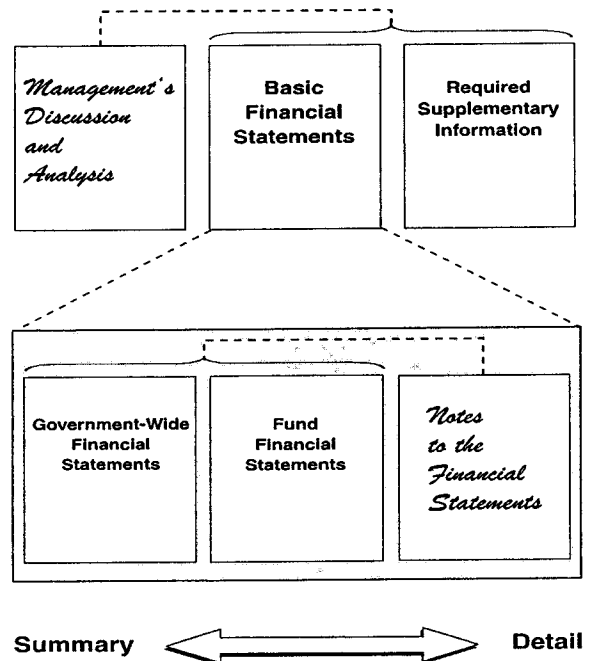
**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information.

- Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as water sales.
- Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The basic financial statements also include notes that explain some of the information in the basic financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the basic financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

**Figure A-1, Required Components of the District's Annual Financial Report**



**MUSTANG SPECIAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2009**

**Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements**

<i>Type of Statements</i>	<b>Fund Statements</b>			
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses, self insurance	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statements</i>	Statement of net assets Statement of activities	Balance sheet Statement of assets and liabilities Statement of changes in financial position	Statement of net assets Statement of revenues, expenses, and transfers in and out Statement of cash flow	Statement of fiduciary net assets Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only cash, receivables, investments, and liabilities that come due during the year, on the other hand, capital assets are disclosed	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the District's basic financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Government-wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Directors establishes other funds to control and manage money for particular purposes or to show that it is properly using certain funds.

The District has the following kinds of funds:

- Proprietary funds—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. We use enterprise funds to report activities that provide potable water and wastewater services for the District.

MUSTANG SPECIAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2009

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's total net assets were \$ 22,229,403 at September 30, 2009.

<b>Mustang Special Utility District's Net Assets</b>			<b>Table A-1</b>
	Business - Type Activities		Total Percentage Change 2008-2009
	2009	2008	
<b>Assets:</b>			
Cash and Investments	\$ 683,745	\$ 744,092	-8.11%
Other Assets	1,175,223	1,935,004	-39.27%
Restricted Assets	5,041,077	2,905,855	73.48%
Non-current Assets	28,349,618	28,045,971	1.08%
<b>Total Assets</b>	<b>\$ 35,249,663</b>	<b>\$ 33,630,922</b>	<b>4.81%</b>
<b>Liabilities:</b>			
Current Liabilities	\$ 2,491,507	\$ 1,759,312	41.62%
Long-term Liabilities	10,528,753	8,275,348	27.23%
<b>Total Liabilities</b>	<b>\$ 13,020,260</b>	<b>\$ 10,034,660</b>	<b>29.75%</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	\$ 9,858,403	\$ 12,672,811	-22.21%
Designated for Construction	-	225,500	-100.00%
Restricted	-	163,942	-100.00%
Unrestricted	12,371,000	10,534,009	17.44%
<b>Total Net Assets</b>	<b>\$ 22,229,403</b>	<b>\$ 23,596,262</b>	<b>-5.79%</b>

**Business-Type Activities**

<b>Changes in Mustang Special Utility District's Net Assets</b>			<b>Table A-2</b>
	Business - Type Activities		Total Percentage Change 2008-2009
	2009	2008	
<b>Program Revenues:</b>			
Charges for Services	\$ 4,433,126	\$ 4,864,623	-8.87%
<b>General Revenues:</b>			
Interest Income	48,221	154,360	-68.76%
<b>Total Revenues</b>	<b>\$ 4,481,347</b>	<b>\$ 5,018,983</b>	<b>-10.71%</b>
<b>Expenses:</b>			
Interest Expense	\$ 526,722	\$ 386,347	36.33%
Water Utilities	5,383,359	4,412,349	22.01%
<b>Total Expenses</b>	<b>\$ 5,910,081</b>	<b>\$ 4,798,696</b>	<b>23.16%</b>
<b>Increase in Net Assets before Capital Contributions</b>	<b>\$ (1,428,734)</b>	<b>\$ 220,287</b>	<b>-748.58%</b>
<b>Capital Contributions:</b>			
Wastewater Capacity Fee Paid by Developers	\$ 61,875	\$ 139,450	100.00%
<b>Total Capital Contributions</b>	<b>\$ 61,875</b>	<b>\$ 139,450</b>	<b>100.00%</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ (1,366,859)</b>	<b>\$ 359,737</b>	<b>-479.96%</b>

MUSTANG SPECIAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2009

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets

At September 30, 2009, the District had invested \$ 27,498,272 in a broad range of capital assets, including land, distribution system, equipment and vehicles (See Table A-3).

Changes in Mustang Special Utility District's Net Assets			Table A-3
	Business - Type Activities		Total Percentage Change
	2009	2008	2008-2009
Land and Improvements	\$ 469,255	\$ 469,255	0.00%
Construction in Progress	-	3,739,020	-100.00%
Buildings and Improvements	1,360,966	1,360,966	0.00%
Water Distribution System	24,589,752	19,315,879	27.30%
Furniture and Fixtures	760,261	382,702	98.66%
Vehicles	318,038	318,038	0.00%
Totals at Historical Cost	\$ 27,498,272	\$ 25,585,860	7.47%
Total Accumulated Depreciation	(6,150,174)	(5,206,658)	18.12%
Net Capital Assets	<u>\$ 21,348,098</u>	<u>\$ 20,379,202</u>	4.75%

Long Term Debt

At year-end, the District had \$ 11,489,695 in debt outstanding as shown in Table A-4. More detailed information about the District's debt is presented in the notes to the basic financial statements.

