



February 20, 2017

To the Board of Directors  
Mustang Special Utility District  
Aubrey, Texas

Dear Board of Directors:

The Comprehensive Annual Financial Report ("CAFR") of the Mustang Special Utility District ("District"), for the year ended September 30, 2016, is submitted herewith.

Management assumes full responsibility for the completeness and reliability of the information contained in the report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Conway Company CPAs, P.C. have issued an unmodified ("clean") opinion on the District's financial statements for the year ended September 30, 2016. The independent auditor's report is located in the beginning of the financial section of the CAFR.

This letter of transmittal is designed to complement Management's Discussion and Analysis ("MD&A") and should be read in conjunction with it. The District's MD&A can be found immediately following the independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements.

**GENERAL INFORMATION – MUSTANG SPECIAL UTILITY DISTRICT**

The Mustang Special Utility District is located in Denton County which is located in the North Central region of Texas.

The Board of Directors is comprised of a President, Vice-President, Secretary, and six Directors and is responsible for enacting rates, resolutions, and regulations governing the District, as well as appointing the members of various statutory and advisory boards. The General Manager is the administrator of the District and is responsible for the enforcement of the board's decisions and supervision of each department of the District.

## ECONOMIC CONDITIONS AND OUTLOOK

North Central Texas continues to remain above the national average in economic health. Several national companies are currently building their headquarters in North Central Texas. The District has been experiencing annual growth of more than 10% and is expected to maintain the same pace in the near future. This translates to 500-700 new connections per year. The District also expects to continue adding commercial customers along the U.S. Highway 380 corridor in conjunction with residential development.

## MAJOR INITIATIVES

The District is planning to increase groundwater resources with the drilling of an additional well, and the addition of several ground/elevated storage tanks.

The District is planning to increase wastewater capacity by building a wastewater treatment plant on the northeast side of the district.

The District is also planning to install several transmission mains in order to serve new subdivisions.

## FINANCIAL INFORMATION

### Accounting Procedures and Budgetary Controls

The District's accounting records for the water utility and other proprietary activities are maintained on the accrual basis.

The budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the District's financial management staff, and expenditure estimates by each District's department. Budgets are reviewed and adopted by the Board.

As part of each year's budget development process, departments are required to update expenditure estimates for the current fiscal year. These estimates are reviewed by the Finance Director, the General Manager, and the Board of Directors concurrent with review of the proposed budget. This re-estimated budget may require a supplemental appropriation and, if so, such supplemental appropriation is approved by ordinance adopted by the Board of Directors prior to the end of the current fiscal year.

## OTHER INFORMATION

### Independent Audit

The Mustang Special Utility District has engaged the firm of Conway Company CPAs, P.C. to perform the annual audit and their opinion has been included in this report. It should be noted that the auditors included all funds in their audit, performed their audit in accordance with generally accepted auditing standards, and stated that, in their opinion, the statements herein present fairly, in all material respects, the financial position of the District at September 30, 2016, and the changes in financial position and cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Acknowledgements

Many people are responsible for the preparation of this report, and for the maintenance of records upon which it is based. Appreciation is expressed to the District employees throughout the organization, especially those employees of the Finance Department who were instrumental in the successful completion of this report.

Our appreciation is also extended to the Board Members of the Mustang Special Utility District for providing the resources necessary to maintain the integrity of the District's financial affairs.

Respectfully submitted,

CHRIS BOYD  
GENERAL MANAGER

PATTY PARKS  
FINANCE DIRECTOR



# ATTACHMENT 6.B.i.

## MUSTANG SPECIAL UTILITY DISTRICT BOARD OF DIRECTORS AS OF SEPTEMBER 30, 2016

Mike Frazier	President
Dean Jameson	Vice- President
James Burnham	Secretary
Michael Walker	Director
Donna Sims	Director
Wade Veeder	Director
Matt Gauntt	Director
Marc Hodak	Director
Kim Lehere	Director

**Mustang Special Utility District  
2015-2016 Organizational Chart  
22 FTE**

**Board of Directors**

**Mayor**  
**City Manager**

**Operations Manager**

**Operations  
Administrative  
Assistant**

**Finance Director**

**Accounting Assistant**

**Customer Service  
Supervisor**

**Customer Account  
Coordinator (2)**

**Customer Service  
Representative**

**Inspector**

**Executive Assistant**

**Development and  
Marketing  
Coordinator**

**Water Supervisor**

**Water Operator (5)**

**GIS Technician**

**Maintenance  
Technician**

**Wastewater Supervisor**

**Wastewater Operator**



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Mustang Special Utility District  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2015**

A handwritten signature in black ink, reading "Jeffrey R. Enos". The signature is written in a cursive, flowing style.

Executive Director/CEO

**FINANCIAL SECTION**







Michael Conway, CPA  
Neil Conway, CPA

Toll Free (800) 594-7951  
Metro (903) 450-1200

**CONWAY COMPANY CPAs ATTACHMENT 6.B.i.**  
**ACCOUNTANTS & ADVISORS**

www.conwaycpas.com

PO Box 8234  
Greenville, Texas 75404-8234

Member  
American Institute of CPAs  
Texas Society of CPAs

February 20, 2017

**Independent Auditor's Report**

To the Board of Directors  
Mustang Special Utility District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Mustang Special Utility District (“District”), as of and for the year ended September 30, 2016 and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

**Management’s Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor’s Responsibility**

Our responsibility is to express opinions on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of Mustang Special Utility District as of September 30, 2016 and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-13 and the TCDRS – Schedule of Funding Progress and Schedule of Changes in Net Pension Liability and Related Ratios on pages 38-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operations, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, budgetary comparison schedule, statistical section and supplemental schedules required by the Texas Commission on Environmental Quality are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Comptroller General of the United States; and the audit requirements of Title 2 US. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The Budgetary Comparison Schedule, the Combining Statement of Agency Assets and Liabilities-Fiduciary Funds, the Combining Statement of Changes in Assets and Liabilities-Fiduciary Funds, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other

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## ATTACHMENT 6.B.i.

additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule, the Combining Statements of Agency Assets and Liabilities-Fiduciary Funds, the Combining Statement of Changes in Assets and Liabilities-Fiduciary Funds, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, statistical section and supplementary schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2017 on our consideration of Mustang Special Utility District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 in considering the Mustang Special Utility District's internal control over financial reporting and compliance.

Respectfully submitted,  
CONWAY COMPANY CPAs, P.C.

*Conway Company CPAs, P.C.*

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**MUSTANG SPECIAL UTILITY DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS**

**SEPTEMBER 30, 2016**

Within this section of the Mustang Special Utility District's ("District") annual comprehensive financial report, management provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2016. Financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following the section.

**Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the fiscal year by \$38,937,963 (net position). The portion of net position that can be used to meet the District's on-going obligations to customers and creditors, unrestricted net position, is \$31,617,089, or 81%, of total net position. Restricted net position of \$759,940, or 2% of total net position, is restricted for debt service.
- The District's total net position increased by \$11,106,565. The majority of this increase is attributable to capital contributions.
- Net investment in capital assets totaled \$6,560,934, or 17% of total net position. This amount includes land, buildings, equipment, vehicles and infrastructure less related accumulated depreciation, less outstanding debt used to purchase the capital assets.
- The District's long-term debt increased \$13,611,988, or 133% in the current fiscal year. This increase is due to Revenue Bonds being issued in the current fiscal year.

**Overview of the Financial Statements**

**Financial statements** – The financial statements are designed to provide readers with an overview of the District's finances, in a manner similar to a typical, private-sector business.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Net position is displayed in three categories: (1) net investment in capital assets, (2) restricted, and (3) unrestricted. Over time, increases or decreases in net position can serve as a useful indicator of the long-term trend of the District's financial position.

The Statement of Revenues, Expenses, and Changes in Net Position shows activity and changes during the fiscal year. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flow. Thus, revenues and expenses are reported for some items that will not affect cash flow until future fiscal periods (e.g. earned, but unused, vacation leave, and accounts receivable for services).

The *Statement of Cash Flows* presents information showing the District's cash activities, cash receipts and cash disbursements. The Statement of Cash Flows is presented in three broad categories: (1) cash flows from operating activities, (2) cash flows from capital and related financing activities, and (4) cash flows from investing activities. The Statement of Cash Flows is a useful tool in understanding the District's cash reasons behind that position.

**MUSTANG SPECIAL UTILITY DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2016**

**Notes to the Financial Statements** - The accompanying notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the basic financial statements. The notes to the financial statements begin immediately following the basic financial statements. The notes to the financial statements start on page 21 of this report.

**Required Supplementary Information** - In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension benefits to its employees. This information is on pages 38-39 of this report.

**Other Information** - The Budgetary Comparison Schedule, the Combining Statement of Agency Assets and Liabilities-Fiduciary Fund, and Combining Statement of Changes in Assets and Liabilities-Fiduciary Funds can be found on page 43-45.

**New GASB pronouncements**

GASB Statement No. 72, "Fair Value Measurement and Application" addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes and, also, provides guidance for applying fair value to certain investments and disclosure related to all fair value measurements. The implementation of this Statement does not result in any changes to the District's financial statements.

GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68". The implementation of this statement is included in the Required Supplementary Information as provided by TCDRS. The implementation of this Statement does not result in any changes to the District's financial statements.

GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" is to address the hierarchy of generally accepted accounting principles (GAAP). This statement reduces the GAAP hierarchy to two categories of authoritative GAAP. This statement supersedes Statement No. 55 and amends Statement No. 62. The implementation of this Statement does not result in any changes to the District's financial statements.

The GASB has issued the following statements which will be effective in future years as described below:

GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans other than Pension Plans", that replaces Statement No. 43 and amends Statement No. 57 will be implemented as required by GASB during the fiscal year September 30, 2017.

GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits other than Pensions", that replaces Statement No. 45 and amends Statement No. 57 and 74 will be implemented in fiscal year September 30, 2018.

GASB Statement No. 77, "Tax Abatement Disclosures" is to assist in assessing whether a government's current-year revenues were sufficient to pay for current-year services, whether a government complies with finance-related legal and contractual obligations, where a government's financial resources come from and how it uses them, and a government's financial position and economic condition and how they have changed over time. This statement will be implemented in fiscal year September 30, 2017.

**MUSTANG SPECIAL UTILITY DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2016**

	<b>Net Position</b>	
	<u><b>2016</b></u>	<u><b>2015</b></u>
Current and other assets	\$ 30,779,210	\$ 17,000,574
Noncurrent assets	3,746,000	-
Capital assets	<u>29,976,051</u>	<u>22,033,030</u>
Total assets	<u>64,501,261</u>	<u>39,033,604</u>
Deferred outflows of resources-pension	<u>160,387</u>	<u>95,020</u>
Long-term liabilities	24,016,727	10,404,252
Current liabilities	<u>1,701,520</u>	<u>892,974</u>
Total liabilities	<u>25,718,247</u>	<u>11,297,226</u>
Deferred inflows of resources-pension	<u>5,438</u>	<u>-</u>
Net investment in capital assets	6,560,934	11,760,356
Restricted	759,940	844,616
Unrestricted	<u>31,617,089</u>	<u>15,226,426</u>
Total net position	<u>\$ 38,937,963</u>	<u>\$ 27,831,398</u>

Net position may serve over time as one useful indicator of the District's financial condition. The net position of the District exceeded liabilities by \$38,937,963 as of September 30, 2016. The District's net position increased by \$11,106,565 for the fiscal year ended September 30, 2016. The majority of this increase is attributable to capital contributions.

*Net investment in capital assets:*

The largest portion of total net position, \$6,560,934, or 17%, reflects the District's investment in capital assets (e.g. land, buildings, infrastructure, vehicles, machinery and equipment) less any related debt still outstanding that was issued to acquire those items. The District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

*Restricted net position:*

The restricted net position of, \$759,940, or 2%, of total net position represents resources that are subject to external restrictions on their use, or by enabling legislation. The District's restricted net position is 100% for debt obligations.

*Unrestricted net position:*

Unrestricted net position of, \$31,617,089 or 81%, of total net position represents resources that are available to the District to fund programs for its customers and payments to its creditors.



**MUSTANG SPECIAL UTILITY DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2016**

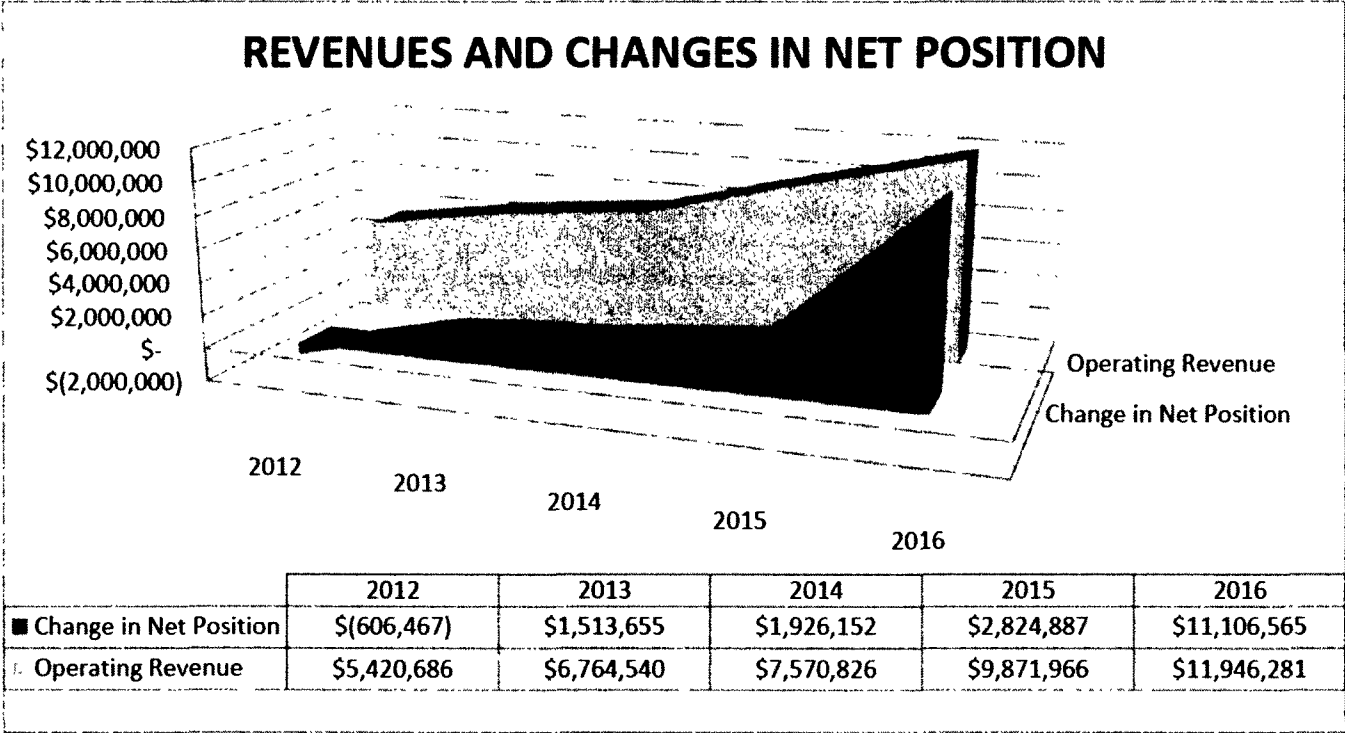
**Changes in Net Position**

	<b>Business-type Activities</b>		<b>Total - Percentage - Change Favorable/ - (Unfavorable) -</b>
	<b>2016</b>	<b>2015</b>	
<b>REVENUES</b>			
Program Revenues:			
Charges for sales and services:			
Water/wastewater sales	\$ 6,438,808	\$ 5,052,082	27.45%
Customer charges/fees	3,955,411	3,019,145	31.01%
Operating contracts	1,535,456	1,642,664	-6.53%
General Revenues:			
Miscellaneous revenue	16,606	158,075	-89.49%
Investment income	59,298	8,437	602.83%
Gain on disposal of capital assets	425,618	26,787	1488.90%
Litigation proceeds	1,668,838	-	100.00%
<b>Total revenues</b>	<b>14,100,035</b>	<b>9,907,190</b>	<b>42.32%</b>
<b>EXPENSES</b>			
Operating expenses	10,250,904	7,721,957	-32.75%
Interest expense	556,143	458,676	-21.25%
<b>Total expenses</b>	<b>10,807,047</b>	<b>8,180,633</b>	<b>-32.11%</b>
<b>Change in net position before contributions</b>	<b>3,292,988</b>	<b>1,726,557</b>	<b>90.73%</b>
<b>Capital contributions</b>	<b>7,813,577</b>	<b>1,098,330</b>	<b>611.41%</b>
<b>Change in net position</b>	<b>11,106,565</b>	<b>2,824,887</b>	<b>293.17%</b>
<b>Net position - beginning of year</b>	<b>27,831,398</b>	<b>24,557,230</b>	<b>-13.33%</b>
<b>Prior period adjustments</b>	<b>-</b>	<b>449,281</b>	<b>100.00%</b>
<b>Net position - end of year</b>	<b>\$ 38,937,963</b>	<b>\$ 27,831,398</b>	<b>39.91%</b>

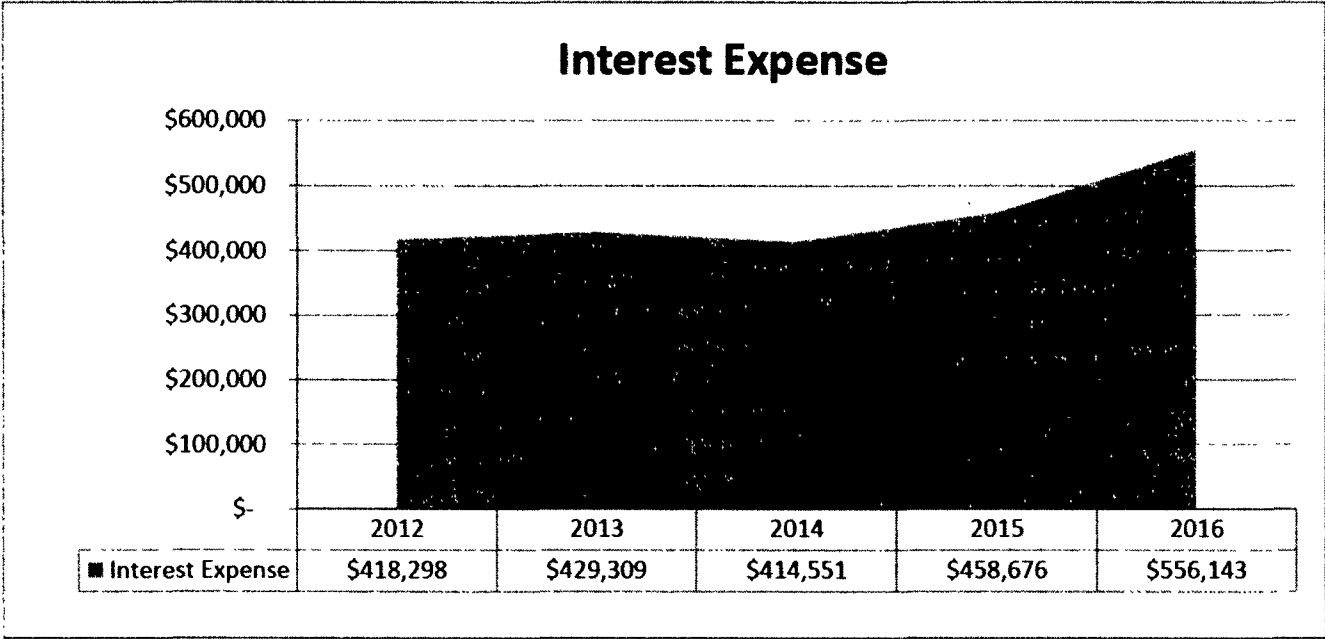
The District as a whole is primarily reliant on charges for services. Activities were 85% supported by charges for services and 15% of revenues were derived from other sources.