Changes in Mustang Special Utility District's Net Assets			Table A-4
	Business - Type Activities		Total Percentage Change
	2009	2008	2008-2009
Bonds Payable	\$ 8,975,000	\$ 6,220,000	44.29%
Loans Payable	2,461,595	1,863,950	32.06%
Other Debt Payable	53,100	-	100.00%
Total Debt Payable	<u>\$ 11,489,695</u>	<u>\$ 8,083,950</u>	42.13%

MUSTANG SPECIAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2009

**BUDGET, ECONOMIC ENVIRONMENT AND RATES**

In past years the economic factors impacting the District's budget were the development and tremendous growth of the Northeast Denton County area. Due to the fast-paced growth rate in the area, Mustang SUD increased staff, built new facilities and infrastructure for increased water capacity to accommodate current and future customers.

Despite past rapid growth realized in the surrounding area, the recent economic environment has seen a downturn. This downturn has affected the development of housing communities surrounding the District which was one of the contributing factors to the District's rapid growth in recent years. While the District continues to expand, we do not expect to see expansion as rapid as seen in past years during 2010.

Any variances in the budgets are due to increased costs to meet the demands of the growth, system upgrades and/or maintenance of the current system.

Effects on our current and future financial position continue to be growth, system upgrades/maintenance, surface water purchase prices and an increase in Capital Improvement Projects.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Chris Boyd, General Manager for the District.



BASIC FINANCIAL STATEMENTS

MUSTANG SPECIAL UTILITY DISTRICT  
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS  
SEPTEMBER 30, 2009

	Business-Type Activities
<b>ASSETS</b>	
Current Assets:	
Cash and Investments	\$ 683,745
Accounts Receivable, Net	1,050,060
Other Assets	989
Prepaid Expenses, Supplies and Materials	124,174
Total Current Assets	\$ 1,858,968
Restricted Assets:	
Cash and Investments	\$ 5,041,077
Total Restricted Assets	\$ 5,041,077
Non-Current Assets:	
Equity Buy-in Fees, Net	\$ 6,702,209
SUD Conversion Costs, Net	99,137
Bond Issuance Costs, Net	200,174
Capital Assets:	
Land and Improvements	469,255
Buildings and Improvements, Net	1,170,430
Water Distribution System, Net	19,546,627
Vehicles, Net	23,484
Furniture and Equipment, Net	138,302
Total Non-Current Assets	\$ 28,349,618
<b>Total Assets</b>	<b>\$ 35,249,663</b>

The accompanying notes are an integral part of this statement.

MUSTANG SPECIAL UTILITY DISTRICT  
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS  
SEPTEMBER 30, 2009

	Business-Type Activities
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	\$ 103,261
Other Payables	23,660
Due to Other Districts Payable from Restricted Assets	806,197
Accrued Interest Payable	112,437
Bonds Payable	1,360,000
Loans Payable	85,952
Total Current Liabilities	\$ 2,491,507
Non-Current Liabilities:	
Bonds Payable	\$ 7,615,000
Loans Payable	2,375,643
Other Debt Payable	53,100
Escrow Payable	118,884
Customer Deposits	366,126
Total Non-Current Liabilities	\$ 10,528,753
<b>Total Liabilities</b>	<b>\$ 13,020,260</b>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	\$ 9,858,403
Unrestricted	12,371,000
<b>Total Net Assets</b>	<b>\$ 22,229,403</b>

The accompanying notes are an integral part of this statement.

MUSTANG SPECIAL UTILITY DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS - PROPRIETARY FUND  
YEAR ENDED SEPTEMBER 30, 2009

		Enterprise Fund	
		<u>Water</u>	<u>Utilities</u>
<b>OPERATING REVENUES</b>			
Water/Wastewater Sales	\$	3,018,990	
Customer Charges/Fees		1,029,752	
Miscellaneous		384,384	
		<u>                    </u>	
Total Operating Revenues	\$	<u>4,433,126</u>	
<b>OPERATING EXPENSES</b>			
Payroll and Benefits	\$	1,101,397	
Water Distribution System		2,143,834	
Other Operating Costs		225,730	
Professional and Legal Fees		285,093	
Insurance		261,044	
Amortization		422,744	
Depreciation		943,517	
		<u>                    </u>	
Total Operating Expenses	\$	<u>5,383,359</u>	
Operating Income (Expenses)	\$	<u>(950,233)</u>	
<b>NON-OPERATING REVENUE (EXPENSES)</b>			
Interest Income	\$	48,221	
Interest Expense		(526,722)	
		<u>                    </u>	
Total Non-Operating Revenue (Expenses)	\$	<u>(478,501)</u>	
Change in Net Assets Before Capital Contributions	\$	<u>(1,428,734)</u>	
<b>CAPITAL CONTRIBUTIONS</b>			
Wastewater Capacity Fee Paid by Developers	\$	61,875	
Total Capital Contributions	\$	<u>61,875</u>	
Change in Net Assets	\$	<u>(1,366,859)</u>	
Total Net Assets - Beginning (October 1)		<u>23,596,262</u>	
<b>Total Net Assets - Ending (September 30)</b>	<b>\$</b>	<b><u>22,229,403</u></b>	

The accompanying notes are an integral part of this statement.

MUSTANG SPECIAL UTILITY DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2009

	Enterprise Fund
	Water
	Utilities
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$ 4,433,126
Cash Payments for Goods and Services	(2,695,589)
Cash Payments to Employees	(1,101,397)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ 636,140</b>
<b>Cash Flows from Capital and Other Related Financing Activities:</b>	
Acquisition and Construction of Capital Assets	\$ (1,534,853)
Equity Buy-in Fees / Bond Issuance Costs Capitalized	(136,959)
Escrow for Land Easements Received	10,225
Proceeds Received on Bond and Notes	4,613,603
Premium Proceeds related to Bond Issuance	55,004
Principal Paid on Bonds and Notes	(1,260,958)
Interest Paid on Bonds and Notes	(459,808)
Wastewater Capacity Fee Received from Developers	61,875
<b>Net Cash Provided by (Used for) Capital and Other Related Financing Activities</b>	<b>\$ 1,348,129</b>
<b>Cash Flows from Noncapital Financing Activities:</b>	
Increase (Decrease) in Customer Deposits	\$ 42,385
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>\$ 42,385</b>
<b>Cash Flows from Investing Activities:</b>	
Interest Income	\$ 48,221
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>\$ 48,221</b>
<b>Net Increase (Decrease) in Cash and Investments</b>	<b>\$ 2,074,875</b>
Cash and Investments - Beginning (October 1)	3,649,947
<b>Cash and Investments - Ending (September 30)</b>	<b>\$ 5,724,822</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income (Loss)	\$ (950,233)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>	
Depreciation	943,517
Amortization	422,744
<b>Change in Assets and Liabilities:</b>	
(Increase) Decrease in Accounts Receivable	775,636
(Increase) Decrease in Prepaid Expenses, Supplies and Materials	(15,855)
Increase (Decrease) in Accounts Payable	(320,302)
Increase (Decrease) in Other Payables	(262,180)
Increase (Decrease) in Due to Other Districts	55,635
Increase (Decrease) in Bulk Water Deposits Payable	(12,822)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ 636,140</b>

The accompanying notes are an integral part of this statement.

MUSTANG SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009

A. Summary of Significant Accounting Policies

The Mustang Special Utility District (District) was approved by the voters within the District on May 4, 2002. 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 Chapter 65 of the Texas Water Code. The Mustang Water Supply Corporation was dissolved and all assets, liabilities and equity of that organization were transferred to the newly created Mustang Special Utility District. This transfer of ownership took place on October 1, 2002, for financial reporting purposes.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

1. Reporting Entity

The Board of Directors (Board), a nine member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to providing water services within the jurisdiction of the Mustang Special Utility District. Members of the Board are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters. The District is not included in any other governmental "Reporting Entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units presented.

2. Basis of Presentation

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenue and expenses. The fund type utilized by the District is described below:

a. Proprietary fund types include the following –

The *Enterprise Fund* is used to account for operations (a) that 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.

3. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and liabilities associated with the operation of these funds are included in the balance sheet. Fund equity is identified as net assets.

4. Budget

The Board adopts an annual budget for the Enterprise Fund. The Budget for the Enterprise Fund is adopted under a basis consistent with GAAP. The Board approves amendments to the annual budget as prepared by the General Manager of the District.

MUSTANG SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009

A. Summary of Significant Accounting Policies (Continued)

5. Property, Plant and Equipment

Additions to the utility system are recorded at cost or, if contributed property, at its estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recovered by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income. The District uses a capitalization policy of \$ 5,000.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Vehicles	5 years
Office Furniture and Equipment	5-10 years
Machinery and Equipment	5-10 years
Water Distribution System	5-40 years
Buildings	20-40 years

6. Amortization of Equity Fee and Organizational Costs

The District has assets recorded in the basic financial statements entitled "UTRWD Equity Fee, Net, Bond Issuance Costs, Net and SUD Conversion Costs, Net." Accounting principles generally accepted in the United States of America require that the District capitalize the costs associated with these assets and amortize those costs over the life of the asset or loan, and not less than 60 months, respectively, rather than expensing the entire amount in the year acquired. The expense associated with this amortization appears in the basic financial statements as "Amortization." The amount expensed during the year ended September 30, 2009, was \$ 422,744. The amount recorded as assets (net of amortization) in the basic financial statements at September 30, 2009, totaled \$ 6,702,209.

7. Prepaid Expenses, Materials and Supplies

Prepaid expenses consist of items paid for in the current period to be used in the following accounting period. Prepaid materials and supplies consist of supplies and repair parts for the distribution system, valued at cost. The cost of materials and supplies is recorded as an expense when consumed rather than when purchased.

8. Cash and Investments

Cash and Investments are comprised of deposits in financial institutions including time deposits. For the purpose of the statement of cash flows, an investment is considered any highly liquid investment with a maturity of ninety days or less.

9. Retirement Plan

The District is a member of the Texas County & District Retirement System (TCDRS). The District matches up to 5% of employee contributions 1 to 1, and employees vest after 10 years of service. The plan also provides for disability retirement for members with 10 years of service or more. The District's contributions for the fiscal year totaled \$ 60,921.

10. Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Sick leave does not vest but accumulates and is recorded as an expense as it is paid.

MUSTANG SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009

**B. Changes in Property, Plant and Equipment**

The following is a summary of changes in property, plant and equipment for the year:

	Beginning Balances	Additions and Reclassifications	Retirements	Ending Balances
Land	\$ 469,255	\$ -	\$ -	\$ 469,255
Buildings and Improvements	1,360,966	-	-	1,360,966
Construction in Progress	3,739,020	856,250	4,595,270	-
Water Distribution System	19,315,879	5,273,873	-	24,589,752
Furniture and Equipment	760,261	-	-	760,261
Vehicles	318,038	-	-	318,038
<b>Totals at Historical Cost</b>	<b>\$ 25,963,419</b>	<b>\$ 6,130,123</b>	<b>\$ 4,595,270</b>	<b>\$ 27,498,272</b>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 136,097	\$ 54,439	\$ -	\$ 190,536
Water Distribution System	4,243,345	799,780	-	5,043,125
Furniture and Equipment	571,303	50,656	-	621,959
Vehicles	255,912	38,642	-	294,554
<b>Total Accumulated Depreciation</b>	<b>\$ 5,206,657</b>	<b>\$ 943,517</b>	<b>\$ -</b>	<b>\$ 6,150,174</b>
<b>Net Capital Assets</b>	<b>\$ 20,756,762</b>	<b>\$ 5,186,606</b>	<b>\$ 4,595,270</b>	<b>\$ 21,348,098</b>