**MUSTANG SPECIAL UTILITY DISTRICT  
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
 CHART OF REVENUES AND CHANGE IN NET POSITION  
 FOR THE YEARS ENDED SEPTEMBER 30, 2012 - 2016**

**REVENUES AND CHANGES IN NET POSITION**



**CHANGE IN INTEREST EXPENSE**



**MUSTANG SPECIAL UTILITY DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2016**

**Capital Assets**

The District's investment in capital assets as of September 30, 2016 totals \$29,976,051, net of accumulated depreciation. This investment in capital assets includes land, buildings, water distribution systems, furniture and fixtures and vehicles. More detailed information about the District's capital assets is presented in Note E to the financial statements. The total net increase in capital assets for the current fiscal year was \$7,943,021 or 36% ,from the prior fiscal year.

Major capital asset events during the current fiscal year included the following:

- Cross Oaks Ranch infrastructure improvements
- Wildridge infrastructure improvements
- Union Park infrastructure improvements

**Capital Assets  
as of September 30, 2016  
(Net of Accumulated Depreciation)**

	<b>Business-type Activities</b>		Total Percentage Change Increase/ (Decrease)
	<b>2016</b>	<b>2015</b>	
Land and improvements	\$ 486,546	\$ 486,546	-
Construction in progress	3,003,841	193,223	1454.60%
Water distribution system	24,657,072	19,612,099	25.72%
Buildings and improvements	915,359	843,798	8.48%
Furniture and equipment	755,761	714,962	5.71%
Vehicles	157,472	182,402	-13.67%
Total	<u>\$ 29,976,051</u>	<u>\$ 22,033,030</u>	<u>36.05%</u>

More detailed information about the District's capital assets is presented in Note E to the financial statements.

**Long-Term Obligations**

As of September 30, 2016, the District has a total long-term debt outstanding of \$23,884,565. During, the fiscal year, total debt increased by \$13,611,988 or 43%, due to the issuance of revenue bonds for the construction of water and wastewater infrastructure.

**Outstanding Debt  
as of September 30, 2016**

	<b>Business-type Activities</b>		Total Percentage Change Increase/ (Decrease)
	<b>2016</b>	<b>2015</b>	
Bonds payable	\$ 21,253,327	\$ 7,482,886	184.03%
Note payable	2,557,800	2,789,788	-8.32%
Net pension	73,535	-	100.00%
Total	<u>\$ 23,884,662</u>	<u>\$ 10,272,674</u>	<u>132.51%</u>

More detailed information about the District's long-term liabilities is presented in Note G to the financial statements.

**MUSTANG SPECIAL UTILITY DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2016**

## **Economic Factors and Next Year's Budgets and Rates**

North Central Texas continues to be above the national average in terms of economic health. The District has been seeing annual growth of more than 10%, and is expecting the pace to continue another year. However, because developer fees from growth are non-recurring and unpredictable, they are not considered when developing the operating budget.

Water sales are largely dependent on the climate. Too dry or too wet can both lead to reduced revenues. It is always challenging to budget for revenue from water usage.

The District's Upper Trinity Regional Water District subscription expense continues to increase yearly, and is a significant factor in budgeting as it is the largest single expense for the District. For FY 2017, only wastewater rates have increased. The rate increase was approved because the growth of the District has necessitated the purchase of more capacity in wastewater treatment facilities.

The major revenue sources are comprised of water and wastewater sales, customer charges and fees, and contract payments from the client districts for providing service to their customers.

The objectives for FY 2017 include the following:

- Integrate GIS (Geographic Information System) with all operations
- Integrate new payment methods

## **Requests for Information**

This 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 found in this report or requests for additional financial information should be addressed to Chris Boyd, General Manager, 7985 FM 2931, Aubrey, TX 76227.



**BASIC FINANCIAL STATEMENTS**



**MUSTANG SPECIAL UTILITY DISTRICT  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

	<u>Proprietary Fund</u>
<b>ASSETS</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 11,668,905
Receivables, net of allowance for uncollectibles	1,085,541
Inventory	264,207
Prepays	1,650
Restricted cash and cash equivalents	<u>2,867,181</u>
<b>Total current assets</b>	<u>15,887,484</u>
<b>Non-current assets:</b>	
Organizational costs, net of accumulated amortization	68,964
Present service capacity, net of accumulated amortization	14,822,762
Bond receivables	3,746,000
Capital assets:	
Non-depreciable capital assets	3,490,387
Depreciable capital assets, net	<u>26,485,664</u>
Total capital assets, net of accumulated depreciation	<u>29,976,051</u>
<b>Total non-current assets</b>	<u>48,613,777</u>
<b>Total Assets</b>	<u>64,501,261</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Deferred outflow of resources-pension	<u>160,387</u>
<b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable	902,213
Accrued payroll	27,492
Current portion of compensated absences	1,154
Current portion of note payable	237,407
Payable from restricted assets:	
Accrued interest payable	126,433
Customer deposits	645,382
Current portion of bonds payable	<u>389,000</u>
<b>Total current liabilities</b>	<u>2,329,081</u>
<b>Noncurrent liabilities:</b>	
Escrow payable from restricted assets	111,349
Net pension liability	73,535
Compensated absences	19,562
Note payable	2,320,393
Bonds payable, net of premium	<u>20,864,327</u>
<b>Total noncurrent liabilities</b>	<u>23,389,166</u>
<b>Total Liabilities</b>	<u>25,718,247</u>
<b>DEFERRED INFLOW OF RESOURCES</b>	
Deferred inflow of resources-pension	<u>5,438</u>
<b>NET POSITION</b>	
Net investment in capital assets	6,560,934
Restricted for:	
Loan servicing	759,940
Unrestricted	<u>31,617,089</u>
<b>Total Net Position</b>	<u>\$ 38,937,963</u>

The accompanying notes to the basic financial statements are an integral part of this financial statement.



**MUSTANG SPECIAL UTILITY DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Proprietary Fund</u>
<b>OPERATING REVENUES</b>	
Charges for sales and services:	
Water/wastewater sales	\$ 6,438,808
Customer charges/fees	3,955,411
Operating contracts	1,535,456
Miscellaneous income	16,606
<b>Total operating revenues</b>	<u>11,946,281</u>
<b>OPERATING EXPENSES</b>	
Operation and Maintenance:	
Personnel costs and benefits	1,355,214
Water distribution system	4,064,515
Other operating costs	440,374
Professional and legal fees	431,786
Insurance	363,093
Depreciation and amortization	3,595,922
<b>Total operating expenses</b>	<u>10,250,904</u>
<b>Operating income (loss)</b>	<u>1,695,377</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Investment income	59,298
Gain on sale of assets	425,618
Interest expense	(556,143)
Litigation Settlement	1,668,838
<b>Total non-operating revenues (expenses)</b>	<u>1,597,611</u>
<b>Net income (loss) before contributions</b>	3,292,988
<b>CAPITAL CONTRIBUTIONS</b>	
Developer contributions	7,813,577
<b>Total capital contributions</b>	<u>7,813,577</u>
<b>Change in net position</b>	11,106,565
<b>Net position - beginning of year</b>	27,831,398
<b>Net position - end of year</b>	<u>\$ 38,937,963</u>

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**MUSTANG SPECIAL UTILITY DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 11,972,721
Cash received from other sources	(3,729,394)
Cash paid to employees	(1,340,301)
Cash paid to suppliers	(4,545,834)
<b>Net cash provided by (used for) operating activities</b>	<u>2,357,192</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(9,372,944)
Gain on sale of assets	425,618
Interest paid on note and bonds payable	(556,143)
Proceeds from bond	14,142,000
Principal paid on bonds payable	(603,547)
Present service capacity	(10,881,182)
Developer contributions	7,813,577
Litigation proceeds	1,668,838
<b>Net cash provided by (used for) capital and related financing activities</b>	<u>2,636,217</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	59,298
<b>Net cash provided by investing activities</b>	<u>59,298</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	5,052,707
<b>Cash and cash equivalents at beginning of year</b>	<u>9,483,379</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 14,536,086</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income (loss)	<u>\$ 1,695,377</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	3,595,922
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Receivables	8,271
Prepaid items	(255)
Bond receivables	(3,746,000)
Inventory	(18,857)
Increase (decrease) in liabilities:	
Accounts payable	685,653
Accrued expenses	1,214
Escrow payable	487
Customer deposits	34,775
Accrued interest payable	86,906
Pension liability	13,699
Total adjustments	<u>661,815</u>
Net cash provided (used) by operating activities	<u>\$ 2,357,192</u>

The accompanying notes to the basic financial statements are an integral part of this financial statement.

# ATTACHMENT 6.B.i.

**MUSTANG SPECIAL UTILITY DISTRICT  
STATEMENT OF AGENCY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2016**

	<b>Total Fiduciary Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents - restricted	\$ 786,300
Accounts Receivable	<u>611,383</u>
<b>Total assets</b>	<u><u>1,397,683</u></u>
<b>LIABILITIES</b>	
Accounts Payable	<u>1,397,683</u>
<b>Total liabilities</b>	<u><u>\$ 1,397,683</u></u>

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**MUSTANG SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016****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 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. 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 accordance with accounting principles generally accepted in the United States of America ("GAAP") as established by the Governmental Accounting Standards Board ("GASB"). The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the notes are organized to provide concise explanation, including required disclosures of assets, liabilities, fund equity, revenues, expenditures/expenses and other information considered important to gaining a clear picture of the District's financial activities for the fiscal year ending September 30, 2016.

**1 Reporting Entity**

The Board of Directors, a nine-member body elected by qualified voters of the District, is the level of governance responsible for all activities of the Mustang Special Utility District. The district has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by Government Accounting Standards Board in its Statement No. 14, "The Financial Reporting Entity", as amended by GASB 39. According to the topic "Determining Whether Certain Organizations are Component Units" under GASB 14, component units are organizations for which the District is financially accountable and all other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. As of September 30, 2016, Mustang Special Utility District does not have any component units.

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria may be included as a component unit if management's professional judgment determines it to be necessary and misleading if omitted. This evaluation includes consideration of whether a financial benefit or burden exists in the relationship between the entities. Management has not identified any additional organization that fits this criteria.

**2 Basis of Presentation**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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 types utilized by the District are described below.

The *Proprietary Fund* is used to account for the operations of supplying water and wastewater services, which is a self-supporting activity rendering services on a user-charge basis.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water proprietary fund also recognizes as operating revenue the portion of fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and service, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

**MUSTANG SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

2 Basis of Presentation (continued)

*Agency funds* account for amounts held on behalf of others by the District as a trustee, or fiduciary. All of the District's fiduciary activities are reported in a separate Statement of Agency Assets and Liabilities. The activities of these funds are excluded from the District's financial statements because the District cannot use them to finance its operations. The District is responsible for ensuring that the assets reported are used for their intended purpose. The following is a description of the fiduciary fund of the District:

The three client district funds are used to account for assets held by the District in an agency capacity for the client districts. These fiduciary funds record only assets and liabilities and therefore have no measurement focus.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

3. Measurement Focus, Basis of Accounting

Proprietary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Proprietary fund financial statements follow the accounting set forth by GASB.

The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position.

The proprietary funds are financed and operated in a manner similar to private business enterprise. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District presents their financial statements utilizing only the business-type fund. The District uses the accrual basis of accounting to prepare its financial statements. Revenues are recognized in the accounting period in which they are earned and expenditures are recognized when incurred to generate those revenues. The District's operating activity is the sale of water and wastewater services to its residential and commercial customers who are all in a limited geographical region. The statements, exhibits, and supporting schedules contained in the report were prepared on the accrual basis of accounting except for the statement of cash flows which is a cash basis statement.

4. Financial Statement Amounts

a. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

b. Receivables, Inventory and Deferred Charges

Trade receivables are shown net of an allowance for uncollectibles.

Inventory is valued at cost using the average method. Inventory consists of expendable supplies held for consumption.

Deferred charges are comprised of the balances of unamortized organizational costs.

**MUSTANG SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

4. Financial Statement Amounts (continued)

c. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets represent cash and cash equivalents set aside for repayment of deposits to utility customers and various bond covenants.

d. Prepaid Expenses, Payables

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method.

The District believes that sufficient detail of payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation.

e. Budget

Prior to the start of the fiscal year, the governing board of the District adopts an operating budget for the upcoming fiscal year. The adopted budget and any subsequent amendments are approved by the Board as prepared by the General Manager of the District.

f. Capital Assets

Capital assets, which include land, buildings, infrastructure, machinery, vehicles, equipment, and improvements, purchased or acquired, are reported at cost. The District defines capital 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 historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-like activities is included as part of the capitalized value of the assets constructed. During the current fiscal year no interest was capitalized.

Management elected not to retroactively report infrastructure assets within the scope of GASB 34.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Vehicles	5 years
Office Furniture and Equipment	5-10 years
Machinery and Equipment	3-10 years
Water Distribution System	5-40 years
Buildings	20-40 years

g. Organizational Costs

The District capitalized and amortizes the organizational costs associated with the creation of the Mustang Special Utility District in May 2002. These costs are being amortized over 30 years using the straight-line method. See Note F for detail of the amortization.

**MUSTANG SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**4. Financial Statement Amounts (continued)**

**h. Present Service Capacity of a Resource**

The District is a member of Upper Trinity Regional Water District ("UTRWD") and is eligible to contract with UTRWD for water and wastewater services. Several contracts have been made with UTRWD, each of which specify the amount of capacity available for the District to use. This cost of capacity is paid for up-front and the capacity is available through the next 30 years. The costs associated with the capacity of the system are capitalized and amortized over the life of the agreement using the straight-line method. Capitalized costs are shown net of accumulated amortization.

**i. Compensated Absences**

District employees are entitled to certain compensated absences based on their length of employment. Regular full-time employees can accrue vacation as follows: 40 hours during the first year of service, 80 hours during 2-5 years of service, and 120 hours after 5 or more years of service. Only 40 hours will carry over to the next year. Vacation is paid out if two weeks of notice is given. Sick leave vests after 10 years of service and up to 300 hours can be carried over into the following year. It is accrued as a liability and the expense is recorded when incurred.

**j. Long-Term Obligations**

Long-term debt consisting of loans and bonds to be repaid from revenues of the system are included in these accounts. In the proprietary fund financial statements, outstanding debt is reported as a liability. Bond premiums and discounts are deferred and are amortized over the life of the bonds on a straight-line basis. Management has compared this method to the effective interest method and found the difference between the two methods to be immaterial. GASB Statement No. 62 requires bond issuance costs are expensed as incurred. Bond premiums and discounts are netted against bonds payable.

**k. Pensions**

The District recognizes a net pension liability/(asset), which represents the District's proportionate share of the excess of the total pension liability or (asset) over the fiduciary net position of the pension reflected in the actuarial report provided by the Texas Counties and Districts Retirement System ("TCDRS"). The net pension liability or (asset) is measured as of December 31, 2015. Changes in the net pension liability or (asset) are recorded as pension expense or as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) will be amortized over the weighted average remaining service life of all participants and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability or (asset) and deferred inflows/outflows of resources relating to pension expense, information about the fiduciary net position of the District's pension plan with TCERS and additions to and/or deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by TCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and will be amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed five-year period of recognition.

**MUSTANG SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016****A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

## 4. Financial Statement Amounts (continued)

## l. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, less accumulated depreciation, less the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, plus any unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. Unrestricted net position for the District represents the net position available for future operations or distributions.

## m. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses) until then. The District has one item that is reportable in the proprietary fund Statement of Net Position: outflows from changes in net pension liability.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until then. The District has one item that is reportable in the proprietary fund Statement of Net Position: inflows from changes in net pension liability.

## n. Net Position of Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's practice to consider restricted net position to have been depleted before unrestricted net position is applied.

## o. Comparative Data

Comparative total data for the current year to budget have been presented in the supplementary section of the financial statements in order to provide an understanding of budget to actual. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

## p. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

## q. Program Revenues

Certain revenues such as charges for services are included in operating revenues.

## r. Program Expenses

Certain indirect costs such as administrative costs are included in the operating expense reported for individual functional activities.

## s. Inventory

The basis for stating inventory is at cost.



**MUSTANG SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**B. COMPLIANCE AND ACCOUNTABILITY**

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations

<u>Fund Name</u>	<u>Deficit Amount</u>
Not applicable	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits.

<u>Fund Name</u>	<u>Deficit Amount</u>
Not applicable	Not applicable

**C. CASH AND INVESTMENTS**

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Statutes of the Texas Water Code. For safekeeping and trust with the District's agent bank, the depository bank deposits approved pledged securities in an amount sufficient to protect the District's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") The District was in compliance with these statutes for all of fiscal year 2016.

*Cash Deposits*

At September 30, 2016, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$14,536,086 and the bank balance was \$14,577,569.

<b>Restricted Cash</b>	<u>2016</u>
Debt Service, including interest and sinking funds required	\$ 1,034,598
Capital Projects	1,032,423
Developer Escrow Funds	111,316
Customer Deposits	688,844
	<u>\$ 2,867,181</u>

*Investments*

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area, conducted as a part of the audit of the general purpose financial statements, disclosed that in the areas of investment practices, management reports an establishment of appropriate policies and the District adheres to the requirements of the Act. Additionally, investment practices of the District are in accordance with their policies.

LOGIC is administered by First Southwest Asset Management, Inc. and JPMorgan Chase. LOGIC is a local government investment cooperative created under the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The fund is rated AAA by Standard & Poor's.