**C. Restricted Assets**

The District is required to maintain certain bank accounts to be in compliance with the bond covenants. The District also maintains separate bank accounts to account for monies collected from freshwater supply district customers to be remitted to the respective freshwater supply districts. At September 30, 2009, the District had the following accounts restricted for these purposes:

Cash - Northstar System Growth	\$ 819,321
Cash - Northstar Debt Service	434,440
Cash - Northstar Construction	1,039,418
Cash - Northstar I & S	31,517
Cash - Northstar Developer's Escrow	104,762
Cash - Northstar 07 Revenue Not I & S	34,510
Cash - Logic	361,725
Cash - TexSTAR Debt Service	5,578
Cash - TexSTAR Construction	6,400
Cash - TexSTAR I & S	5,148
Cash - TexSTAR Developer's Escrow	5,122
Cash - TexSTAR 09 Escrow	1,094,803
Cash - TexSTAR 08 Rev Bond Construction	65
Cash - DCFWSD #9 Providence	256,149
Cash - DCFWSD #8A Paloma Creek	28,840
Cash - DCFWSD #8B Paloma Creek	118,692
Cash - DCFWSD #11A Paloma Creek	109,711
Cash - DCFWSD #10 Savannah	191,197
Cash - DCFWSD #11B Paloma Creek	7,226
Cash - Northstar 08 Debt Reserve	265,160
Cash - Northstar 08 I & S	8,504
Cash - Northstar 09 I & S	12,372
Cash - Northstar 09 Debt Reserve	100,417
<b>Total</b>	<b>\$ 5,041,077</b>



MUSTANG SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009

C. Restricted Assets (Continued)

Northstar System Growth - This account, held at Northstar Bank, represents monies designated for future expansion and system repair and maintenance.

Northstar Debt Service - This account, held at Northstar Bank, represents the amount required by the bond covenant to be held in reserve until bond is paid in full.

Northstar Construction - This account, held at Northstar Bank, represents bond proceeds held for future construction.

Northstar I & S - This account, held at Northstar Bank, represents amounts set aside for the next principal and interest payment on bonded debt.

Northstar Developer's Escrow - This account, held at Northstar Bank, represents amounts held by the District for utility easements on construction projects.

Northstar 07 Revenue Note I & S - This account, held at Northstar Bank, represents amounts set aside for the next principal and interest payment on bonded debt.

Logic - This account, held at Logic, represents refundable customer deposits.

TexSTAR - 2007 Debt Service - This account, held at TexSTAR, represents the amount required by the bond covenant to be held in reserve until bond is paid in full.

TexSTAR - 2007 Construction - This account, held at TexSTAR, represents bond proceeds held for future construction.

TexSTAR - 2007 I & S - This account, held at TexSTAR, represents amounts set aside for the next principal and interest payment on Series 2006 Bonded debt.

TexSTAR - Developer's Escrow Account - This account, held at TexSTAR, represents amounts held by the District for utility easements on construction projects.

TexSTAR 08 Rev Bond Construction - This account held at TexSTAR, represents bond proceeds held for future construction.

DCFWS #9 - Providence - This account, held at Northstar Bank, represents the payments collected from Providence customers to be remitted to the Freshwater Supply District.

DCFWS #8A - Paloma Lakeview - This account, held at Northstar Bank, represents the payments collected from Paloma Lakeview customers to be remitted to the Freshwater Supply District.

DCFWS # 8B - Paloma North - This account, held at Northstar Bank, represents the payments collected from Paloma North customers to be remitted to the Freshwater Supply District.

DCFWS # 11A - Paloma South - This account, held at Northstar Bank, represents the payments collected from Paloma South customers to be remitted to the Freshwater Supply District.

DCFWS #11B - Paloma Creek - This account, held at Northstar Bank, represents the payment collected from Paloma Creek #11B customers to be remitted to the Freshwater Supply District.

DCFWS - Savannah - This account, held at Northstar Bank, represents the payments collected from Savannah customers to be remitted to the Freshwater Supply District.

Northstar 08 Debt Reserve - This account held at Northstar Bank, represents the amount required by the bond covenant to be held in reserve until bond is paid in full.

Northstar 08 I & S - This account, held at Northstar Bank, represents amounts set aside for the next principal and interest payment on bonded debt.

Northstar 09 Debt Reserve - This account, held at Northstar Bank, represents the amount required by the bond covenant to be held in reserve until bond is paid in full.

Northstar 09 I & S - This account, held at Northstar Bank, represents amounts set aside for the next principal and interest payment on bonded debt.

D. Deposits, Securities and Investments

The District's funds appear to be deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At September 30, 2009, all District cash deposits were covered by FDIC insurance or by pledged collateral held by the District. The District's deposits appear to have been secured at all times throughout the fiscal year.

The District's investment policies and types of investments are governed by the Public Funds Investment Act. The Act requires specific training, reporting and establishment of local policies. The District appears to be in compliance with the requirements of the Act.

State statutes and local policy authorize the District to invest in the following types of investment goods:

- a. obligations of the U.S. or its agencies or instrumentalities,
- b. obligations of the State of Texas or its agencies,
- c. obligations guaranteed by the U.S. or State of Texas or their agencies or instrumentalities,
- d. obligations of other states, agencies or political subdivisions having a national investment rating of "A" or greater,
- e. guaranteed or securitized certificates of deposit issued by a bank domiciled in the State of Texas, or
- f. fully collateralized repurchase agreements.

MUSTANG SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009

D. Deposits, Securities and Investments (Continued)

District investments include deposits in external investment pools, such as LOGIC and TexSTAR. All LOGIC and TexSTAR investments are reported at share price (fair value) and are presented as cash and investments.

The LOGIC Investment Pool is managed by an elected Board of Directors. The Board is comprised of elected members of the organization. An advisory board of qualified investment members advises the Directors on investment decisions.

The Texas Short Term Asset Reserve (TexSTAR) is managed by First Southwest Companies. An advisory board of qualified investment members manages the investment decisions.

The following table categorizes the District's investment at September 30, 2009, using these three levels of custodial credit risk.