The District also invests in TexSTAR. TexSTAR is administered by First Southwest Asset Management, Inc. and JPMorgan Chase. TexSTAR is a local government investment cooperative created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The fund is rated AAAM by Standard and Poor's.

*Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk. The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The District's adopted Investment Policy sets a maximum weighted average maturity of the investment portfolio to 270 days.

*Concentration of Credit Risk*

The District recognizes over-concentration of assets by market sector or maturity as a risk to the portfolio. The District's Investment Policy establishes diversification as a major objective of the investment program and sets diversification limits for all authorized investment types. At year end, the District was not exposed to concentration of credit risk

**MUSTANG SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**C. CASH AND INVESTMENTS**

*Custodial Credit Risk - Deposits*

To control custody and safekeeping risk, State law and the District's adopted Investment Policy require collateral for all time and demand deposits be held by an independent party approved by the District and held in the District's name. The custodian is required to provide original safekeeping receipts and monthly reporting of positions with position descriptions including market value. Depository agreements are executed under the terms of the U.S. Financial Institutions Resource and Recovery Enforcement Act ("FIRREA"). At year end, the District was not exposed to this type of risk.

*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.

*Fair Value of Investments*

The District is required to disclose the fair value of its investments within the fair value hierarchy established by GASB 72. In the fair value hierarchy there are three levels: 1) inputs that are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date, 2) inputs (other than quoted prices included within level one) that are observable for an asset or liability, either directly or indirectly, 3) unobservable inputs for an asset or liability.

Federal Securities classified as level two of the fair value hierarchy are valued using an evaluation model maintained by surveying the dealer community, obtaining relevant trade dates and spreads, and incorporating information into the evaluation process. U.S. Treasury Notes classified as level two of the fair value hierarchy are valued using an evaluation mode with continuous feeds from live data sources including active market makers and inter-dealer brokers.

The District invests in LOGIC and TexStar investment pool which maintain a stable net asset value (NAV) of \$1 per share using the fair value method. The District has no unfunded commitments to these pools and may redeem investments at any time. As of September 30, 2016 the District's investments all were classified as level two according to GASB 72, except for the pools which are exempt from the level of fair value disclosure because they are valued either at NAV or amortized cost.

**SUMMARY OF INVESTMENTS AND CASH EQUIVALENTS, RELATED WEIGHTED AVG.  
MATURITY AND FAIR VALUE MEASUREMENTS**

<u>Item</u>	<u>Certificate</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at</u>
<u>Proprietary Fund Type</u>				
<u>Enterprise Fund</u>				
LOGIC Accounts:				
Customer Deposit Fund	n/a	0.6515%	n/a	\$ 688,844
System Growth Fund	n/a	0.6515%	n/a	4,946,413
Developers Escrow Account	n/a	0.6515%	n/a	111,316
Pipeline Account	n/a	0.6515%	n/a	617,265
2006 Debt Reserve	n/a	0.6515%	n/a	315,628
2008 Debt Reserve	n/a	0.6515%	n/a	238,805
2009 Debt Reserve	n/a	0.6515%	n/a	101,985
2014 Debt Reserve	n/a	0.6515%	n/a	113,580
Northstar Accounts				
System Growth Account	n/a	0.7248%	n/a	957,541
Series 2006 Revenue Bond Interest & Sinking	n/a	0.7248%	n/a	2,615
Series 2008 Revenue Bond Interest & Sinking	n/a	0.7248%	n/a	2,607
Series 2009 Revenue Bonds Interest & Sinking	n/a	0.7248%	n/a	2,599
Series 2014 Revenue Bond Interest & Sinking	n/a	0.7248%	n/a	2,606
Payments	n/a	0.7248%	n/a	4,024
2016 Construction	n/a	0.7248%	n/a	337,003
2016A Construction	n/a	100.7248%	n/a	59,006
Capital Projects Fund	n/a	0.7248%	n/a	19,149
TexStar Accounts:				
Series 2009 Revenue Bonds Interest & Sinking	n/a	0.4123%	n/a	20,059
Series 2008 Revenue Bond Interest & Sinking	n/a	0.4123%	n/a	31,740
Series 2006 Revenue Bond Interest & Sinking	n/a	0.4123%	n/a	35,900
Rainy Day Account	n/a	0.4123%	n/a	2,506,827
Series 2014 Revenue Bond Interest & Sinking	n/a	0.4123%	n/a	15,276
UTRWD Interest & Sinking	n/a	0.4123%	n/a	131,198
Series 2016 Revenue Bond Interest & Sinking	n/a	0.4123%	n/a	10,000
Series 2016A Revenue Bond Interest & Sinking	n/a	0.4123%	n/a	10,000
Total				<u>\$11,281,986</u>

**MUSTANG SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**D. RECEIVABLES**

Receivables as of year end for the District's proprietary fund are as follows.

Receivables:	2016
Fees & Services - Mustang	\$ 1,099,185
Allowance for uncollectibles	(13,644)
Net Receivables	<u>\$ 1,085,541</u>

**E. CAPITAL ASSETS**

Capital asset activity for the period ended September 30, 2016 is as follows:

	Beginning Balances	Prior Period Adjustment	Transfer	Additions	Retirements	Ending Balances
<b>Business-type Activities</b>						
Capital assets, not being depreciated						
Land	\$ 486,546	\$ -	\$ -	\$ -	\$ -	\$ 486,546
Construction in progress	193,223	-	(308,182)	3,119,926	(1,126)	3,003,841
Total capital assets, not being depreciated	679,769	-	(308,182)	3,119,926	(1,126)	3,490,387
Capital assets, being depreciated						
Water Distribution System	31,718,049	-	308,182	7,849,430	(1,696,291)	38,179,370
Buildings and Improvements	1,359,470	-	-	131,250	-	1,490,720
Equipment	1,447,800	-	-	100,597	(136,086)	1,412,311
Vehicles	494,224	-	-	52,252	(47,009)	499,467
Total assets being depreciated	35,019,543	-	308,182	8,133,529	(1,879,386)	41,581,868
Less accumulated depreciation for:						
Water Distribution System	(12,105,950)	-	-	(2,084,668)	668,321	(13,522,297)
Buildings and Improvements	(515,672)	-	-	(59,689)	-	(575,361)
Equipment	(732,838)	-	-	(45,368)	121,656	(656,550)
Vehicles	(311,822)	-	-	(77,183)	47,009	(341,996)
Total accumulated depreciation	(13,666,282)	-	-	(2,266,908)	836,986	(15,096,204)
Total capital assets, being depreciated, net	21,353,261	-	308,182	5,866,621	(1,042,400)	26,485,664
Business-type activities capital assets, net	<u>\$22,033,030</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,986,547</u>	<u>\$ (1,043,526)</u>	<u>\$29,976,051</u>

During the current fiscal year capitalized interest was calculated in the amount \$63,283 but was not capitalized. In fiscal year 2015, a prior period adjustment was in the amount of \$339,920 to record asset additions in the 2014 fiscal year.

**F. AMORTIZATION**

Organizational costs and present service capacity costs, including the accumulated amortization, are shown below. Amortization is on a straight-line basis over 30 years for organizational costs and present service capacity.

	Beginning Balance	Total Prior Years Amortization	Current Year Additions	Current Year Amortization Expense	Ending Balance
Organizational Costs	\$ 129,316	\$ (56,041)	\$ -	\$ (4,311)	\$ 68,964
Present Service Capacity	10,100,168	(3,996,898)	10,044,197	(1,324,705)	14,822,762
	<u>\$10,229,484</u>	<u>\$ (4,052,939)</u>	<u>\$10,044,197</u>	<u>\$ (1,329,016)</u>	<u>\$ 14,891,726</u>

**MUSTANG SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**G. LONG-TERM DEBT OBLIGATIONS**

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2016 is as follows

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
<b>Business-type Activities</b>					
Bonds payable:					
General obligation bonds	\$ 7,445,000	\$ 14,142,000	\$ (369,000)	\$ 21,218,000	\$ 389,000
Plus deferred amounts:					
Bond premium	37,886	-	(2,559)	35,327	2,539
Total bonds payable	7,482,886	14,142,000	(371,559)	21,253,327	391,539
Note payable	2,789,788	-	(231,988)	2,557,800	237,407
Compensated absences	20,716	11,627	(11,627)	20,716	1,154
Business-type activity Long-term liabilities	<u>\$10,293,390</u>	<u>\$ 14,153,627</u>	<u>\$ (615,174)</u>	<u>\$ 23,831,843</u>	<u>\$ 630,100</u>

Revenue Bonds	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30, 2015	Issued	Retired	Amounts Outstanding September 30, 2016	Due Within One Year
Series 2006	4.00%	\$ 4,415,000	\$ 2,655,000	\$ -	\$ (195,000)	\$ 2,460,000	\$ 205,000
Series 2008	5 75%	2,715,000	2,255,000	-	(105,000)	2,150,000	110,000
Series 2009	5 30%	1,220,000	1,030,000	-	(45,000)	985,000	45,000
Series 2014	6.00%	1,505,000	1,505,000	-	-	1,505,000	-
Series 2016	2.88%	2,442,000	-	2,442,000	(24,000)	2,418,000	29,000
Series 2016A	2.88%	11,700,000	-	11,700,000	-	11,700,000	-
Subtotal		23,997,000	7,445,000	14,142,000	(369,000)	21,218,000	389,000
Add deferred amounts							
For bond issuance premium		55,005	37,886	-	(2,559)	35,327	2,539
Total bonds payable		<u>\$24,052,005</u>	<u>\$ 7,482,886</u>	<u>\$14,142,000</u>	<u>\$ (371,559)</u>	<u>\$ 21,253,327</u>	<u>\$ 391,539</u>

Bonded debt service requirements are as follows:

Year Ended September 30	Principal	Interest	Total Requirements
2017	\$ 389,000	\$ 733,309	\$ 1,122,309
2018	629,000	715,250	1,344,250
2019	650,000	688,590	1,338,590
2020	676,000	661,576	1,337,576
2021	708,000	633,459	1,341,459
2022-2026	3,953,000	2,708,222	6,661,222
2027-2031	2,961,000	1,950,156	4,911,156
2032-2036	2,073,000	1,477,386	3,550,386
2037-2041	2,101,000	1,154,261	3,255,261
2042-2046	2,199,000	862,846	3,061,846
2047-2051	2,549,000	539,245	3,088,245
2052-2055	2,330,000	163,971	2,493,971
Totals	<u>\$ 21,218,000</u>	<u>\$12,288,270</u>	<u>\$ 33,506,271</u>

A brief discussion of each bond issuance follows:

\$4,415,000 Series 2006 Revenue Bonds issued for the purpose to (i) refund \$700,000 of the District's Waterworks System Refunding and Improvement Bonds; (ii) for capital improvements relating to the construction of a 1,000,000 gallon elevated storage tank, (ii) for capital improvements relating to the acquisition of sewage treatment capacity; and (iv) to pay the costs associated with the issuance of the Bonds.

\$2,715,000 Series 2008 Revenue Bonds issued for the purpose of funding capital improvements to the System, including the drilling of a new water well, water pumping stations and ground water storage facilities, to fund a debt service reserve fund and for payment of costs incurred in connection with the issuance of the Bonds.

**MUSTANG SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**G. LONG-TERM DEBT OBLIGATIONS (continued)**

\$1,220,000 Series 2009 Revenue Bonds issued for the purpose of funding capital improvements to the System, including the drilling of new water wells, and the construction of water pumping stations and ground water storage facilities, and for payment of costs incurred in connection with the issuance of the Bonds

\$1,505,000 Series 2014 Revenue Bonds issued for the purpose of funding capital improvements to the System, including the acquisition of sewage treatment capacity in a regional wastewater treatment plant, to fund a debt service reserve for the Bonds, to fund capitalized interest for the Bonds, and for payment of costs incurred in connection with the issuance of the Bonds

\$2,442,000 Series 2016 Revenue Bonds issued for the purpose of funding capital improvements to the System, specifically the drilling of a new water well for an additional potable water supply and such infrastructure related thereto as necessary to incorporate the new into the existing water supply system of the Issuer, and for payment of cost incurred in connection with issuance of the Bonds.

\$11,700,000 Series 2016A Revenue Bonds issued for the purpose of funding improvements to the System, specifically the acquisition of sewage treatment capacity in a regional wastewater treatment plant, and for payment of costs incurred in connection with the issuance of the Bonds.

**Note Payable**

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

In FY15, The District executed a utility acquisition agreement with the Town of Little Elm, Texas for the utility system located in the former Town of Lincoln Park, Texas. The agreement requires yearly principal payments over the next ten years, beginning in in FY16

Note Payable	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding			Amounts Outstanding September 30, 2016	Due Within One Year
			September 30, 2015	Issued	Retired		
UTRW District	2.29%	\$ 2,202,850	\$ 1,789,788	\$ -	\$ (131,988)	\$ 1,657,800	\$ 137,407
Little Elm	0%	1,000,000	1,000,000	-	(100,000)	900,000	100,000
<b>TOTAL</b>		<b>\$ 3,202,850</b>	<b>\$ 2,789,788</b>	<b>\$ -</b>	<b>\$ (231,988)</b>	<b>\$ 2,557,800</b>	<b>\$ 237,407</b>

Note payable debt service requirements are as follows:

Year Ending September 30:	Total Requirements		
	Principal	Interest	Total
2017	\$ 237,407	\$ 76,044	\$ 313,451
2018	243,048	70,403	313,451
2019	248,920	64,531	313,451
2020	255,034	58,417	313,451
2021	261,399	52,053	313,451
2022-2026	1,311,993	155,265	1,467,258
<b>Totals</b>	<b>\$ 2,557,800</b>	<b>\$ 476,714</b>	<b>\$ 3,034,513</b>

**H. CUSTOMER DEPOSITS**

The District requires each new customer to deposit \$100 for water service and \$50 for sewer service, which is held as a refundable deposit to secure payment of the customer's water and sewer bill. At September 30, 2016, the District's related obligation totaled \$645,382.

**MUSTANG SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**I. PENSION PLAN**

1. Plan Description

The District provides retirement benefits for all of its employees (excluding temporary) through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS") The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 677 non-traditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report ("CAFR") on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

Each employer has a defined benefit plan that functions similarly to a cash balance plan. The assets of the plans are pooled for investment purposes, but each employer's plan assets may be used only for the payment of benefits to the members of that employer's plan. In accordance with Texas law, it is intended that the pension plan be constructed and administered in a manner that the retirement system will be considered qualified under Section 401(a) of the Internal Revenue Code. All employees (except temporary staff) of a participating employer must be enrolled in the plan.

All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership. The plan provides retirement, disability and survivor benefits. TCDRS is a savings-based plan For the District's plans, 5% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 200%) and is then converted to an annuity. There are no automatic COLAs. Each year, the district may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation. Benefit terms are established under the TCDRS Act. They may be amended as of Jan. 1 each year, but must remain in conformity with the Act.

In order to implement the Statement No 68, in prior year, an prior period adjustment was made to adjust unrestricted net position by \$109,361.

The District's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The District contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the district and are currently 5%.

As of the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	14
Active employees	21
	<u>35</u>

2. Net Pension Liability

The District's net pension liability ("NPL") was measured as of December 31, 2015, and the total pension liability ("TPL") used to calculate the NPL was determined by an actuarial valuation as of that date.

*Actuarial assumptions:*

The TPL in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Real rate of return	5.0%
Inflation	3.0%
Long-term investment return	8.0%

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.

*Employer-specific economic assumptions:*

Growth in membership	0.0%
Payroll growth	0.0%

**MUSTANG SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**I. PENSION PLAN**

2. Net Pension Liability (continued)

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2016 information for a 7-10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. See Milliman's TCDRS investigation of Experience report for the period January 1, 2009 - December 31, 2012 for more details.

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected Minus Inflation)
US Equities	14.50%	5.45%
Private Equity	14.00%	8.45%
Global Equities	1.50%	5.75%
International Equities - Developed	10.00%	5.45%
International Equities - Emerging	8.00%	6.45%
High-Yield Bonds	3.00%	1.00%
Opportunistic Credit	3.00%	5.10%
Direct Lending	2.00%	5.09%
Distressed Lending	5.00%	6.40%
Distressed Debt	3.00%	8.10%
REIT Equities	3.00%	4.00%
Master Limited Partnerships (MLPs)	3.00%	6.80%
Private Real Estate Partnerships	5.00%	6.90%
Hedge Funds	25.00%	5.25%

*Discount rate*

The discount rate used to measure the TPL was 8.10%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the TPL.

Changes in Net Pension Liability/(Asset):

	Increases (Decreases)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balances as of December 31, 2014	\$ 628,062	\$ 628,159	\$ (97)
Changes for the year			
Service cost	89,543		89,543
Interest on total pension liability	55,071		55,071
Effect on plan changes	11,568		11,568
Effect of economic/demographic gains or losses	(6,215)		(6,215)
Effect of assumptions changes or inputs	8,170		8,170
Refund of contributions	(3,570)	(3,570)	-
Benefit payments	-	-	-
Administrative expenses		(487)	487
Member contributions		53,088	(53,088)
Net investment income		(11,040)	11,040
Employer contributions		43,002	(43,002)
Other	-	(58)	58
Balances as of December 31, 2015	<u>\$ 782,629</u>	<u>\$ 709,094</u>	<u>\$ 73,535</u>

**MUSTANG SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**I. PENSION PLAN**

2. Net Pension Liability (continued)

*Sensitivity analysis*

The following presents the net pension liability of the District, calculated using the discount rate of 8.10%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.10%) or 1% point higher (9.10%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Total pension liability	\$ 927,999	\$ 782,628	\$ 664,349
Fiduciary net position	709,093	709,093	709,093
Net pension liability / (asset)	<u>\$ 218,906</u>	<u>\$ 73,535</u>	<u>\$ (44,744)</u>

3 Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

Pension Expense / (Income)

	January 1, 2015 to December 31, 2015
Service Cost	\$ 89,543
Interest on total pension liability	55,071
Effect on plan changes	11,568
Administrative expenses	487
Member contributions	(53,088)
Expected investment return net of investment expenses	(55,020)
Recognition of deferred inflows/outflows or resources	
Recognition of economic/demographic gains or losses	14,815
Recognition of assumption changes or inputs	1,021
Recognition of investment gains or losses	15,492
Other	58
Pension expense / (income)	<u>\$ 79,947</u>

As of December 31, 2015, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 5,438	\$ 93,549
Changes of assumptions	-	7,149
Net difference between projected and actual earnings	-	59,689
Contributions made subsequent to measurement date	N/A	54,912

Deferred outflows of resources of \$54,912 related to pensions resulting from contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31.		
2016	\$	31,328
2017		31,328
2018		31,328
2019		29,048
2020		15,836
** Thereafter		16,080

\*\* Additional future deferred inflows and outflows of resources may impact these numbers



**MUSTANG SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016****J. HEALTH CARE COVERAGE**

During the year ended September 30, 2016, the employees of the District were covered by a health insurance plan. The District contributed an average of \$2,038 for health and \$33 for dental per month per employee for the year ended September 30, 2016. Health coverage was through Blue Cross Blue Shield of Texas, and dental coverage was through Assurant Employee Benefits. The Plan is authorized by article 3.51-2, Texas Insurance Code and documented by contractual agreement.