	Credit Rating	Fair Value
LOGIC	AAA <sub>m</sub>	\$ 361,725
TexStar	AAA <sub>m</sub>	1,122,457
Total		\$ 1,484,182

\* Local government pool investments are based upon a contract and not the security itself. Therefore, these types of investments are not categorized above.

In addition, the following is disclosed regarding coverage of combined cash balances on the date of highest balance:

- a. Name of bank: NorthStar Bank of Texas, Denton, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 6,500,000.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 5,155,131 and occurred during the month of June 2009.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 750,000.

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

- a. **Credit Risk**  
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.
- b. **Custodial Credit Risk**  
Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.  
  
Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.
- c. **Concentration of Credit Risk**  
This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.
- d. **Interest Rate Risk**  
This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

MUSTANG SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009

D. Deposits, Securities and Investments (Continued)

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

E. Long - Term Obligations

The following schedule presents changes in long-term debt for the year ended September 30, 2009.

	Beginning Balances	Additions	Deletions	Ending Balances	Current Portion
Bonds Payable	\$ 6,220,000	\$ 3,935,000	\$ 1,180,000	\$ 8,975,000	\$ 1,360,000
Loans Payable	1,863,950	678,603	80,958	2,461,595	85,952
Other Debt Payable	-	55,004	1,904	53,100	-
<b>Total Debt Payable</b>	<b>\$ 8,083,950</b>	<b>\$ 4,668,607</b>	<b>\$ 1,262,862</b>	<b>\$ 11,489,695</b>	<b>\$ 1,445,952</b>

Loans

The District executed an agreement with Upper Trinity Regional Water District to provide for capital investments. The agreement requires semi-annual interest payments and annual principal payments. Principal maturing in the next twelve months has been classified as current liabilities. The District executed the following agreement:

Payee / Purpose	Original Issue Date	Original Amount	Interest Rate	Outstanding Balance 09/30/09
Upper Trinity Regional Water District % of Water Lines and Pump Station	4/19/2000	\$ 2,202,850	6.0%	\$ 2,461,595

Maturities of loan balances are as follows:

Year Ended September 30	Principal	Interest	Total Requirements
2010	\$ 85,952	\$ 148,305	\$ 234,257
2011	91,255	143,002	234,257
2012	96,885	137,372	234,257
2013	102,862	131,395	234,257
2014	109,208	125,049	234,257
2015 - 2019	655,807	515,479	1,171,286
2020 - 2024	884,649	286,636	1,171,285
2025 - 2029	434,977	33,537	468,514
<b>Totals</b>	<b>\$ 2,461,595</b>	<b>\$ 1,520,775</b>	<b>\$ 3,982,370</b>

MUSTANG SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009

E. Long - Term Obligations (Continued)

On December 1, 2008, the District issued "Mustang Special Utility District Revenue Bonds, Series 2008," totaling \$ 2,715,000. The proceeds from these bonds will be used to fund capital improvements to the District's water distribution system, including the drilling of several new water wells, the construction of water pump stations and ground water storage facilities. These bonds incur annual principal payments with semi-annual interest payments. The bonds incur an average interest rate of 5.75% over the life of the bonds. The bonds will fully mature in 2030.

On August 15, 2009, the District issued "Mustang Special Utility District Revenue Bonds, Series 2009," totaling \$ 1,220,000. The proceeds from these bonds will be used to fund capital improvements to the District's water distribution system, including an elevated water storage tank and a connection line. These bonds incur annual principal payments with semi-annual interest payments. The bonds incur an average interest cost of 5.00% over the life of the bonds. The bonds will fully mature in 2031.

Payee / Purpose	Interest Rate	Original Amount	Outstanding Balances
Mustang SUD, Series 2006	4.00% - 5.00%	\$ 4,415,000	\$ 3,880,000
Mustang SUD, Series 2007	4.03%	2,160,000	1,160,000
Mustang SUD, Series 2008	5.75%	2,715,000	2,715,000
Mustang SUD, Series 2009	5.00%	1,220,000	<u>1,220,000</u>
Totals			<u>\$ 8,975,000</u>

Maturities of revenue bonds are as follows:

Year Ended September 30	Principal	Interest	Total Requirements
2010	\$ 1,360,000	\$ 435,421	\$ 1,795,421
2011	345,000	373,590	718,590
2012	370,000	355,703	725,703
2013	310,000	336,528	646,528
2014	315,000	321,928	636,928
2015 - 2019	1,805,000	1,374,800	3,179,800
2020 - 2024	2,240,000	913,565	3,153,565
2025 - 2029	1,845,000	364,135	2,209,135
2030 - 2034	385,000	25,745	410,745
Totals	<u>\$ 8,975,000</u>	<u>\$ 4,501,415</u>	<u>\$ 13,476,415</u>

The District is required to maintain certain deposits to satisfy the provisions of the debt authorization. The required deposits are outlined in Section 12 and 13 of the debt authorization. The following describes these sections and the requirements:

Section 10 – Interest & Sinking Covenants - Series 2006

The District is required to deposit and credit to the Interest and Sinking Fund prior to each principal, interest payment or redemption date from the available pledged revenues an amount equal to one hundred percent (100%) of the amount required to fully pay the interest on and the principal of the Prior Lein Obligations then coming due and payable. At September 30, 2009, the following is reported:

Amount Required	\$ -0-
Amount Available	<u>36,665</u>
Excess (Deficiency)	<u>\$ 36,665</u>

MUSTANG SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009

E. Long - Term Obligations (Continued)

Section 11 – Reserve Covenants - Series 2006

The District shall deposit and credit to the 2006 Reserve Fund amounts required to maintain the balance in the 2006 Reserve Fund in an amount equal to \$ 389,408, which is the lesser of (1) 10 percent of the stated principal amount of the bonds, (2) 1.25 percent of the average annual debt service requirements on the bonds, or (3) maximum annual debt service requirements on the bonds. At September 30, 2009, the following is reported:

Amount Required	\$ 389,408
Amount Available	<u>440,019</u>
Excess (Deficiency)	<u>\$ 50,611</u>