**K. PENDING CLAIMS AND LITIGATION**

The District is party to various minor claims and litigation, which have arisen in the ordinary course of business. In addition, the District has been a party to legal proceedings since October 1, 2011 when the Town of Providence Village, Texas, filed legal actions against the Water Control Improvement District and Mustang Special Utility District to void a contract entered into prior to the formation of the Town. In FY16, the Town of Providence Village agreed to a settlement that concluded all legal actions, and that gave consideration to the District for stranded assets and the loss of CCN. The cities of Aubrey and Celina have filed with the TCEQ to claim portions of the District CCN. The City of Celina's TCEQ filing remain on hold, pending agreement with the District, which would result in the City withdrawing its filing. The City of Aubrey reached a settlement agreement that gave consideration to the District for the loss of CCN. In the opinion of the counsel and the Board's opinion, the District has adequate legal defenses and/or insurance coverage with respect to these actions and do not believe it will materially alter the District's financial position. There have been no material losses of the District and no potential loss is anticipated in relation to the proceedings.

**L. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are managed through the purchase of commercial insurance policies. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not yet reported.

No significant reductions in insurance coverage have occurred. No settlements have exceeded coverage in the past three years.

The District estimates that the amount of actual or potential claims against it as of September 30, 2016 will not materially affect the financial condition of the District. Therefore, the accompanying financial statements do not contain a provision for any such claims.

**M. CLIENT DISTRICT AGREEMENTS - WATER AND SANITARY SEWER SERVICE**

The District has service agreements with the following client districts

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

Each client district maintains a separate contract with the District; therefore, 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 client districts one time every month and render a statement to each retail customer for the amount due the client district for water service, wastewater service, solid waste collection, and fire protection, including initial deposits. In addition, the District will collect the amount due for water and wastewater service and remit to the client districts the funds collected at least once per month.

The client districts also 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 the client districts on a pro-rata basis based on the number of active equivalent single family connections contained in each client district. Additionally, client districts will pay to the District thirty percent (30%) of any disconnection, re-connection or return check fees charged by the District related to disconnections or re-connections necessitated by a client district customer's failure to timely pay for water and/or wastewater services.

Beginning June 1, 2017, contract provisions call for the client districts to convey to the District all rights, 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 client district system and serve the client district certified area that have been acquired by the client 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.

**MUSTANG SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**N. COMMITMENTS AND CONTINGENCIES**

The District has the following active projects as of September 30, 2016. Commitments for these projects in progress are composed of the following:

	Spent to Date	Remaining Commitment
New Hope Road Water Line	\$ 8,472	\$ -
Replace asbestos lines	1,183	-
Crossroads well	38,650	-
Naylor Rd 12" water line	424,025	254,182
Cantrell slough repairs	941	-
Oak Hill interceptor	9,648	-
Light Ranch well	804,893	320,567
Oak Point Water CCN	1,617,440	-
Green Meadows POD	24,470	-
Wildridge Lift Station SCADA	10,600	-
The Gates Lift Station SCADA	7,105	-
Wellington Trace Lift Station SCADA	8,280	-
Sandbrook 24" water line	9,796	-
Sandbrook Wastewater Treatment Plant	20,238	-
Waters Edge Lift Station variable drives	9,000	-
Waters Edge Lift Station pumps	9,100	-
	<u>\$ 3,003,841</u>	<u>\$ 574,749</u>

**O. OPERATING LEASE OPERATIONS**

The District leases a copier to provide for the printing, scanning and faxing needs of the daily operations. The lease expense for fiscal 2016 was \$4,749. The future minimum lease payments for this lease is as follows:

Year Ending September 30	Total
2017	4,794
2018	4,794
2019	4,794
2020	2,397
Total	<u>\$ 16,779</u>

**P. RELATED PARTY TRANSACTIONS**

The District's internet provider offers free internet service to directors and employees as part of the contract to lease tower space for their repeaters. Due to the fact that the free service must be line of sight, there are currently only six employees/directors who use this provider. The annual cost for this is minimal and management has determined that this does not pose any conflict of interest for either party.

**Q. SUBSEQUENT EVENTS**

The District has evaluated all events or transactions that occurred after September 30, 2016 up through February 20, 2017, the date the financial statements were available to be issued. During that time, management is not aware of any events requiring financial statement disclosure other than those mentioned above.



**REQUIRED SUPPLEMENTARY INFORMATION**

**MUSTANG SPECIAL UTILITY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
AND RELATED RATIOS**

	<u>12/31/2015</u>	<u>12/31/2014</u>
<b>Total Pension Liability</b>		
Service Cost	\$ 89,543	\$ 57,029
Interest on total pension liability	55,071	34,762
Effect of plan changes	11,568	34,742
Effect of assumption changes or inputs	8,170	-
Effect of economic/demographic (gains) or losses	(6,215)	124,732
Benefit payments/refunds of contributions	<u>(3,570)</u>	<u>(14,462)</u>
<b>Net change in total pension liability</b>	<u>154,567</u>	<u>236,803</u>
<b>Total pension liability, beginning</b>	<u>628,062</u>	<u>391,258</u>
<b>Total pension liability, ending</b>	<u>\$ 782,629</u>	<u>\$ 628,061</u>
<b>Fiduciary Net Position</b>		
Employer contributions	\$ 43,002	\$ 79,412
Member contributions	53,088	44,875
Investment income net of investment expenses	(11,040)	32,743
Benefit payments/refunds of contributions	(3,570)	(14,462)
Administrative expenses	(487)	(432)
Other	<u>(58)</u>	<u>(31)</u>
<b>Net change in fiduciary net position</b>	<u>80,935</u>	<u>142,105</u>
<b>Fiduciary net position, beginning</b>	<u>628,159</u>	<u>486,054</u>
<b>Fiduciary net position, ending</b>	<u>\$ 709,094</u>	<u>\$ 628,159</u>
<b>Net pension liability/(asset)</b>	<u>\$ 73,535</u>	<u>\$ (97)</u>
<b>Fiduciary net position as a % of total pension liability</b>	90.60%	100.02%
<b>Pensionable covered payroll</b>	\$ 1,061,765	\$ 897,495
<b>Net pension liability as a % of covered payroll</b>	6.93%	-0.01%

See accompanying notes to these financial statements for more detail.

Note: Year will continue to be added until there are 10 years for comparison

# ATTACHMENT 6.B.i.

**MUSTANG SPECIAL UTILITY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

## SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2006	\$ 5,994	\$ 5,994	\$ -	\$ 179,998	3.3%
2007	25,848	25,848	-	776,203	3.3%
2008	24,152	24,152	-	736,353	3.3%
2009	22,092	22,092	-	692,524	3.2%
2010	19,679	19,697	-	647,944	3.0%
2011	21,386	21,386	-	711,000	3.0%
2012	20,522	20,522	-	717,536	2.9%
2013	23,850	23,850	-	792,350	3.0%
2014	24,412	79,412	(55,000)	897,495	8.8%
2015	43,001	43,001	-	1,061,765	4.0%

*Notes to Schedule of Contributions*

Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported. The following are the key assumptions and methods used in this GASB analysis:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	16.9 years (based on contribution rate calculated in 12/31/2015 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	3.00%
Salary Increases	Varies by age and service. 4.9% average over career including inflation
Investment Rate of Return	8.00%, net of investment expenses, included inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
Changes in Plan Provisions Reflected in the Schedule	Effective with the 2015 calendar year, employer contributions reflect that the current service matching rate was increased to 150%.



**SUPPLEMENTAL SCHEDULES**





## ATTACHMENT 6.B.i.

**MUSTANG SPECIAL UTILITY DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>OPERATING REVENUES</b>				
Charges for sales and services:				
Water/wastewater sales	\$ 5,849,730	\$ 6,405,000	\$ 6,438,808	\$ 33,808
Customer charges/fees	2,347,000	3,987,500	3,955,411	(32,089)
Operating Contracts	1,579,500	1,460,170	1,535,456	75,286
Other revenues	16,000	3,141,000	1,685,444	(1,455,556)
<b>Total operating revenues</b>	<u>9,792,230</u>	<u>14,993,670</u>	<u>13,615,119</u>	<u>(1,378,551)</u>
<b>OPERATING EXPENSES</b>				
Operation and Maintenance:				
Personnel costs and benefits	1,373,395	1,373,820	1,355,214	18,606
Water distribution system	4,077,110	4,227,770	4,064,515	163,255
Other operating costs	902,558	1,169,503	440,374	729,129
Professional and legal fees	392,500	443,000	431,786	11,214
Insurance	440,870	376,170	363,093	13,077
Depreciation and amortization	-	-	3,595,922	(3,595,922)
<b>Total operating expenses</b>	<u>7,186,433</u>	<u>7,590,263</u>	<u>10,250,904</u>	<u>(2,660,641)</u>
<b>Operating income (loss)</b>	<u>2,605,797</u>	<u>7,403,407</u>	<u>3,364,215</u>	<u>(4,039,192)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Investment income	7,000	55,000	59,298	4,298
Gain (loss) on sale of assets	-	62,600	425,618	363,018
Interest expense	(414,565)	(446,465)	(556,143)	(109,678)
Bond Issuance Costs	(70,000)	-	-	-
<b>Total non-operating revenues (expenses)</b>	<u>(477,565)</u>	<u>(328,865)</u>	<u>(71,227)</u>	<u>257,638</u>
<b>Net income (loss) before contributions</b>	<u>2,128,232</u>	<u>7,074,542</u>	<u>3,292,988</u>	<u>(3,781,554)</u>
<b>CAPITAL CONTRIBUTIONS</b>				
Developer contributions	-	148,000	7,813,577	7,665,577
<b>Total capital contributions</b>	<u>-</u>	<u>148,000</u>	<u>7,813,577</u>	<u>7,665,577</u>
<b>Change in net position</b>	<u>2,128,232</u>	<u>7,222,542</u>	<u>11,106,565</u>	<u>3,884,023</u>
<b>Net position - beginning of year</b>	<u>27,831,398</u>	<u>27,831,398</u>	<u>27,831,398</u>	
<b>Net position - end of year</b>	<u>\$ 29,959,630</u>	<u>\$ 35,053,940</u>	<u>\$ 38,937,963</u>	

**Note:** The District prepares the annual budget on a basis (modified accrual basis) which differs from generally accepted accounting principles (GAAP basis).

# ATTACHMENT 6.B.i.

**MUSTANG SPECIAL UTILITY DISTRICT  
COMBINING STATEMENT OF AGENCY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2016**

	<u>Client District Providence</u>	<u>Client Districts Paloma Creek</u>	<u>Client District Savannah</u>	<u>Total Fiduciary Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents - restricted	\$ -	\$ 506,087	\$ 280,213	\$ 786,300
Accounts Receivable	-	429,145	182,238	611,383
<b>Total assets</b>	<u>-</u>	<u>935,232</u>	<u>462,451</u>	<u>1,397,683</u>
<b>LIABILITIES</b>				
Accounts Payable	-	935,232	462,451	1,397,683
<b>Total liabilities</b>	<u>\$ -</u>	<u>\$ 935,232</u>	<u>\$ 462,451</u>	<u>\$ 1,397,683</u>

Note: Client District Providence was operationally suspended as of 8/15/2015, and was legally discharged with the settlement of the lawsuit with the Town of Providence Village.

## ATTACHMENT 6.B.i.

**MUSTANG SPECIAL UTILITY DISTRICT  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Balance September 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2016</u>
<b>Client Districts</b>				
<b>ASSETS</b>				
Cash and cash equivalents - restricted:				
Providence	\$ 737,884	\$ 3,682	\$ 741,566	\$ -
Paloma Creek	553,558	5,180,300	5,227,771	506,087
Savannah	347,298	2,655,597	2,722,682	280,213
Accounts Receivable:				
Providence	19,654	194,389	214,043	-
Paloma Creek	479,060	5,265,966	5,315,881	429,145
Savannah	250,353	2,642,187	2,710,302	182,238
<b>Total assets</b>	<u><u>2,387,807</u></u>	<u><u>15,942,121</u></u>	<u><u>16,932,245</u></u>	<u><u>1,397,683</u></u>
 <b>LIABILITIES</b>				
Accounts Payable:				
Providence	757,837	256,938	1,014,775	-
Paloma Creek	1,032,319	8,933,309	9,030,397	935,231
Savannah	597,651	2,251,247	2,386,446	462,452
<b>Total liabilities</b>	<u><u>\$ 2,387,807</u></u>	<u><u>\$ 11,441,494</u></u>	<u><u>\$ 12,431,618</u></u>	<u><u>\$ 1,397,683</u></u>



**STATISTICAL SECTION  
(UNAUDITED)**



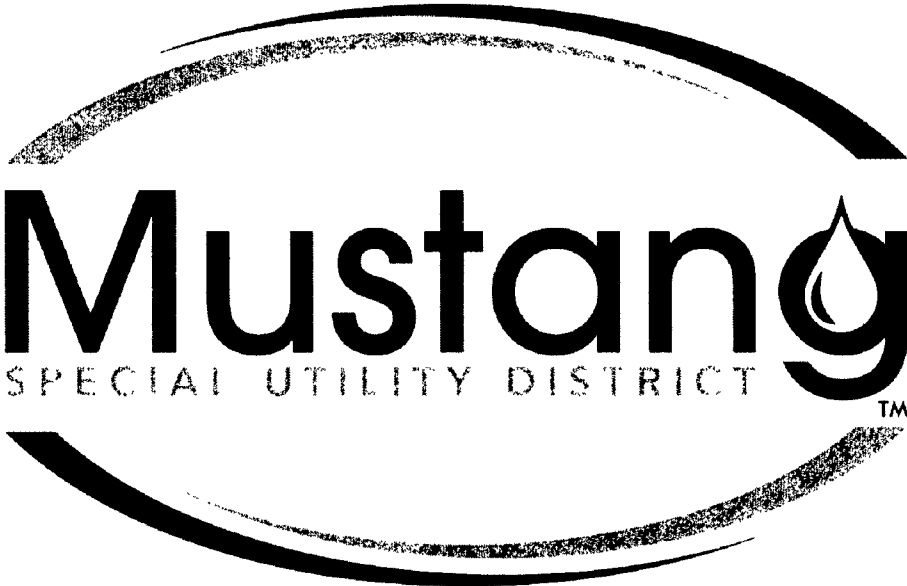
**STATISTICAL SECTION  
(UNAUDITED)**

This part of the Mustang Special Utility District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the District's overall financial health. This information has not been audited by the independent auditor.

<b><u>Contents</u></b>	<b>Tables</b>
<b>Financial Trends</b> These tables contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	1,2
<b>Revenue Capacity</b> These tables present information to help the reader assess the District's most significant revenue sources, charges for services.	3,4,5
<b>Debt Capacity</b> These tables present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	6,7
<b>Economic and Demographic Information</b> These tables offer economic and demographic indicators to help the reader understand the environment within which the District's financial activities take place.	8,9
<b>Operating Information</b> These tables contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	10,11

**Source:** Unless otherwise noted, the information in these tables are derived from the Comprehensive Annual Financial Reports for the relevant year.





**ATTACHMENT 6.B.i.****MUSTANG SPECIAL UTILITY DISTRICT  
NET POSITION BY COMPONENT (UNAUDITED)  
LAST EIGHT FISCAL YEARS  
(Accrual basis of accounting)****Table 1**

	<b>FISCAL YEAR</b>			
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Business-type activities				
Net investment in capital assets	\$ 9,858,403	\$ 10,656,424	\$ 11,048,665	\$ 12,278,776
Restricted	-	-	424,472	1,172,171
Unrestricted	12,371,000	10,131,634	8,988,200	7,666,480
Total business-type activities net position	<u>\$ 22,229,403</u>	<u>\$ 20,788,058</u>	<u>\$ 20,461,337</u>	<u>\$ 21,117,427</u>

	<b>FISCAL YEAR</b>			
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Business-type activities				
Net investment in capital assets	\$ 12,794,662	\$ 11,596,343	\$ 11,760,356	\$ 6,560,934
Restricted	731,648	844,616	844,616	759,940
Unrestricted	9,104,769	12,116,272	15,226,426	31,617,089
Total business-type activities net position	<u>\$ 22,631,079</u>	<u>\$ 24,557,231</u>	<u>\$ 27,831,398</u>	<u>\$ 38,937,963</u>

**Notes:** Years will continue to be added until 10 years of comparison is listed, information prior to 2009 is not available.