Section 10 – Interest & Sinking Covenants - Series 2007

The District is required to deposit and credit to the Interest and Sinking Fund prior to each principal, interest payment or redemption date from the available pledged revenues an amount equal to one hundred percent (100%) of the amount required to fully pay the interest on and the principal of the prior lein obligations then coming due and payable. At September 30, 2009, the following is reported

Amount Required	\$ -0-
Amount Available	<u>34,510</u>
Excess (Deficiency)	<u>\$ 34,510</u>

Section 10 – Interest & Sinking Covenants - Series 2008

The District is required to deposit and credit to the Interest and Sinking Fund prior to each principal, interest payment or redemption date from the available pledged revenues an amount equal to one hundred percent (100%) of the amount required to fully pay the interest on and the principal of the prior lein obligations then coming due and payable. At September 30, 2009, the following is reported

Amount Required	\$ -0-
Amount Available	<u>8,504</u>
Excess (Deficiency)	<u>\$ 8,504</u>

Section 11 – Reserve Covenants - Series 2008

The District shall deposit and credit to the 2008 Reserve Fund amounts required to maintain the balance in the 2008 Reserve Fund in an amount equal to \$ 242,045, which is the lesser of (1) 10 percent of the stated principal amount of the bonds, (2) 1.25 percent of the average annual debt service requirements on the bonds, or (3) maximum annual debt service requirements on the bonds. At September 30, 2009, the following is reported:

Amount Required	\$ 242,045
Amount Available	<u>265,160</u>
Excess (Deficiency)	<u>\$ 23,115</u>

Section 10 – Interest & Sinking Covenants - Series 2009

The District is required to deposit and credit to the Interest and Sinking Fund prior to each principal, interest payment or redemption date from the available pledged revenues an amount equal to one hundred percent (100%) of the amount required to fully pay the interest on and the principal of the prior lein obligations then coming due and payable. At September 30, 2009, the following is reported

Amount Required	\$ -0-
Amount Available	<u>12,372</u>
Excess (Deficiency)	<u>\$ 12,372</u>

MUSTANG SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009

E. Long - Term Obligations (Continued)

Section 11 – Reserve Covenants - Series 2009

The District shall deposit and credit to the 2009 Reserve Fund amounts required to maintain the balance in the 2009 Reserve Fund in an amount equal to \$ 100,395, which is the lesser of (1) 10 percent of the stated principal amount of the bonds, (2) 1.25 percent of the average annual debt service requirements on the bonds, or (3) maximum annual debt service requirements on the bonds. At September 30, 2009, the following is reported:

Amount Required	\$	100,395
Amount Available		<u>100,417</u>
Excess (Deficiency)	\$	<u>22</u>

F. Customer Deposits

The District requires each new customer to pay \$100, which is held as a refundable deposit to secure payment of the customer's water bill. At September 30, 2009, the District's obligation totaled \$ 366,126.

G. Litigation

The District does not appear to be involved in any litigation as of September 30, 2009.

H. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the District purchased commercial insurance to cover these liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

I. Freshwater Supply District Agreements – Water and Sanitary Sewer Service

The District has entered into service agreements with the following freshwater supply districts:

- Denton County Freshwater Supply District No. 8A
- Denton County Freshwater Supply District No. 8B
- Denton County Freshwater Supply District No. 9
- Denton County Freshwater Supply District No. 10
- Denton County Freshwater Supply District No. 11A
- Denton County Freshwater Supply District No. 11B

Each freshwater district maintains a separate contract with the District, so specific terms vary per respective contract. 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. In addition, the District will collect the amount due for water and wastewater service and remit to the freshwater districts the funds collected at least once per month.

The freshwater districts also agreed to pay the District for installation, maintenance or repair of the water delivery system and for items not specifically covered in the agreement. The charges are limited to the District's actual and direct expenses, plus an additional fifteen percent (15%) overhead charge, allocated to client districts on a pro-rata basis based on the number of active equivalent single family connections contained in each freshwater district. Additionally, freshwater districts will pay to Mustang thirty percent (30%) of any disconnection, re-connection fees or return check fee charged by the District related to disconnections or re-connections necessitated by a District customer's failure to timely pay for water and/or wastewater services.

MUSTANG SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009

I. Freshwater Supply District Agreements – Water and Sanitary Sewer Service

At various dates in the future, beginning October 1, 2011, contract provisions call for the freshwater districts to convey to the District all right, title and interest to all water distribution and storage facilities and sanitary sewer collection facilities, including land, easements and rights of way that comprise the freshwater district system and serve the freshwater district certified area that have been acquired by the freshwater districts with the proceeds of its outstanding bonds. Any portion not acquired with proceeds of outstanding bonds shall be leased to the District in accordance with contract provisions.

J. Joint Agreements

The District has entered into equity agreements with the Upper Trinity Regional Water District (UTRWD) to provide the District with water resources into the future. Additionally, agreements have been executed for construction of additional water treatment and distribution services. There is also an agreement for shared costs of a wastewater treatment facility presently in use. The District's agreements require monthly service contract payments to the UTRWD. Amounts paid to the UTRWD for wastewater capacity are capitalized, and appear on the Statement of Net Assets as "Equity Buy-in Fees, Net". During the year, the District received from Developers \$ 61,875 as a capital contribution toward these wastewater capacity fees.

OTHER SUPPLEMENTARY INFORMATION



MUSTANG SPECIAL UTILITY DISTRICT  
ENTERPRISE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES</b>				
Charges for Services	\$ 4,929,680	\$ 8,814,683	\$ 4,433,126	\$ (4,381,557)
Interest Income	100,000	43,000	48,221	5,221
<b>Total Revenues</b>	<b>\$ 5,029,680</b>	<b>\$ 8,857,683</b>	<b>\$ 4,481,347</b>	<b>\$ (4,376,336)</b>
<b>EXPENSES</b>				
Payroll	\$ 1,000,190	\$ 848,978	\$ 1,101,397	\$ (252,419)
Water Distribution System	2,141,324	2,136,824	2,143,834	(7,010)
Other Operating Costs	1,497,166	1,871,542	225,730	1,645,812
Professional and Legal Fees	224,000	279,330	285,093	(5,763)
Insurance	167,000	156,041	261,044	(105,003)
Amortization	-	-	422,744	(422,744)
Depreciation	-	-	943,517	(943,517)
Interest	-	411,226	526,722	(115,496)
<b>Total Expenses</b>	<b>\$ 5,029,680</b>	<b>\$ 5,703,941</b>	<b>\$ 5,910,081</b>	<b>\$ (206,140)</b>
<b>Change in Net Assets</b>				
<b>Before Capital Contributions</b>	<b>\$ -</b>	<b>\$ 3,153,742</b>	<b>\$ (1,428,734)</b>	<b>\$ (4,582,476)</b>
<b>CAPITAL CONTRIBUTIONS</b>				
Wastewater Capacity Fee Paid by Developers	\$ -	\$ -	\$ 61,875	\$ 61,875
<b>Total Capital Contributions</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 61,875</b>	<b>\$ 61,875</b>
<b>Change in Net Assets</b>	<b>\$ -</b>	<b>\$ 3,153,742</b>	<b>\$ (1,366,859)</b>	<b>\$ (4,520,601)</b>
Net Assets - Beginning (October 1)	23,596,262	23,596,262	23,596,262	-
<b>Net Assets - Ending (September 30)</b>	<b>\$ 23,596,262</b>	<b>\$ 26,750,004</b>	<b>\$ 22,229,403</b>	<b>\$ (4,520,601)</b>

TEXAS SUPPLEMENTARY INFORMATION (TSI)

MUSTANG SPECIAL UTILITY DISTRICT  
SUPPLEMENTARY SCHEDULES INCLUDED WITHIN THIS REPORT  
YEAR ENDED SEPTEMBER 30, 2009

<u>Exhibit ID</u>	<u>Exhibit Title</u>	<u>Page #</u>
	Independent Auditor's Report on Supplementary Schedules	34
TSI-1	Services and Rates	35
TSI-2	Enterprise Fund Expenditures	37
TSI-3	Temporary Investments	38
TSI-5	Long-Term Debt Service Requirements by Years	39
TSI-6	Changes in Long-Term Bonded Debt	44
TSI-7	Comparative Schedule of Revenues and Expenses Enterprise Fund - Five Years	45
TSI-8	Board Members, Key Personnel and Consultants	46

The following schedules are not applicable to this District.

H. Analysis of Taxes Levied and Receivable

INDEPENDENT AUDITOR'S REPORT  
ON SUPPLEMENTARY SCHEDULES

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Board of Directors  
Mustang Special Utility District  
7985 FM 2931  
Aubrey, TX 76227

Members of the Board:

In our opinion, the accompanying information is stated accurately in all material respects in relation to the basic financial statements, taken as a whole, of the Mustang Special Utility District for the year ended September 30, 2009, which are covered by our opinion presented in the first section of this report.

The accompanying information is supplementary to the basic financial statements and is not essential for a fair presentation of financial position, results of operations or cash flows.

Our audit, which was made for the purpose of forming opinions on the basic financial statements taken as a whole, included such tests of the accounting records, from which the supplementary information was compiled, and such other auditing procedures as we considered necessary in the circumstances.

January 8, 2010  
Greenville, Texas

MUSTANG SPECIAL UTILITY DISTRICT  
SERVICES AND RATES  
YEAR ENDED SEPTEMBER 30, 2009

1. Services provided by the District:

<u> X </u>	Retail Water	<u> X </u>	Wholesale Water	<u>    </u>	Drainage
<u> X </u>	Retail Wastewater	<u>    </u>	Wholesale Wastewater	<u>    </u>	Irrigation
<u>    </u>	Parks/Recreation	<u>    </u>	Fire Protection	<u>    </u>	Security
<u>    </u>	Solid Waste/Garbage	<u>    </u>	Flood Control	<u>    </u>	Roads

X  Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

    Other (specify):    

2. Retail Rates Based on 5/8" Meter:

Most prevalent type of meter (if not a 5/8"):    

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	\$ <u> 25.00 </u>	<u> -0- </u>	<u> N </u>	\$ <u> 2.43 </u>	<u> -0- to 1,000 </u>
				\$ <u> 2.66 </u>	<u> 1,000 to 3,000 </u>
				\$ <u> 3.30 </u>	<u> 3,000 to 6,000 </u>
				\$ <u> 3.64 </u>	<u> 6,000 to 9,000 </u>
				\$ <u> 3.99 </u>	<u> 9,000 to 12,000 </u>
				\$ <u> 4.34 </u>	<u> 12,000 to 15,000 </u>
				\$ <u> 4.91 </u>	<u> 15,000 to 20,000 </u>
				\$ <u> 5.49 </u>	<u> 20,000 to 25,000 </u>
				\$ <u> 9.41 </u>	<u> 25,000 to unlimited </u>
WASTEWATER:	\$ <u> 30.00 </u>	<u> -0- </u>	<u> Y </u>	\$ <u>    </u>	<u> -0- to 8,000 </u>
	\$ <u> 33.75 </u>	<u> -0- </u>	<u> Y </u>	\$ <u>    </u>	<u> 8,001 to unlimited </u>

District employs winter averaging for wastewater usage?      Yes  X  No

Total charges per 10,000 gallons usage: Water \$  32.56  Wastewater \$  33.75

MUSTANG SPECIAL UTILITY DISTRICT  
SERVICES AND RATES  
YEAR ENDED SEPTEMBER 30, 2009

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	<u>23</u>	<u>0</u>	x 1.0	
≤ 3/4"	<u>3,392</u>	<u>3,285</u>	x 1.0	<u>3,285</u>
1"	<u>58</u>	<u>55</u>	x 2.5	<u>137.5</u>
1 1/2"	<u>2</u>	<u>2</u>	x 5.0	<u>10</u>
2"	<u>32</u>	<u>27</u>	x 8.0	<u>216</u>
3"	<u>2</u>	<u>1</u>	x 15.0	<u>15</u>
4"	<u>1</u>	<u>2</u>	x 25.0	<u>50</u>
Total Water	<u>3,510</u>	<u>3,395</u>		
Total Wastewater	<u>1,017</u>	<u>875</u>	x 1.0	<u>875</u>