**MUSTANG SPECIAL UTILITY DISTRICT  
CHANGES IN NET POSITION  
LAST EIGHT FISCAL YEARS  
(Accrual basis of accounting)**

	FISCAL YEAR							
	2009	2010	2011	2012	2013	2014	2015	2016
<b>OPERATING REVENUES</b>								
Charges for sales and services:								
Water/Wastewater Sales	\$ 3,018,990	\$ 3,338,626	\$ 3,898,605	\$ 3,993,442	\$ 4,206,554	\$ 4,233,713	\$ 5,052,082	\$ 6,438,808
Customer Charges/Fees	1,029,752	1,134,975	1,350,541	1,398,781	1,224,635	2,030,519	3,019,145	3,955,411
Operating contracts					1,314,930	1,284,628	1,642,664	1,535,456
Miscellaneous	384,384	23,101	65,976	28,463	23,814	21,966	158,075	16,606
<b>Total Operating Revenues</b>	<b>4,433,126</b>	<b>4,496,702</b>	<b>5,315,122</b>	<b>5,420,686</b>	<b>6,769,933</b>	<b>7,570,826</b>	<b>9,871,966</b>	<b>11,946,281</b>
<b>OPERATING EXPENSES</b>								
Personnel Costs and Benefits	1,101,397	756,843	812,689	890,137	949,557	1,011,663	1,259,770	1,355,214
Water Distribution System	2,143,834	2,260,955	2,219,316	2,394,649	2,563,783	2,539,509	3,020,253	4,064,515
Other Operating Costs	225,730	214,036	348,478	295,052	314,873	337,385	359,429	440,374
Professional and Legal Fees	285,093	109,688	176,207	242,445	203,318	293,274	442,132	431,786
Insurance	261,044	150,700	179,694	170,611	189,881	203,675	319,454	363,093
Amortization	422,744	425,420	411,932	1,610,808	411,932	439,043	668,915	1,329,016
Depreciation	943,517	1,115,651	1,126,127	27,597	1,257,187	1,357,976	1,652,004	2,266,906
<b>Total Operating Expenses</b>	<b>5,383,359</b>	<b>5,033,293</b>	<b>5,274,443</b>	<b>5,631,299</b>	<b>5,890,531</b>	<b>6,182,525</b>	<b>7,721,957</b>	<b>10,250,904</b>
<b>Operating Income (Loss)</b>	<b>(950,233)</b>	<b>(536,591)</b>	<b>40,679</b>	<b>(210,613)</b>	<b>879,402</b>	<b>1,388,301</b>	<b>2,150,009</b>	<b>1,695,377</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>								
Investment Income	48,221	26,714	22,772	13,405	6,661	5,990	8,437	59,298
Sale of Fixed Assets	-	-	9,435	4,039	-	-	26,787	425,618
Bad Debt Expense	-	(61,970)	-	-	-	-	-	-
Interest Expense	(526,722)	(585,126)	(455,938)	(418,298)	(429,309)	(414,551)	(458,676)	(556,143)
Bond Issuance costs	-	-	-	-	-	(62,163)	-	-
Litigation Settlement	-	-	-	-	-	-	-	1,668,838
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(478,501)</b>	<b>(620,382)</b>	<b>(423,731)</b>	<b>(400,854)</b>	<b>(422,648)</b>	<b>(470,724)</b>	<b>(423,452)</b>	<b>1,597,611</b>
<b>Change in Net Position Before Capital Contributions</b>	<b>(1,428,734)</b>	<b>(1,156,973)</b>	<b>(383,052)</b>	<b>(611,467)</b>	<b>456,754</b>	<b>917,577</b>	<b>1,726,557</b>	<b>3,292,988</b>
<b>CAPITAL CONTRIBUTIONS</b>								
Developer Contributions	61,875	(165,994)	5,000	5,000	1,056,901	1,008,575	1,098,330	7,813,577
<b>Total Capital Contributions</b>	<b>61,875</b>	<b>(165,994)</b>	<b>5,000</b>	<b>5,000</b>	<b>1,056,901</b>	<b>1,008,575</b>	<b>1,098,330</b>	<b>7,813,577</b>
<b>Change in Net Position</b>	<b>(1,366,859)</b>	<b>(1,322,967)</b>	<b>(378,052)</b>	<b>(606,467)</b>	<b>1,513,655</b>	<b>1,926,152</b>	<b>2,824,887</b>	<b>11,106,565</b>
<b>Net position - Beginning of year</b>	<b>23,596,263</b>	<b>22,229,404</b>	<b>20,788,059</b>	<b>20,461,338</b>	<b>21,117,423</b>	<b>22,631,078</b>	<b>24,557,230</b>	<b>27,831,398</b>
<b>Prior Period Adjustments</b>	<b>-</b>	<b>(118,378)</b>	<b>51,331</b>	<b>1,262,553</b>	<b>-</b>	<b>-</b>	<b>449,281</b>	<b>-</b>
<b>Net Position - Adjusted Beginning of year</b>	<b>23,596,263</b>	<b>22,111,026</b>	<b>20,839,390</b>	<b>21,723,891</b>	<b>21,117,423</b>	<b>22,631,078</b>	<b>25,006,511</b>	<b>27,831,398</b>
<b>Net Position - End of year</b>	<b>\$ 22,229,404</b>	<b>\$ 20,788,059</b>	<b>\$ 20,461,338</b>	<b>\$ 21,117,424</b>	<b>\$ 22,631,078</b>	<b>\$ 24,557,230</b>	<b>\$ 27,831,398</b>	<b>\$ 38,937,963</b>

Notes: Years will continue to be added until 10 years of comparison is listed, information prior to 2009 is not available.

**MUSTANG SPECIAL UTILITY DISTRICT  
INCOME BY SOURCE  
LAST EIGHT FISCAL YEARS**

**Table 3**

<b>Fiscal Year Ended Sept. 30</b>	<b>Water</b>	<b>Wastewater</b>	<b>Other*</b>	<b>Total</b>
2009	\$ 2,657,663	\$ 361,327	\$ 1,462,357	\$ 4,481,347
2010	2,911,039	427,587	1,184,790	4,523,416
2011	3,427,513	491,182	1,428,634	5,347,329
2012	3,412,657	534,110	1,491,363	5,438,130
2013	3,582,488	624,066	2,570,040	6,776,594
2014	3,448,768	784,945	3,343,103	7,576,816
2015	4,005,251	1,046,831	4,819,884	9,871,966
2016	4,734,811	1,703,997	7,661,227	14,100,035

\*Other income includes interest income and miscellaneous income for the years.

**Notes:** Years will continue to be added until 10 years of comparison is listed, information prior to 2009 is not available.

**MUSTANG SPECIAL UTILITY DISTRICT  
AVERAGE REVENUE RATES  
LAST EIGHT FISCAL YEARS**

**Table 4**

<b>Fiscal Year</b>	<b>Water Rate/ Thousand Gallons</b>	<b>Wastewater Monthly Revenue/Customer</b>
2009	\$ 3.99	\$ 33.75
2010	3.99	39.50
2011	3.99	39.50
2012	3.99	39.50
2013	3.21	39.50
2014	3.21	39.50
2015	3.36	43.50
2016	3.44	52.20

**Notes:** Years will continue to be added until 10 years of comparison is listed, information prior to 2009 not available.

Average water rate based on 10,000 gallons used on a standard meter; does not include base rate per month.

Average wastewater revenue based on 10,000 gallons, standard meter.

**Source:** Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT  
PRINCIPAL REVENUE PAYERS  
SEPTEMBER 30, 2016**

**Table 5**

<b>Customer</b>	<b>Water Revenue Received</b>	<b>Percentage of Total Water Revenue</b>
Western Rim Property Services	\$ 57,851	1.22%
Midway Water	46,408	0.98%
Holt Texas, LTD	46,221	0.98%
Denton ISD - Navo	42,689	0.90%
Walmart - 380	23,383	0.49%
Denton ISD - Navo	18,215	0.38%
QW Paloma 380, LLC	18,043	0.38%
Walmart - 380	15,718	0.33%
Little Elm ISD	14,020	0.30%
Pegasus Investments, LLC	12,998	0.27%
Total attributable to ten largest payers:	<u>\$ 295,546</u>	<u>6.24%</u>
Total Water Revenue	<u>\$ 4,734,811</u>	<u>100.00%</u>

**Source:** Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT  
TOTAL INDEBTEDNESS PER CUSTOMER  
LAST EIGHT FISCAL YEARS**

**Table 6**

<b>Fiscal Year</b>	<b>Bonds Payable</b>	<b>Note Payable</b>	<b>Total Indebtedness</b>	<b>Total Customers</b>	<b>Debt Per Customer</b>
2009	\$ 8,975,000	\$ 2,461,595	\$ 11,436,595	3,395	\$ 3,369
2010	7,615,000	2,375,643	9,990,643	3,648	2,739
2011	7,318,023	2,267,706	9,537,706	3,728	2,558
2012	6,945,484	2,155,338	9,100,822	3,900	2,334
2013	6,632,944	2,038,356	8,671,300	4,246	2,042
2014	7,820,405	1,916,572	9,736,977	4,652	2,093
2015	7,482,886	2,789,788	10,272,674	5,233	1,963
2016	21,253,327	2,557,800	23,811,127	5,993	3,973

**Note:** Years will continue to be added until 10 years of comparison is listed, information prior to 2009 not available.

**Source:** Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT  
REVENUE BOND COVERAGE  
LAST EIGHT FISCAL YEARS**

**Table 7**

<b>Fiscal Year</b>	<b>Total Revenues (1)</b>	<b>Total Expenses (2)</b>	<b>Net Revenues Available for Debt Service</b>	<b>Bond Debt Service Requirements (3)</b>	<b>Coverage</b>
2009	\$ 4,481,347	\$ 4,017,128	\$ 464,219	\$ 472,357	0.98
2010	4,523,416	3,492,222	1,031,194	588,020	1.75
2011	5,347,329	3,736,384	1,610,945	720,236	2.24
2012	5,438,130	3,992,894	1,445,236	727,698	1.99
2013	6,776,594	4,221,412	2,555,182	649,223	3.94
2014	7,576,817	4,385,506	3,191,311	667,534	4.78
2015	9,907,190	5,401,038	4,506,152	709,528	6.35
2016	14,100,035	6,654,788	7,445,247	759,333	9.80

(1) Includes interest income, non-operating revenues and service fees

(2) Excludes depreciation, amortization and non-operating expenses

(3) Includes principal and interest of revenue bonds

**Note:** Years will continue to be added until 10 years of comparison is listed, information prior to 2009 not available.



**MUSTANG SPECIAL UTILITY DISTRICT  
NUMBER OF CUSTOMERS BY SERVICE  
LAST EIGHT FISCAL YEARS****Table 8**

<u>Fiscal Year</u>	<u>Water</u>	<u>Wastewater</u>
2009	3,395	875
2010	3,648	1,109
2011	3,728	1,181
2012	3,900	1,219
2013	4,246	1,564
2014	4,652	1,949
2015	5,233	2,500
2016	5,993	2,859

**Note:** Years will continue to be added until 10 years of comparison is listed, information prior to 2009 is not available.

**Source:** Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS  
(unaudited)**

**Table 9**

<u>Fiscal Year</u>	<u>Estimated Population Denton County</u>	<u>Personal Income Denton County (in Thousands)</u>	<u>Per Capita Income Denton County</u>	<u>Median Age Denton County</u>	<u>Unemployment Rate Denton County</u>
2007	559,350	\$ 17,087,583	\$ 30,549	31.8	3.9%
2008	614,650	n/a	n/a	n/a	4.6%
2009	628,300	19,984,338	31,807	33.0	7.7%
2010	637,750	20,053,411	31,444	n/a	6.9%
2011	662,614	20,851,800	31,469	32.3	6.7%
2012	683,010	25,773,805	n/a	33.3	5.4%
2013	694,050	n/a	n/a	n/a	5.2%
2014	713,200	35,398,469	32,722	33.7	4.2%
2015	734,940	n/a	36,565	34.0	3.4%
2016	n/a	n/a	n/a	n/a	3.6%

n/a Not available

**Sources:**

Denton County, TX - Comprehensive Annual Financial Reports  
Texas Workforce Commission - TRACER/LAUS - September data

Notes. Education information is not included, since the District area includes areas of multiple independent school districts.

The unemployment rates have been restated, based on currently available data.

**MUSTANG SPECIAL UTILITY DISTRICT  
FULL-TIME EQUIVALENT EMPLOYEES BY  
FUNCTION/PROGRAM  
LAST EIGHT FISCAL YEARS**

**Table 10**

<b>Fiscal Year</b>	<b>Administrative</b>	<b>Water</b>	<b>Wastewater</b>	<b>Total</b>
2009	8.5	9	-	17.5
2010	8	8	-	16
2011	7	8	1	16
2012	7	7	2	16
2013	8	8	2	18
2014	9	8	2	19
2015	9	10	2	21
2016	10	14	2	26

**Note:** Years will continue to be added until 10 years of comparison is listed, information prior to 2009 is not available.

**Source:** Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT  
CAPITAL ASSETS BY FUNCTION  
LAST EIGHT FISCAL YEARS**

Table 11

Function	FISCAL YEAR				
	2009	2010	2011	2012	2013
<b>Water/Wastewater</b>					
Land	\$ 469,255	\$ 469,255	\$ 469,255	\$ 469,255	\$ 469,255
Waterwells & Distribution System	24,589,752	18,948,454	18,958,203	19,787,935	19,874,873
Buildings and Structures	1,360,966	1,115,991	1,061,552	1,007,113	952,674
Vehicles & Equipment	700,740	113,368	145,384	115,293	169,160
<b>Total Water/Wastewater</b>	<b>27,120,713</b>	<b>20,647,068</b>	<b>20,634,394</b>	<b>21,379,596</b>	<b>21,465,962</b>

Function	FISCAL YEAR		
	2014	2015	2016
<b>Water/Wastewater</b>			
Land	\$ 469,255	\$ 486,546	\$ 486,546 -
Waterwells & Distribution System	19,623,300	19,805,430	27,660,913 -
Buildings and Structures	898,237	843,690	915,359 -
Vehicles & Equipment	332,088	897,364	913,233 -
<b>Total Water/Wastewater</b>	<b>21,322,880</b>	<b>22,033,030</b>	<b>29,976,051 -</b>

**Notes:** 1) Years will continue to be added until 10 years of comparison is listed, information prior to 2009 is not available  
 2) Balances presented are net of accumulated depreciation.



**SUPPLEMENTAL SCHEDULES REQUIRED BY THE  
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY  
(UNAUDITED)**



**SUPPLEMENTAL SCHEDULES REQUIRED BY THE TEXAS  
COMMISSION ON ENVIRONMENTAL QUALITY  
(UNAUDITED)**

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**MUSTANG SPECIAL UTILITY DISTRICT  
TSI-1 SERVICES AND RATES  
FOR FISCAL YEAR ENDING SEPTEMBER 30, 2016**

1. Services Provided by the District:

- |   |   |                                     |
|---|---|-------------------------------------|
| <input checked="" type="checkbox"/> Retail Water      | <input checked="" type="checkbox"/> Wholesale Water | <input type="checkbox"/> Drainage   |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater       | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation             | <input type="checkbox"/> Fire Protection            | <input type="checkbox"/> Security   |
| <input type="checkbox"/> Solid Waste/Garbage          | <input type="checkbox"/> Flood Control              | <input type="checkbox"/> Roads      |
- Participants in joint venture, regional system and/or wastewater service (other than emergency interconnect)
- Other (specify):

2. Retail Rates Based on 5/8" Meter:  Retail Rates Not Applicable

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
WATER	\$ 26.75	-	N	\$ 2.65	-0- to 3,000 gallons
				\$ 3.65	3,001 to 9,000 gallons
				\$ 4.55	9,001 to 15,000 gallons
				\$ 5.55	15,001 to 25,000 gallons
				\$ 8.50	25,001 to unlimited
WASTEWATER	\$ 46.80	-	Y	\$	0 to 8,000
	\$ 52.20	-	Y	\$	8,001 to unlimited

District employs winter averaging for wastewater usage?  Yes  No

Total charges per 10,000 gallons usage (including surcharges):

WATER \$ 61.15      WASTEWATER \$ 52.20

Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	0	0	x 1.0	-
< 3/4"	5,861	5,793	x 1.0	5,793
1"	108	108	x 2.5	270
1 1/2"	10	10	x 5.0	50
2"	63	62	x 8.0	496
3"	4	4	x 15.0	60
4"	8	8	x 25.0	200
6"	4	4	x 50.0	200
8"	4	4	x 80.0	320
Water Total	6,062	5,993		7,389
Wastewater	2,859	2,859	x 1.0	2,859

Source: Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT  
TSI-1 SERVICE AND RATES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

3. Total water consumption during the fiscal year:

Gallons pumped into system: 618,391,148  
Gallons billed to customers: 582,163,459  
Water Accountability Ratio: 94.14%

4. District does not levy standby fees.

5. Location of District:

County(ies) in which District is located. Denton

Is the District located entirely within one county?  Yes  No

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

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

Is the district located within a city's extraterritorial jurisdiction (ETJ)?  
 Entirely  Partly  Not at all

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

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

Yes  No

If Yes, by whom? N/A

Source: Mustang Special Utility District

# ATTACHMENT 6.B.i.

**Mustang Special Utility District  
TSI-2 Enterprise Fund Expenditures\*  
Fiscal Year Ending September 30, 2016**

<b>Personnel Expenditures (including benefits)</b>	\$ <u>1,684,584</u> **
<b>Professional Fees:</b>	
Auditing	21,300
Legal	<u>208,312</u>
Engineering	<u>137,836</u>
Financial Advisor/Other Advisor	<u>64,339</u>
<b>Purchased Services for Resale:</b>	
Bulk Water and Wastewater Service Purchases	<u>2,698,315</u>
<b>Contracted Services:</b>	
Other Contracted Services	<u>3,780</u>
<b>Utilities</b>	<u>266,668</u>
<b>Repairs and Maintenance</b>	<u>243,863</u>
<b>Administrative Expenditures:</b>	
Office Supplies	<u>38,163</u>
Insurance	<u>33,722</u>
Other Administrative Expenditures	<u>1,254,057</u>
<b>Capital Outlay:</b>	
Capitalized Assets	<u>9,372,944</u> ***
<b>Other Expenditures</b>	<u>1,157,131</u> ****
<b>Total Expenditures</b>	<u>\$ 17,185,014</u>

\*Amounts are unaudited and do not include amortization and depreciation.

\*\*Number of persons employed by the District:

Full Time	26
Part Time	0

\*\*\*Total expenditures using GAAP accounting do not include these amounts.

\*\*\*\*Other Expenditures includes debt payments, as there is not a separate Debt Service Fund.

Source: Mustang Special Utility District

## ATTACHMENT 6.B.i.

**MUSTANG SPECIAL UTILITY DISTRICT  
TSI-3 SCHEDULE OF TEMPORARY INVESTMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

Item	Certificate Number	Interest Rate	Maturity Date	Balance at End of Year
<u>Proprietary Fund Type</u>				
<u>Enterprise Fund</u>				
LOGIC Accounts:				
Customer Deposit Fund	n/a	0.6515%	n/a	\$ 688,844
System Growth Fund	n/a	0.6515%	n/a	4,946,413
Developers Escrow Account	n/a	0.6515%	n/a	111,316
Pipeline Account	n/a	0.6515%	n/a	617,265
2006 Debt Reserve	n/a	0.6515%	n/a	315,628
2008 Debt Reserve	n/a	0.6515%	n/a	238,805
2009 Debt Reserve	n/a	0.6515%	n/a	101,985
2014 Debt Reserve	n/a	0.6515%	n/a	113,580
Northstar Accounts:				
System Growth Account	n/a	0.7248%	n/a	957,541
Series 2006 Revenue Bond Interest & Sinking	n/a	0.7248%	n/a	2,615
Series 2008 Revenue Bond Interest & Sinking	n/a	0.7248%	n/a	2,607
Series 2009 Revenue Bonds Interest & Sinking	n/a	0.7248%	n/a	2,599
Series 2014 Revenue Bond Interest & Sinking	n/a	0.7248%	n/a	2,606
Payments	n/a	0.7248%	n/a	4,024
2016 Construction	n/a	0.7248%	n/a	337,003
2016A Construction	n/a	0.7248%	n/a	59,006
Capital Projects Fund	n/a	0.7248%	n/a	19,149
TexStar Accounts:				
Series 2009 Revenue Bonds Interest & Sinking	n/a	0.4123%	n/a	20,059
Series 2008 Revenue Bond Interest & Sinking	n/a	0.4123%	n/a	31,740
Series 2006 Revenue Bond Interest & Sinking	n/a	0.4123%	n/a	35,900
Rainy Day Account	n/a	0.4123%	n/a	2,506,827
Series 2014 Revenue Bond Interest & Sinking	n/a	0.4123%	n/a	15,276
UTRWD Interest & Sinking	n/a	0.4123%	n/a	131,198
Series 2016 Revenue Bond Interest & Sinking	n/a	0.4123%	n/a	10,000
Series 2016A Revenue Bond Interest & Sinking	n/a	0.4123%	n/a	10,000
Total				<u>\$ 11,281,986</u>

Source: Mustang Special Utility District

Note: Northstar accounts are interest bearing accounts with the bank and are covered by collateral.

**MUSTANG SPECIAL UTILITY DISTRICT**

TSI-4. Taxes Levied and Receivable

September 30, 2016

(Unaudited)

*(Does not apply to the District)*

**MUSTANG SPECIAL UTILITY DISTRICT  
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS  
SERIES 2006 - BY YEARS  
FISCAL YEAR ENDED SEPTEMBER 30, 2016**

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
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
Total	<u>\$ 2,460,000</u>	<u>\$ 602,801</u>	<u>\$ 3,062,801</u>

Source: Mustang Special Utility District

**ATTACHMENT 6.B.i.****MUSTANG SPECIAL UTILITY DISTRICT  
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS  
SERIES 2008 - BY YEARS  
FISCAL YEAR ENDED SEPTEMBER 30, 2016**

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
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	12,494	222,494
Total	<u>\$ 2,150,000</u>	<u>\$ 1,039,468</u>	<u>\$ 3,189,468</u>

Source: Mustang Special Utility District

**ATTACHMENT 6.B.i.****MUSTANG SPECIAL UTILITY DISTRICT  
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS  
SERIES 2009 - BY YEARS  
FISCAL YEAR ENDED SEPTEMBER 30, 2016**

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
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
Total	<u>\$ 985,000</u>	<u>\$ 468,940</u>	<u>\$ 1,453,940</u>

Source: Mustang Special Utility District



**ATTACHMENT 6.B.i.****MUSTANG SPECIAL UTILITY DISTRICT  
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS  
SERIES 2014 - BY YEARS  
FISCAL YEAR ENDED SEPTEMBER 30, 2016**

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	-	62,968	62,968
2018	50,000	62,968	112,968
2019	50,000	59,968	109,968
2020	50,000	56,968	106,968
2021	55,000	53,968	108,968
2022	55,000	50,668	105,668
2023	55,000	49,018	104,018
2024	60,000	46,268	106,268
2025	60,000	44,348	104,348
2026	65,000	42,308	107,308
2027	65,000	39,968	104,968
2028	70,000	37,530	107,530
2029	70,000	34,800	104,800
2030	75,000	32,000	107,000
2031	80,000	29,000	109,000
2032	80,000	25,800	105,800
2033	85,000	22,600	107,600
2034	90,000	19,200	109,200
2035	90,000	15,600	105,600
2036	95,000	12,000	107,000
2037	100,000	8,200	108,200
2038	105,000	4,200	109,200
Total	<u>\$ 1,505,000</u>	<u>\$ 810,348</u>	<u>\$ 2,315,348</u>

Source: Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT  
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS  
SERIES 2016 - BY YEARS  
FISCAL YEAR ENDED SEPTEMBER 30, 2016**

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	29,000	69,518	98,518
2018	30,000	68,684	98,684
2019	31,000	67,820	98,820
2020	32,000	66,930	98,930
2021	34,000	66,010	100,010
2022	35,000	65,033	100,033
2023	36,000	64,026	100,026
2024	37,000	62,991	99,991
2025	39,000	61,928	100,928
2026	40,000	60,806	100,806
2027	42,000	59,656	101,656
2028	43,000	58,449	101,449
2029	45,000	57,213	102,213
2030	46,000	55,919	101,919
2031	48,000	54,596	102,596
2032	50,000	53,216	103,216
2033	51,000	51,779	102,779
2034	53,000	50,313	103,313
2035	55,000	48,789	103,789
2036	57,000	47,208	104,208
2037	59,000	45,569	104,569
2038	62,000	43,873	105,873
2039	64,000	42,090	106,090
2040	66,000	40,250	106,250
2041	68,000	38,353	106,353
2042	71,000	36,398	107,398
2043	74,000	34,356	108,356
2044	76,000	32,229	108,229
2045	79,000	30,044	109,044
2046	82,000	27,773	109,773
2047	85,000	25,415	110,415
2048	88,000	22,971	110,971
2049	91,000	20,441	111,441
2050	94,000	17,825	111,825
2051	98,000	15,123	113,123
2052	101,000	12,305	113,305
2053	105,000	9,401	114,401
2054	109,000	6,383	115,383
2055	113,000	3,249	116,249
<b>Total</b>	<b><u>\$ 2,418,000</u></b>	<b><u>\$ 1,694,932</u></b>	<b><u>\$ 4,112,932</u></b>

Source: Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT  
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS  
SERIES 2016A - BY YEARS  
FISCAL YEAR ENDED SEPTEMBER 30, 2016**

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	-	321,750	321,750
2018	174,000	321,750	495,750
2019	179,000	316,965	495,965
2020	184,000	312,043	496,043
2021	189,000	306,983	495,983
2022	195,000	301,785	496,785
2023	200,000	296,423	496,423
2024	206,000	290,923	496,923
2025	212,000	285,247	497,247
2026	218,000	279,428	497,428
2027	224,000	273,433	497,433
2028	231,000	267,273	498,273
2029	237,000	260,920	497,920
2030	244,000	254,403	498,403
2031	251,000	247,693	498,693
2032	258,000	240,790	498,790
2033	266,000	233,695	499,695
2034	273,000	226,380	499,380
2035	281,000	218,873	499,873
2036	289,000	211,145	500,145
2037	298,000	203,198	501,198
2038	306,000	195,003	501,003
2039	315,000	186,588	501,588
2040	324,000	177,925	501,925
2041	334,000	169,015	503,015
2042	343,000	159,830	502,830
2043	353,000	150,398	503,398
2044	363,000	140,690	503,690
2045	374,000	130,708	504,708
2046	384,000	120,423	504,423
2047	395,000	109,863	504,863
2048	407,000	99,000	506,000
2049	418,000	87,808	505,808
2050	430,000	76,313	506,313
2051	443,000	64,488	507,488
2052	271,000	52,305	323,305
2053	469,000	39,793	508,793
2054	482,000	26,895	508,895
2055	680,000	13,640	693,640
<b>Total</b>	<b><u>\$ 11,700,000</u></b>	<b><u>\$ 7,671,785</u></b>	<b><u>\$ 19,371,785</u></b>

Source: Mustang Special Utility District

**ATTACHMENT 6.B.i.**

**MUSTANG SPECIAL UTILITY DISTRICT  
 TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS  
 ALL SERIES - BY YEARS  
 FISCAL YEAR ENDED SEPTEMBER 30, 2016**

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	389,000	733,309	1,122,309
2018	629,000	715,250	1,344,250
2019	650,000	688,589	1,338,589
2020	676,000	661,577	1,337,577
2021	708,000	633,459	1,341,459
2022	735,000	603,714	1,338,714
2023	751,000	574,395	1,325,395
2024	793,000	542,875	1,335,875
2025	816,000	510,448	1,326,448
2026	858,000	476,782	1,334,782
2027	586,000	441,127	1,027,127
2028	614,000	416,997	1,030,997
2029	632,000	391,353	1,023,353
2030	660,000	364,441	1,024,441
2031	469,000	336,239	805,239
2032	388,000	319,806	707,806
2033	402,000	308,074	710,074
2034	416,000	295,893	711,893
2035	426,000	283,262	709,262
2036	441,000	270,353	711,353
2037	457,000	256,967	713,967
2038	473,000	243,076	716,076
2039	379,000	228,678	607,678
2040	390,000	218,175	608,175
2041	402,000	207,368	609,368
2042	414,000	196,228	610,228
2043	427,000	184,754	611,754
2044	439,000	172,919	611,919
2045	453,000	160,752	613,752
2046	466,000	148,196	614,196
2047	480,000	135,278	615,278
2048	495,000	121,971	616,971
2049	509,000	108,249	617,249
2050	524,000	94,138	618,138
2051	541,000	79,611	620,611
2052	372,000	64,610	436,610
2053	574,000	49,194	623,194
2054	591,000	33,278	624,278
2055	793,000	16,885	809,886
Total	<u>\$ 21,218,000</u>	<u>\$ 12,288,270</u>	<u>\$ 33,506,271</u>

Source: Mustang Special Utility District

# ATTACHMENT 6.B.i.

**MUSTANG SPECIAL UTILITY DISTRICT  
TSI-6 CHANGES IN LONG-TERM BONDED DEBT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**Bond Issues**

	Series 2006	Series 2008	Series 2009	Series 2014	Series 2016	Series 2016A	Total
Interest Rate	4.0% - 5.0%	5.75% - 5.95%	3.0% - 6.0%	3.0% - 6.0%	2.88%	2.88%	
Date Interest Payable	3/1 , 9/1	3/1 ; 9/1	3/1 ; 9/1	3/1 ; 9/1	3/1 ; 9/1	3/1 , 9/1	
Maturity Dates	2026	2030	2031	2038	2055	2055	
Bonds Outstanding at Beginning of Current Year	\$ 2,655,000	\$ 2,255,000	\$ 1,030,000	\$ 1,505,000	\$ -	\$ -	\$ 7,445,000
Bonds Sold During Current Year	-	-	-	-	2,442,000	11,700,000	14,142,000
Retirements: Principal	(195,000)	(105,000)	(45,000)	-	(24,000)	-	(369,000)
Bonds Outstanding at End of Current Year	\$ 2,460,000	\$ 2,150,000	\$ 985,000	\$ 1,505,000	\$ 2,418,000	\$ 11,700,000	\$ 21,218,000
Interest Paid During the Fiscal Year	\$ 109,733	\$ 130,483	\$ 55,395	\$ 62,968	\$ 839	\$ 30,916	\$ 390,334

**Paying Agent's Name and City**

Series 2006	Wells Fargo National Association, Fort Worth, TX
Series 2008	Wells Fargo National Association, Fort Worth, TX
Series 2009	Bank of Texas NA, Dallas, TX
Series 2014	Bank of Texas NA, Dallas, TX
Series 2016	United States Department of Agriculture, McKinney, TX
Series 2016A	United States Department of Agriculture, McKinney, TX

Bond Authority:	Refunding Bonds	Revenue Bonds
Amount Authorized	\$ -	\$ 14,142,000
Amount Issued	\$ -	\$ 10,396,000

Bonded debt service cash and temporary investments balances as of September 30, 2016: \$1,034,598

Average annual debt service payment (principal and interest) for remaining term of all bonded debt is \$859,135.

Source: Mustang Special Utility District

## ATTACHMENT 6.B.i.

**MUSTANG SPECIAL UTILITY DISTRICT  
TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES  
FIVE YEARS ENDED SEPTEMBER 30**

	Amounts					Percent of Fund Total Revenue				
	2016	2015	2014	2013	2012	2016	2015	2014	2013	2012
<b>OPERATING REVENUES</b>										
Water/wastewater sales	\$ 6,438,808	\$ 5,193,037	\$ 4,233,713	\$ 4,206,554	\$ 3,993,442	53.90%	52.60%	55.92%	62.19%	73.67%
Customer charges/fees	3,955,411	3,019,145	2,030,519	1,224,635	1,398,781	33.11%	30.58%	26.82%	18.10%	25.80%
Operating contracts	1,535,456	1,642,664	1,284,628	1,314,930	-	12.85%	16.64%	16.97%	19.44%	0.00%
Miscellaneous revenue	16,606	17,120	21,966	18,421	28,463	0.14%	0.17%	0.29%	0.27%	0.53%
<b>Total operating revenues</b>	<b>11,946,281</b>	<b>9,871,966</b>	<b>7,570,826</b>	<b>6,764,540</b>	<b>5,420,686</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>										
Personnel costs and benefits	1,355,214	1,259,770	1,011,663	949,557	890,137	11.34%	12.76%	13.36%	14.04%	16.42%
Water distribution system	4,064,515	3,020,253	2,539,509	2,563,783	2,394,649	34.02%	30.59%	33.54%	37.90%	44.18%
Other operating costs	440,374	359,429	337,385	314,873	295,052	3.69%	3.64%	4.46%	4.65%	5.44%
Professional and legal fees	431,786	442,132	293,274	203,318	242,445	3.61%	4.48%	3.87%	3.01%	4.47%
Insurance	363,093	319,454	203,675	189,881	170,611	3.04%	3.24%	2.69%	2.81%	3.15%
Amortization	1,329,016	668,915	439,043	411,932	422,536	11.12%	6.78%	5.80%	6.09%	7.79%
Depreciation	2,266,906	1,652,004	1,357,976	1,257,187	1,215,869	18.98%	16.73%	17.94%	18.58%	22.43%
<b>Total operating expenses</b>	<b>10,250,904</b>	<b>7,721,957</b>	<b>6,182,525</b>	<b>5,890,531</b>	<b>5,631,299</b>	<b>85.81%</b>	<b>78.22%</b>	<b>81.66%</b>	<b>87.08%</b>	<b>103.89%</b>
Operating income (loss)	\$ 1,695,377	\$ 2,150,009	\$ 1,388,301	\$ 874,009	\$ (210,613)	14.19%	21.78%	18.34%	12.92%	-3.89%
<b>NON-OPERATING REVENUES (EXPENSES)</b>										
Investment income	59,298	8,437	5,990	12,054	13,405	0.50%	0.09%	0.08%	0.18%	0.25%
Gain (loss) on sale of assets	425,618	26,787	-	-	4,039	3.56%	0.27%	0.00%	0.00%	0.07%
Interest expense	(556,143)	(458,676)	(414,551)	(429,309)	(418,298)	-4.66%	-4.65%	-5.48%	-6.35%	-7.72%
Litigation proceeds	1,668,838	-	-	-	-	13.97%	0.00%	0.00%	0.00%	0.00%
Bond issuance costs	-	-	(62,163)	-	-	0.00%	0.00%	-0.82%	0.00%	0.00%
<b>Total non-operating revenue (expense)</b>	<b>1,597,611</b>	<b>(423,452)</b>	<b>(470,724)</b>	<b>(417,255)</b>	<b>(400,854)</b>	<b>13.37%</b>	<b>-4.29%</b>	<b>-6.22%</b>	<b>-6.17%</b>	<b>-7.39%</b>
<b>Net income (loss) before contributions</b>	<b>\$ 3,292,988</b>	<b>\$ 1,726,557</b>	<b>\$ 917,577</b>	<b>\$ 456,754</b>	<b>\$ (611,467)</b>	<b>27.56%</b>	<b>17.49%</b>	<b>12.12%</b>	<b>6.75%</b>	<b>-11.28%</b>
<b>CAPITAL CONTRIBUTIONS</b>										
Wastewater subscription - developer	-	-	-	-	5,000	0.00%	0.00%	0.00%	0.00%	0.09%
Developer contributions	7,813,577	1,098,330	1,008,575	1,056,901	-	65.41%	11.13%	13.32%	15.62%	0.00%
<b>Total capital contributions</b>	<b>7,813,577</b>	<b>1,098,330</b>	<b>1,008,575</b>	<b>1,056,901</b>	<b>5,000</b>	<b>65.41%</b>	<b>11.13%</b>	<b>13.32%</b>	<b>15.62%</b>	<b>0.09%</b>
<b>Change in net position</b>	<b>\$ 11,106,565</b>	<b>\$ 2,824,887</b>	<b>\$ 1,926,152</b>	<b>\$ 1,513,655</b>	<b>\$ (606,467)</b>	<b>92.97%</b>	<b>28.62%</b>	<b>25.44%</b>	<b>22.38%</b>	<b>-11.19%</b>

Source: CAFR's Changes in Net Position

# ATTACHMENT 6.B.i.

**Mustang Special Utility District  
TSI-8 Board Members, Key Personnel, and Consultants  
Fiscal Year Ending September 30, 2016**

Complete District Mailing Address: 7985 FM 2931, Aubrey, TX 76227  
 District Business Telephone Number 940-440-9561  
 Submission date of the most recent District Registration Form June 2016  
 (TWC Sections 36.054 and 49.054):  
 Limit on Fees of Office that a Director may receive during a fiscal year: zero  
 (Set by Board Resolution - TWC Section 49.060)

Names:		Term of Office	Date Hired	Fees of Office Paid	Expense Reimbursements	Title at Year End
<b>Board Members:</b>						
Mike Frazier	Elected	2016-2019		\$ -	\$ -	President
Dean Jameson	Elected	2015-2018		-	-	Vice-President
James Burnham	Elected	2014-2017		-	-	Secretary/Treasurer
Dean Jameson	Elected	2015-2018		-	-	Director
Donna Sims	Elected	2015-2018		-	-	Director
Wade Veeder	Elected	2015-2018		-	-	Director
Marc Hodak	Elected	2014-2017		-	-	Director
Michael Walker	Elected	2016-2019		-	114	Director
Matt Gaunt	Elected	2016-2019		-	-	Director
Kim Lehere	Appointed	2014-2017		-	-	Director
<b>Key Administrative Personnel:</b>						
Chris Boyd			2/21/2007	165,018	-	General Manager
Patty Parks			6/8/2012	77,632	624	Finance Director
Aldo Zamora			10/11/2004	86,055	-	Operations Manager
<b>Consultants:</b>						
Steger Bizell			2009	297,684	-	Engineer
Conway Company CPAs, PC			2011	21,300	-	Auditor
Skip Newsom			2006	225	-	Attorney
Robert Harris			2014	83,912	-	Attorney
Jackson Walker LLP			2015	157,522	-	Attorney
New Gen Strategies & Solutions			2014	27,250	-	Expert Witness
Specialized Public Finance, Inc.			2008	1,000	-	Financial Advisor
Barbara O'Neil			2016	6,814	-	Human Resources
Cooksey Communications			2016	25,000	-	Public Relations

Source: Mustang Special Utility District



Michael Conway, CPA  
Neil Conway, CPA

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Metro (903) 450-1200

**CONWAY COMPANY CPAs P.C. ATTACHMENT 6.B.i.**  
**ACCOUNTANTS & ADVISORS**

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Greenville, Texas 75404-8234

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Texas Society of CPAs

INDEPENDENT AUDITOR’S 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*

To the Board of Directors  
Mustang Special Utility District  
Aubrey, Texas

We have audited, in accordance with the 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, the financial statements of the business-type activities of Mustang Special Utility District (“District”) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated February 20, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

*A deficiency in internal control* 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Fax (903) 886-6580

8910 Wesley Street  
Greenville, Texas 75402  
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Fax (903) 454-3181

603 South Goliad Street  
Rockwall, Texas 75087  
Office (972) 771-1065  
Fax (972) 771-1022



**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,  
CONWAY COMPANY CPAs, P.C.

*Conway Company CPAs, P.C.*

Greenville, Texas  
February 20, 2017

**MUSTANG SPECIAL UTILITY DISTRICT  
SEPTEMBER 30, 2016**

**SIGNIFICANT DEFICIENCIES IDENTIFIED DURING THE COURSE OF THE AUDIT**

We consider the following deficiencies in the District's internal control over financial reporting to be significant deficiencies as of September 30, 2016:

**2016-01**

Condition: Inadequate or no backup provided.