3. Total water consumption (rounded to the nearest 1,000) during the fiscal year:

Gallons pumped into system: 448,029,261

Gallons billed to customers: 385,480,608

Water Accountability (Water Loss): 14.01%

4. Standby Fees: District does not levy standby fees.

5. Location of District:

County(ies) in which district is located. Denton

Is the District located entirely in one county? Yes X No

Is the District located within a city? Entirely \_\_\_\_\_ Partly X Not at all \_\_\_\_\_

City(ies) in which district is located. Krugerville, Aubrey, Cross Roads, Pilot Point, Oak Point

Is the District located within a city's extra territorial jurisdiction (ETJ)?  
Entirely \_\_\_\_\_ Partly X Not at all \_\_\_\_\_

ETJ's in which district is located. Krugerville, Aubrey, Cross Roads, Pilot Point, Oak Point, Little Elm, Frisco, Prosper

Is the general membership of the Board appointed by an office outside the district?

Yes \_\_\_\_\_ No X

If Yes, by whom? n/a

MUSTANG SPECIAL UTILITY DISTRICT  
 ENTERPRISE FUND EXPENDITURES  
 YEAR ENDED SEPTEMBER 30, 2009

Payroll and Benefits	\$	1,101,397
Water Distribution System		2,143,834
Other Operating Costs		225,730
Professional and Legal Fees		285,093
Insurance		261,044
Amortization		422,744
Depreciation		943,517
Interest Expense		<u>526,722</u>
Total Expenditures	\$	<u><u>5,910,081</u></u>

Number of persons employed by the District:

Full Time	<u>17</u>
Part Time	<u>1</u>

MUSTANG SPECIAL UTILITY DISTRICT  
 TEMPORARY INVESTMENTS  
 YEAR ENDED SEPTEMBER 30, 2009

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at Year End
<u>Proprietary Fund Type</u>					
<u>Enterprise Fund</u>					
LOGIC	237122845002	0.375%	9/30/2009	\$ 361,725	Monthly
TexSTAR Accounts:					
Series 2008 Construction Account	061021030001	0.263%	9/30/2009	65	Monthly
System Growth Fund	061021030001	0.263%	9/30/2009	5,341	Monthly
Series 2006 Debt Service Reserve	061021023000	0.263%	9/29/2009	5,578	Monthly
Series 2006 Construction Account	061021030000	0.263%	9/30/2009	6,400	Monthly
Series 2006 Interest & Sinking	061023333000	0.263%	9/30/2009	5,148	Monthly
Developers Escrow Account	061024444000	0.263%	9/30/2009	5,122	Monthly
Series 2009 Revenue Bonds Escrow	061022896002	0.263%	9/30/2009	1,094,803	Monthly
NorthStar Accounts:					
System Growth Account	6011276	0.4162%	9/30/2009	819,321	Monthly
Series 2006 Revenue Bond Debt Reserve	6011349	0.4162%	9/30/2009	434,440	Monthly
Series 2006 Revenue Bond Construction	6011357	0.4162%	9/30/2009	1,039,418	Monthly
Series 2006 Revenue Bond Interest & Sinking	6011347	0.4162%	9/29/2009	31,517	Monthly
Developers Escrow	6011284	0.4162%	9/30/2009	104,762	Monthly
Series 2007 Revenue Note Interest & Sinking Fund	6011381	0.4162%	9/30/2009	34,510	Monthly
Series 2008 Revenue Bond Debt Service Reserve	1107550	0.4162%	9/30/2009	265,160	Monthly
Series 2008 Revenue Fund Debt Service Fund	1107542	0.4162%	9/30/2009	8,504	Monthly
Series 2009 Revenue Bonds Interest & Sinking	6011527	0.4162%	9/30/2009	12,372	Monthly
Series 2009 Revenue Bonds Debt Reserve	6011535	0.4162%	9/30/2009	110,417	Monthly
Total				\$ 4,344,603	\$ -



MUSTANG SPECIAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
UTRWD NOTE - BY YEARS  
YEAR ENDED SEPTEMBER 30, 2009

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2010	\$ 85,952	\$ 148,305	\$ 234,257
2011	91,255	143,002	234,257
2012	96,885	137,372	234,257
2013	102,862	131,395	234,257
2014	109,208	125,049	234,257
2015	115,945	118,312	234,257
2016	123,098	111,159	234,257
2017	130,692	103,565	234,257
2018	138,755	95,502	234,257
2019	147,316	86,942	234,258
2020	156,404	77,853	234,257
2021	166,053	68,204	234,257
2022	176,297	57,960	234,257
2023	187,173	47,083	234,256
2024	198,721	35,536	234,257
2025	210,981	23,276	234,257
2026	223,998	10,260	234,258
Totals	<u>\$ 2,461,595</u>	<u>\$ 1,520,775</u>	<u>\$ 3,982,370</u>

MUSTANG SPECIAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
SERIES 2006 - BY YEARS  
YEAR ENDED SEPTEMBER 30, 2009

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2010	\$ 200,000	\$ 165,658	\$ 365,658
2011	225,000	155,658	380,658
2012	245,000	144,408	389,408
2013	180,000	132,158	312,158
2014	180,000	124,733	304,733
2015	195,000	117,533	312,533
2016	195,000	109,733	304,733
2017	205,000	101,933	306,933
2018	210,000	93,733	303,733
2019	220,000	85,333	305,333
2020	230,000	76,533	306,533
2021	245,000	67,333	312,333
2022	250,000	57,288	307,288
2023	255,000	47,038	302,038
2024	270,000	36,200	306,200
2025	280,000	47,725	327,725
2026	295,000	12,685	307,685
Totals	<u>\$ 3,880,000</u>	<u>\$ 1,575,682</u>	<u>\$ 5,455,682</u>