Criteria: Purchasing guidelines as stated all purchases must have adequate documentation.

*Samples of 25 payables were tested of which the following deviations were discovered:  
1 invoice did not have adequate backup documentation to support the purchase.*

Cause: Guidelines are not being followed as approved by District Board.

Effect or Potential Effect: Inadequate approvals of budget expenditures and purchases being made by district personnel.

Recommendation: Purchasing guidelines should be followed as adopted into the Personnel Policies or stricter policies should be adopted.

Responsible Officials Response: Filing procedures have been updated, so that future documentation will be available for reviews.

**OTHER MATTERS**

Other matter related to our observation concerning operations, compliance with law and regulations, and best practices involving internal control over financial reporting that we wish to bring to your attention are as follows:

**2016-001**

Condition: During our testing we noted that although the District has internal controls in place over procurement and other areas, they do not have internal controls over Compliance for the Water and Waste Disposal Systems for Rural Communities Program, CFDA #10.760. However, all expenditures paid by USDA to the district were in compliance with CFDA requirements due to the USDA oversight over expenses.

Criteria: Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) states that auditee must establish and maintain internal controls over compliance for federal programs that provides reasonable assurance that the nonfederal entity is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award. The District failed to comply with the suspension and debarment compliance requirement and ensure that the contractors utilized in the project were not suspended or debarred from participating in the transactions.

Cause: The District did not have in house staff that possessed the knowledge to put in place internal controls that addressed the specific compliance requirements provided by the U.S. Department of Agriculture for the Water and Waste Program Cluster 10.760.

Effect or Potential Effect: We noted that the USDA did provide the needed oversight to properly administer this grant. The lack of internal controls in house over compliance the district may not timely detect or correct errors that may result in non-complying with the compliance requirements. The District may not timely detect an error in allowable costs that may result in questioned costs. Moreover, the District may not fully comply with the procurement compliance requirements and engage contractors that are suspended and debarred from participating in federally funded projects.

Questioned Cost: None Reported

Repeat Finding from Prior Year(s): Not applicable. This is the first year for the program.

Recommendation: Hire a grant administrator to establish policies and procedures to ensure the District is in compliance with the requirements for the program or increase training of in house staff on administering the USDA loan.

Responsible Official's Response: Due to both loans being reimbursement-based, the funding agency is able to review and reject requests for reimbursement before they are funded. Expenses not funded remain the responsibility of the District.

**2016-002**

Condition: The District did not create a Schedule of Expenditures of Federal Awards for the year ending 9/30/2016.

Criteria: Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) require auditees to prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements.

Cause: The District's management did not create nor demonstrate a procedure for SEFA which is a requirement of administering federal funds.

Effect or Potential Effect: The district is not in compliance with Uniform Guidance requirements of preparing a SEFA. The SEFA is the starting point for a Single Audit and identifies all the federally funded projects. The lack of a SEFA may result in improperly excluding federal programs from a single audit.

Questioned Cost: None Reported

Repeat Finding from Prior Year(s): Not applicable. This is the first year for the program.

Recommendation: Hire a grant administrator or increase training of in house staff on administering a USDA loan and establish policies and procedures to ensure the District is in compliance with the Uniform guidance and creates a SEFA.

Responsible Official's Response: The SEFA will be prepared by in-house staff in the future.



**Mustang Special Utility District**

Single Audit Act Reports Under  
*Uniform Guidance*

For the year ended September 30, 2016





Michael Conway, CPA  
Neil Conway, CPA

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# CONWAY COMPANY CPAs PC ATTACHMENT 6.B.i.

## ACCOUNTANTS & ADVISORS

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Texas Society of CPAs

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors  
Mustang Special Utility District  
Aubrey, Texas

### Report on Compliance for Each Major Federal Program

We have audited the Mustang Special Utility District (District), compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2016. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal award applicable to its federal program.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 US. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.



**Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2016.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002. Our opinion on each major program is not modified with respect to this matter.

Mustang Special Utility District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly we express no opinion on the responses.

**Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that are considered to be material weaknesses, however we identified certain deficiencies in internal control over compliance as described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002 that we consider significant deficiencies.

Mustang Special Utility District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the business-type activities, of Mustang Special Utility District, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated February 20, 2017 which contained unmodified opinions on those financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Respectfully Submitted,  
CONWAY COMPANY CPAs, P.C.

*Conway Company CPAs, P.C.*

Rockwall, Texas  
February 20, 2017

**Mustang Special Utility District  
Schedule of Findings and Questioned Costs  
For the year ended September 30, 2016**

**Section I. Summary of Auditors' Results:**

Financial Statements

- 1. Type of auditors' report issued on the financial statements Unmodified
- 2. Internal control over financial reporting:
  - Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
  - Significant deficiencies identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes   X   No
- 3. Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

Federal Awards

- 4. Internal controls over major program:
  - Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
  - Significant deficiencies identified that are not considered to be material weakness(es)?   X   Yes \_\_\_\_\_ No
- 5. Type of auditor's report issued on compliance for major programs: Unmodified
- 6. Did the audit disclose findings that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516   X   Yes \_\_\_\_\_ No

7. Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
U.S Department of Agriculture Water and Waste Disposal for Rural Communities Loan	10.760

- 8. Dollar Threshold used to distinguish between type A and type B programs: \$750,000
- 9. Auditee qualified as low-risk auditee: \_\_\_\_\_ Yes   X   No

**Section II. Financial Statement Findings**

None reported

# ATTACHMENT 6.B.i.

## Section III. Federal Award Findings and Questioned Costs:

### U.S. Department of Agriculture Water and Waste Disposal Systems for Rural Communities

2016-001

#### CFDA # 10.760

Type of Finding: Compliance (Other Matters) and Significant Deficiencies in Internal Control Over Compliance.

Criteria: Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) states that auditee must establish and maintain internal controls over compliance for federal programs that provides reasonable assurance that the nonfederal entity is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award. The District failed to comply with the suspension and debarment compliance requirement and ensure that the contractors utilized in the project were not suspended or debarred from participating in the transactions.

Condition/Context: During our testing we noted that although the District has internal controls in place over procurement and other areas, but they do not have internal controls dedicated specifically to the Compliance for the Water and Waste Disposal Systems for Rural Communities program, CFDA #10.760. However, all expenditures paid by USDA to the district were in compliance with CFDA requirements due to the USDA oversight over expenses.

Cause: The District did not have in house staff that possessed the knowledge to put in place internal controls that addressed the specific compliance requirements provided by the U.S. Department of Agriculture for the Water and Waste Program Cluster 10.760.

Effect: We noted that the USDA did provide the needed oversight to properly administer this grant. The lack of internal controls in house over compliance the district may not timely detect or correct errors that may result in non-complying with the compliance requirements. The District may not timely detect an error in allowable costs that may result in questioned costs. Moreover, the District may not fully comply with the procurement compliance requirements and engage contractors that are suspended and debarred from participating in federally funded projects.

Questioned Costs: None Reported

Repeat Finding from Prior Year (s): Not applicable. This is the first year for the program.

Recommendation: Hire a grant administrator to establish policies and procedures to ensure the District is in compliance with the requirements for the program or increase training of in house staff on administering the USDA loan. Expenditures should be validated before submitted to USDA for reimbursement.

Views of Responsible Officials: Due to both loans being reimbursement-based, the funding agency is able to review and reject requests for reimbursement before they are funded. Expenses not funded remain the responsibility of the District.

2016-002

#### U.S. Department of Agriculture Water and Waste Disposal Systems for Rural Communities CFDA # 10.760

Type of Finding: Compliance (Other Matters) and Significant Deficiencies in Internal Control Over Compliance.

Criteria: Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires auditees to prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements.

Condition/Context: The District did not create a Schedule of Expenditures of Federal Awards for the year ending 09/30/2016.

Cause: The District's management did not create nor demonstrate a procedure for SEFA which is a requirement of administering federal funds.

Effect: The district is not in compliance with Uniform Guidance requirements of preparing a SEFA. The SEFA is the starting point for a Single Audit and identifies all the federally funded projects. The lack of a SEFA may result if improperly excluding federal programs from a single audit.

Questioned Costs: None Reported

Repeat Finding from Prior Year (s): Not applicable. This is the first year for the program.

Recommendation: Hire a grant administrator or increase training of in house staff on administering a USDA loan and establish policies and procedures to ensure the District is in compliance with the Uniform Guidance and creates a SEFA.

Views of Responsible Officials: SEFA will prepared by in-house staff in the future.

**MUSTANG SPECIAL UTILITIES DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
SEPTEMBER 30, 2016**

**A. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award activity of the Mustang Special Utility District (SUD) under programs of the federal government for the year ended 09/30/2016. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended and does not present the financial position, changes in net assets, or cash flows of the District.

Per Uniform Guidance expenditures reflected in the SEFA equals the value of new loans made during the fiscal year ending 09/30/16 instead of when the actual costs were incurred. The District makes periodic submissions to the U. S. Department of Agriculture (USDA) of capital expenses as they are incurred. The USDA approves the submissions and they advise how many bonds they will issue with each submission based on the approved costs and then disburse the funds in form of loans to the District. Although the District will submit expenses for a certain amount based on invoices the USDA disburses funds for a different amount based on the amount of bonds they issue. The bonds are only deliverable in increments of \$1,000. Moreover, included in the loan proceeds for the year is the interest accrued during construction payment. Per the letter of conditions USDA disburses to the District funds for the interest accrued during construction. Please see reconciliation of invoices submitted for expenses incurred vs. amount of funds received by the District.

**Reconciliation:**

Allowable Capital Expenditures submitted to USDA	\$ 10,325,367
Additional Funds disbursed to the District for capitalized expenditures due to the issuance of bonds as noted in the note 1 above	\$ 11,633
Additional funds disbursed to the District for interest accrued during construction	\$ 59,000
<b>Total Loan Proceeds received for capitalized expenditures during fiscal year ending 09/30/16 as noted in the SEFA</b>	<b>\$ 10,396,000</b>

**B Summary of Accounting Policies**

Expenditures reported on the Schedule are reported on the cash basis of accounting. The program expenditures reported on the Schedule includes the value of new loans made during the audit period in accordance with Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Fiscal year ending 09/30/16 is the first year of the federal award, therefore there is no beginning of the audit period balance of loans from previous years for which the Federal Government imposes continuing compliance requirements. The SUD has elected not to use the 10 percent de minimis indirect cost as allowed under the Uniform Guidance.

**C Federal Loan Programs**

The federal loan programs listed subsequently is administered directly by the U.S. Department of Agriculture and balances and transactions relating to the programs are included in the Mustang SUD basic financial statements. Fiscal year ending 09/30/16 is the first year of the federal award, therefore there is no beginning of the audit period balance of loans from previous years for which the Federal Government imposes continuing compliance requirements. However, loans made during the year are included in the federal expenditures presented in the Schedule. The District is guaranteed to receive the entire \$14,142,000 in loans from the USDA, therefore a loan receivable was recorded in the financial statements. The balance of loans outstanding as of September 30, 2016 consist of

<u>CFDA Number</u>	<u>Program Name</u>	<u>Beginning USDA Loan Balance at 10/01/2015</u>	<u>Loan Proceeds Received as of 09/30/2016 Including Interest</u>	<u>Loan Receivable</u>	<u>Outstanding Loan Balance as of 09/30/2016</u>
10.760	U.S. Department of Agriculture - Water and Waste Disposal Systems for Rural Communities Loans	\$0	\$ 10,396,000	\$ 3,746,000	\$ 14,142,000

# ATTACHMENT 6.B.i.

MUSTANG SPECIAL UTILITY DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED SEPTEMBER 30, 2016

Federal Agency Name and Federal Program Title	CFDA Number	Pass Through Agency	From Direct Awards	Pass through Awards	Total	Footnote
<b><u>U.S. Department of Agriculture</u></b>						
Water and Waste Disposal Systems for Rural Communities Loans	10.760	N/A	\$10,396,000	\$ -	\$ 10,396,000	C
Total U.S.Department of Agriculture					<u>10,396,000</u>	



7985 FM 2931  
AUBREY, TEXAS 76227  
TEL: 940-440-9561  
FAX: 940-440-9686

# **RATE ORDER**

CERTIFICATES OF CONVENIENCE AND NECESSITY NOS. 11856 AND 20930

DENTON COUNTY, TEXAS

Effective Date September 26, 2016

Board Approval Date September 26, 2016

(Original adopted October 27, 2003)

**SECTION G.  
RATES AND SERVICE FEES**

**UNLESS SPECIFICALLY DEFINED IN THIS RATE ORDER, ALL FEES, RATES, AND CHARGES AS STATED SHALL BE NON-REFUNDABLE.**

**1. Classes of Users.**

(A) All users of the District's water and wastewater services shall be grouped into the following classes:

(1) Residential users, consisting of residential users located within the District.

(2) Commercial users, consisting of users located within the District to which service to a non-residential structure is provided.

(B) Water charges will be assessed in such a manner that each class of users generally pays its share of debt service and operation and maintenance expenses for water service. The District may create additional classes of users in the future at its discretion.

(C) All classes of users may be grouped into sub-classes according to the meter size provided to their residence and/or commercial establishment.

**2. Service Investigation Fee.**

The District shall conduct a service investigation for each service application submitted to the District. An initial determination shall be made by the District, without charge, as to whether the request is for standard or non-standard service. An investigation shall then be conducted by the District and the results reported under the following terms:

(A) Standard Service Requests. All standard service requests shall be investigated without charge and all applicable costs for providing service shall be quoted in writing to the applicant within twenty (20) working days of application.

(B) Non-Standard Service Requests. All non-standard service requests shall be subject to a non-refundable Service Investigation Fee in the amount \$ 3,000 plus \$10.00 for each meter or meter equivalent in excess of two hundred and fifty (250) service connections within the project. Unless the District determines in its sole discretion otherwise, in which case the District may charge additional costs appropriate to the project and of sufficient amount to cover all administrative, legal and engineering costs associated with an investigation of the District's ability to provide service to the applicant's project, which may include

- (1) providing cost estimates of the project;
- (2) presenting detailed plans and specifications as per final plat;
- (3) advertising and accepting bids for the project;



- (4) preparing a Non-Standard Service Contract between the District and applicant; and
- (5) providing other services as required by the District for such investigation.

The Service Investigation Fee is to cover the District's expenses related to a nonstandard service application, including but not limited to, District staff time and legal and engineering expenses. Any costs related to a non-standard service application that exceed the initial Service Investigation Fee paid will be billed to the Applicant with payment due within 30 days from the date of invoice. Any costs incurred by the District arising from the District's use of independent consultants (including, but not limited to engineers and attorneys acting on behalf of the District) to review, approve or prepare a non-standard service contract and any supporting plans and specification will be billed to the Applicant at the District's actual cost plus an administrative fee equal to 15% of such actual costs. All such fees, costs or expenses of the District will be due and payable by the Applicant within 30 days following the District's date of invoice.

**3. Deposits.**

(A) Initial Payment and Amount. At the time an application for service is approved, the applicant shall pay a Deposit to be held by the District, without interest, until settlement of the customer's final bill. The Deposit will be used to offset unpaid charges or bills.

- (1) Residential Service Applicants.
  - (a) The Deposit for residential water service is \$100.00 for each service unit.
  - (b) The Deposit for residential wastewater service connection is \$50.00.
- (2) Commercial and Nonresidential Service Applicants.

The Deposits for commercial and nonresidential water and wastewater service, including Master Metered Accounts, shall not exceed an amount equivalent to one-sixth of the estimated annual billings as determined by the District.

(B) Commercial and Nonresidential Customers. If actual monthly billings of a commercial or nonresidential customer are more than twice the amount of the estimated billings at the time service was established, a new deposit amount may be calculated and an additional deposit may be required to be made within fifteen (15) days after the issuance of written notice.

(C) Applicants 65 Years of Age or Older. No deposit may be required of a standard service applicant who is 65 years of age or older if the applicant (i) delivers to the District an account history from the Applicants prior water or wastewater provider for the last 12 months and (ii) the account history does not show the payment of more than (2) late fees and no disconnection for nonpayment.

(D) Reestablishment of Deposit. Every service applicant who has previously been a customer of the District whose service has been discontinued for nonpayment of bills, meter tampering, bypassing of meter or failure to comply with applicable state regulations or regulations of the District shall be required, before service is resumed, to pay all amounts due the District or execute a deferred payment agreement, if offered, and shall be required to pay a deposit if the District

does not currently have a deposit from the customer.

(E) Refund of Deposit.

(1) If service is not connected, or after disconnection of service, the District shall refund the service applicant's or customer's deposit, if any, in excess of the unpaid bills for service furnished. In the event that a surplus of Five Dollars (\$5.00) or more exists after the final bill is paid, the balance of the Deposit will be paid to the customer within forty-five (45) days provided the customer has given the District written notice of a forwarding address. All requests for Deposit refunds shall be made in writing and must be delivered to the District within ninety (90) days of termination of service. In the event that an outstanding balance exists after the Deposit is applied, the District shall attempt to collect the outstanding balance by all lawful means available.

(2) If after 12 months of continuous service, the customer has paid no more than two (2) late payment fees, has not paid or incurred a non-payment fee and the customer is otherwise in good standing with the District, then the District will refund the customer's deposit.

(3) If the District has refunded a customer's deposit pursuant to the preceding paragraph and the customer has paid or incurred more than two (2) late fees in a 12 month period or incurred or paid a non-payment fee, then the customer will be required to deposit, with the District, \$100.00 to secure the customer's future payments. If the customer does not make the deposit within 30 days of the District's request, then the District may disconnect the customer's water service.

(F) Transfer of Service. A transfer of service from one service location to another within the District's service area shall not be deemed a disconnection within the meaning of this subsection, and no additional deposit may be required unless permitted by this section.

**4. Easement Fee.**

When the District determines that private way utility easements and/or easements for facility sites are necessary to provide service to an applicant, the applicant shall be required to make a good faith effort to secure such easements on behalf of the District or pay all costs incurred by the District to validate, clear and obtain such easements, including but not limited to legal fees and court costs, in addition to tap fees otherwise required pursuant to the provisions of this Rate Order. [See Sections E.2(c)(2) and F.7(a)].

**5. Connection Fee.**

The District shall charge a Connection Fee for water service as follows:

(A) Standard Service:

(1) The Water Connection Fee for standard water service is **\$3,000** and shall include one 5/8 x 3/4 meter, all labor, materials for construction, installation, or inspection of a tap or connection to the District's water system, including all necessary service line and meter. The Water Connection Fee for water service through a meter larger than 5/8 x 3/4 meter will be increased by the multiples of the meter equivalents stated herein. For example, the water connection for a one inch (1") meter will be 2.5 x \$3,000.00 or \$7,500.00.

(2) The Wastewater Capacity Fee for standard wastewater service (4 inch line) is \$3,000.00 plus the actual costs of all labor, materials for construction, installation, or inspection

of a tap or connection to the District's wastewater collection system.

(3) In addition to the charges assessed herein, the District may charge the applicant for any extraordinary expenses such as the cost of water meters larger than 5/8 x 3/4, road bores, street crossings, line extensions and system improvements and pipeline relocations under Section E.2(c)(6) of this Rate Order.

**(B) Non-Standard Service.**

(1) The Connection Fee for non-standard water service which, for the purpose of this section, is defined to be retail water service by the District to land that is being developed pursuant to the Texas Local Government Code that at the time of platting was not being provided with water service by the District, shall be **\$2,500.00** for each 5/8 x 3/4 (1 LUE) service connection plus **\$550.00** for each meter installation, or as determined by the Board of Directors based on all relevant factors including but not limited to the supply, pumping, storage and treatment capacity required for the Development compared to the amount of unrestricted capacity available in the District's system. Service connections larger than 5/8 x 3/4 will be determined using AWWA meter equivalent specification as follows:

METER SIZE	AWWA FACTOR	CONNECTION FEE	MONTHLY RATE
5/8 inch	1.0	\$ 2,500	\$ 26.75
1 inch	2.5	\$ 6,250	\$ 66.95
1-1/2 inch	5.0	\$ 12,500	\$ 133.90
2 inch	8.0	\$ 20,000	\$ 214.25
3 inch	15.0	\$ 37,500	\$ 401.70
4 inch	25.0	\$ 62,500	\$ 669.50
6 inch	50.0	\$ 125,000	\$ 1339.00
8 inch	80.0	\$ 200,000	\$ 2142.40

(2) The Wastewater Capacity Fee for non-standard waste-water service to each single family residence situated in an area developed or being developed for single family residential use that at the time of platting was not being provided with wastewater service by the District, shall be:

SEWER CONNECTIONS-BASED ON WATER METER SIZE	
5/8 inch	\$ 3,000.00
1 inch	\$ 7,500.00
1.5 inch	\$ 15,000.00
2 inch	\$ 24,000.00
3 inch	\$ 45,000.00
4 inch	\$ 75,000.00
6 inch	\$ 150,000.00
8 inch	\$ 240,000.00

As determined by the Board of Directors based on all relevant factors including but not limited to the supply, pumping, storage and treatment capacity required for the Development compared to

the amount of unrestricted capacity available in the District's system.

(3) Prior to the installation of any facilities to which Non Standard Connection Fees apply; the applicant shall execute a non-standard service agreement with the District.

**6. Upper Trinity Building Activity Fee.**

Pursuant to the District's contract for wastewater treatment services from the Upper Trinity Regional Water District ("UTRWD"), the District is required to collect the UTRWD's Building Activity Fee in the amount of \$500.00, upon the installation of any water meter to serve a property that also has wastewater service and is located within the areas served by either the UTRWD's Riverbend or Doe Branch wastewater reclamation plants.

**7. Monthly Charges.**

(A) Water Service. The District shall assess the following monthly charges for water service:

(1) Base Rate. The District's Base Rate for water service through a standard water meter is \$26.75 per month. The Base Rate is that portion of a customer's monthly bill which is paid for the opportunity of receiving utility service, excluding standby fees and reserved service charges, which does not vary due to changes in service consumption. The standard 5/8 x 3/4 meter (as per American Water Works Association maximum continuous flow specifications) is used as a base multiplier for the Base Rate amount. Therefore, a customer's Base Rate charge is based on the number of 5/8 x 3/4 meters equivalent to the size of that customer's meter. The District's monthly Base Rates for water service and meter size equivalents are as follows:

METER SIZE	METER EQUIVALENTS	MONTHLY RATE
5/8" x 3/4" (standard)	1.0	\$ 26.75
3/4" x 3/4"	1.5	\$ 40.15
1"	2.5	\$ 66.95
1½"	5.0	\$ 133.90
2"	8.0	\$ 214.25
3"	15.0	\$ 401.70
4"	25.0	\$ 669.50
6"	50.0	\$ 1339.00
8"	80.0	\$ 2142.40
Reserve Fee (No meter installed)		\$ 23.75

(2) Gallonage Charge. In addition to the Base Rate, customers with meters smaller than 2", shall be assessed a Gallonage Charge at the following rates for water usage during any one (1) billing period:

1 to 3,000 gallons. ....	\$2.65 per thousand
3,001 to 9,000 gallons. ....	\$3.65 per thousand

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

In addition to the Base Rate, customers with meters equal to or greater than 2” shall be assessed a Gallonage Charge at the following rates for water usage during any one (1) billing period:

1 to 25, 000 gallons	\$5.55 per thousand
>25, 000 gallons	\$8.50 per thousand

(B) Wastewater Service. The District's monthly rate for wastewater service on a per tap basis is as follows:

For Standard, ¾” Meters”:	
1 to 8,000 gallons of water used... . . . .	\$49.15 per month
>8,000 gallons of water used.. . . . .	\$54.80 per month
For 1”, 1.5”, 2” Meters:	
Usage Charge	\$17.95 per month
Usage per 1,000 gallons	\$ 3.45 per thousand
For 3”, 4” Meters:	
Usage Charge	\$34.65 per month
Usage per 1,000 gallons	\$ 5.55 per thousand
For 6”, 8” Meters:	
Usage Charge	\$132.30 per month
Usage per 1,000 gallons	\$ 5.55 per month

**WATER SERVICE RATES FOR CRESCENT OAKS SUBDIVISION**

Meter Size	Monthly Availability Fee
5/8 inch	\$ 45.00
3/4 inch	\$ 68.00
1 inch	\$ 114.00
1.5 inch	\$ 229.00
2 inch	\$ 367.00
3 inch	\$ 688.00

0 to 2,000 gallons. ....	\$ 6.00 per thousand
2,001 to 10,000 gallons. ....	\$ 8.00 per thousand
10,001 to 20,000 gallons. ....	\$ 9.00 per thousand
20,001 to 25,000 gallons... . . . .	\$10.00 per thousand

(C) Reserved Service Charge. The District shall assess a monthly Reserved Service Charge for each active account at a specific location for which a meter has not been installed but for which the District and an applicant have entered into a service agreement or Non-Standard Service Contract. This monthly charge shall be based on the District's fixed costs to service the applicant's dedicated facilities on a per service unit basis. This charge reserves service to the applicant's real property designated to receive service. This fee is determined by deducting \$3.00 from the

applicable Base Rate for water service and monthly rate for wastewater service.

(D) Regulatory Assessment. In accordance with TCEQ regulations, the District shall collect from each customer a regulatory assessment equal to 0.5% of the monthly charges for water and wastewater service. [See 30 TAC § 291.76(d)(3)].

(E) A Service Area Surcharge within the boundaries of Mustang SUD is applied to any retail public utility which encroaches upon Mustang's CCNs by providing or seeking to provide water or wastewater service in an area located within Mustang's CCNs without prior consent of Mustang or without obtaining dual or single certification of the area from the Public Utility Commission of Texas.

The rates are as follows:

- Service Area Surcharge of \$8.24 per standard water meter per month
- Service Area Surcharge of \$3.92 per standard wastewater connection per month
- Appropriate pro-rata adjustments to such surcharges for larger meters or connections

#### **8. Standby Fee.**

The monthly charge imposed on undeveloped property (a tract, lot or reserve in the district to which no water or wastewater connections have been made and for which water or wastewater facilities and services are available.). Upon adoption by the Board of Directors and approval by the TCEQ, the District shall charge a Standby Fee to owners of undeveloped property.

#### **9. Late Payment Fee.**

A charge of \$10.00 or 10.0%, whichever is greater, shall be applied to past due balances, if any, on each customer's monthly statement.

#### **10. Returned Check Fee.**

In the event a check, draft, or any other similar instrument is given by any person for payment of services provided for in this Rate Order, and the instrument is returned by the bank or other similar institution as insufficient or non-negotiable for any reason, the account for which the instrument was issued shall be assessed a return check charge of \$30.00. [See Appendix A, Form A-06].

#### **11. Guaranteed Same Day Reconnect Fee.**

Beginning on the disconnect day and any day after that, the District shall charge a Guaranteed Same Day Reconnect Fee of \$50.00 if payment is not delivered to the District's office before 1:00 p.m. for restoration of service after disconnection for any reason stated in this Rate Order or to restore service after disconnection at a customer's request, except for re-service under Sections E.3(b) and E.4(b) of this Rate Order. The Guaranteed Same Day Reconnect Fee will guarantee service reconnecting on that day.

#### **12. Nonpayment Fee.**

In addition to any applicable late payment fees, a Nonpayment Fee in the amount of \$60.00 will be applied to the customer's account if payment is not received by 5:00 p.m. on the delinquent notice due date.

**13. Service Trip Fee.**

The District shall charge a Service Trip Fee of \$25.00 for any service call or trip to a customer's tap as a result of a request by the customer or tenant, unless the service call concerns damage to District or customer equipment or facilities, or for the purpose of disconnecting or collecting payment for services.

**14. Equipment Damage Fee.**

The District shall charge for all labor, material, equipment, and all other actual costs necessary to repair or replace all equipment damaged due to negligence, meter tampering or bypassing, reconnecting service without authority or other service diversion, or the discharge of wastes which the District's wastewater system cannot properly treat. The utility may charge for all actual costs necessary to correct service diversion or unauthorized taps where there is no equipment damage, including incidents where service is reconnected without authority. An itemized bill of such charges shall be provided to the customer. In cases of meter tampering or service diversion, the District may disconnect the service of a customer refusing to pay damage charges. [See 30 TAC § 291.87(n)].

**15. Customer History Report Fee.**

A fee of \$5.00 shall be charged to provide a copy of the customer's record of past water purchases in response to a customer's request for such a record.

**16. Meter Test Fee.**

The District shall test a customer's meter upon written request of the customer and a Meter Test Fee of \$35.00 shall be imposed on the affected account.

**17. Meter Relocation Fee.**

The fee for moving a meter from one location to another under the terms of Section E.24 shall be the actual costs incurred by the District plus administrative charges, or a minimum fee of \$150.00.

**18. Temporary Service Charges.**

A tap fee of \$50.00 shall be charged plus actual installation charges for temporary water service. In addition to the tap fee, and prior to receiving temporary service, contractors shall pay a deposit of \$1,000.00 and new property owners shall pay a deposit of \$150.00. Applicants shall also pay any other applicable fees or charges set forth in this Rate Order.

**19. Non-Disclosure Fee.**

A fee of \$2.00 shall be assessed to any customer requesting in writing that personal information under the terms of this Rate Order not be disclosed to the public.

**20. Information Disclosure Fee.**

All public information except that which has been individually requested as confidential shall be available to the public for a fee to be determined by the District based on the level of service and costs to provide such information, but not to be inconsistent with the terms of the Texas Publication Information Act: Chapter 552, Texas Government Code.

**21. Transfer Fee.**

The District shall charge a Transfer Fee of \$25.00 when applicable to cover administrative costs and the cost of recording easements in the land records of the county.

**22. Franchise Fee Assessment.**

A fee as determined and contractually agreed upon by and between the District and the municipality and/or other government entities empowered to do so, of the amount billed for water service will be assessed each customer whose meter is located inside the corporate limits of a municipality that imposes a franchise fee on the District.

**23. Additional Assessments.**

In the event any federal, state or local government imposes on the District a "per meter" fee or an assessment based on a percent of water/wastewater charges, this fee or assessment will be billed and collected as a "pass through" charge to the customer.

**24. Other Fees.**

All services outside the normal scope of utility operations that the District may be compelled to provide at the request of a customer shall be charged to the recipient based on the cost of providing such service.

**25. Voluntary Disconnect Fee.**

The District shall charge a Voluntary Disconnect Fee of \$35.00 when applicable to cover administrative costs.

**26. Reconnect Fee.**

The District shall charge a Reconnect Fee of \$25.00 when applicable to cover administrative costs.



"Attachment 7.D."  
Landowners > 25 Ac.

PROP ID	AREA	OWNER NAME	STREET ADDRESS	CITY	STATE	ZIP	LEGAL DESCRIPTION
38546	514.65	OLIVER, WAYNE A	1079 W ROUND GROVE RD # 301	LEWISVILLE	TX	75067	MANCO MANOR BLK A LOT 11
38566	129.29	ELLIOTT, BRYCE & CARRIE	9109 WAGON TRL	CROSSROADS	TX	76227	CROSS OAK RANCH PH 2 TR 4 BLK 4E LOT 12
38571	53.58	BETANCOURT, HORACIO G	2114 SHERATON DR	CARROLLTON	TX	75007	ROLLINGWOOD EST 3 BLK P LOT 3
38577	108.31	CONFIDENTIAL	4053 KNIGHTERRANT	FORT WORTH	TX	76262	CHADWICK FARMS ADDN SEC 6 PH 1 BLK 21 LOT 4
52545	39.62	KBB PROPERTIES LLC	408 WESTWOOD TER	AUSTIN	TX	78746	MEADOW GLEN ADDN SEC 1 BLK D LOT 5
52560	60.89	JBGL MUSTANG LLC	2805 N DALLAS PKWY STE 400	PLANO	TX	75093	MUSTANG PARK PHASE NINE BLK A LOT 70
52570	50.30	SALEH, MEDHAT & SALLY	2301 CHAPELWOOD DR	LEWISVILLE	TX	75077	HIGHLAND LAKES PH II BLK F LOT 1
52585	60.45	STROUT, STEVEN B, ETUX, MARGERY GRENNON	447 BRISTOL ST	ROANOKE	TX	76262	BRIARWYCK ADDN PH 1 BLK A LOT 24
52664	42.69	KERN, PETER C	PO BOX 277	PILOT POINT	TX	76258	A0418A 5 FLINT, TR 3, 10 0 ACRES, OLD DCAD TR 10B
52776	40.61	BUC-EE'S, LTD	327 FM 2004 RD	LAKE JACKSON	TX	77566	BUC-EE'S #39 SUBDIVISION ADDITION BLK A LOT 1
52791	63.38	NELSON, MATTHEW C	1407 GLENHILL LN	LEWISVILLE	TX	75067	NELSON ESTATES BLK A LOT 1
52795	108.08	SCOTT, JEAN O	486 MEDINA DR	HIGHLAND VILL	TX	75077	VILLAGE ESTATES 3 BLK M LOT 8
52799	121.57	ACKER, JERRY & MARILEE	3905 HARVEST GLEN DR	DENTON	TX	76208	THE MEADOWS OF WINDY HILL SEC 1 PH 1 BLK A LOT 9
52803	113.54	GARNER, SHEMETIA ASHANTI	1565 BASTROP DR	CARROLLTON	TX	75010	ELM WOOD TRAIL PH I BLK B LOT 17
52807	95.43	TRAILWOOD INVESTMENTS LP	218 W WALL ST	GRAPEVINE	TX	76051	TRAILWOOD PHASE 1 BLK D LOT 9
52884	60.94	COLLIER, DANIEL J & STEHANIE L	1721 ROBIN LN	FLOWER MOUND	TX	75028	SHERWOOD EST BLK E LOT 14
52887	34.81	WOLFORD, RYAN & KALYNNE	2326 BRAZOS DR	FRISCO	TX	75033	NORTHBRIDGE PH 2 BLK E LOT 7
52889	98.83	JACKSON, ADAM E & CASTILLO-JACKSON, SHABREZKA	2504 SUMMER TRAIL DR	DENTON	TX	76209	SUMMER OAKS ADDITION BLK B LOT 9
52893	82.54	ADAMS, CAROLYN A	1025 RIDGEVIEW CIR	CARROLLTON	TX	75007	RIDGEVIEW PLACE BLK F LOT 18
52894	83.82	ENRIQUEZ, JUAN G & CECILIA	2905 SIERRA DR	CARROLLTON	TX	75007	THE PALISADES PH 1B BLK 21 LOT 50
52913	30.14	IHOP PROPERTY LLC	450 N BRAND BLVD	GLENDALE	CA	91203	CHAPARRAL COVE LOT 5
52916	32.56	BRUCE, REBECCA & JOSEPH	1697 RED ROCK CANYON RD	FRISCO	TX	75034	PHILLIPS CREEK RANCH PHASE 1 BLK F LOT 1
52918	29.55	MARTINEZ, MARINA O	374 W PURNELL RD	LEWISVILLE	TX	75057	JAMES DEGAN BLK 2 LOT 2
52923	24.81	HARMS, TIMOTHY E	7081 FOX DR	THE COLONY	TX	75056	NORTHPOINTE PH 3 BLK 1 LOT 21
52952	25.55	RENCH, JAMES A	1409 LYNHURST LN	DENTON	TX	76205	HOLIDAY PARK BLK F LOT 13 13/194-F///AB274
147923	49.36	HARRIS, JAMIL	1635 GOODWIN DR	AUBREY	TX	76227	ISLAND VILLAGE AT PROVIDENCE BLK C LOT 2
157242	57.80	THAI, HAN & THUY	1418 STELLA DR	LEWISVILLE	TX	75067	DIAMOND HILL ESTATES PH 2 BLK B LOT 14
281953	132.10	SMILEY ROAD, LTD	4265 KELLWAY CIR	ADDISON	TX	75001	A0211A COWAN, TR 39A, 133.5223 ACRES
287299	79.85	SMILEY ROAD, LTD	4265 KELLWAY CIR	ADDISON	TX	75001	A0791A J MORTON, TR 2 & 3A, 81.874 ACRES
637957	70.04	CADG COMANCHE 248, LLC	1800 VALLEY VIEW LN STE 300	FARMERS BRANCH	TX	75234	A0730A WM LUMPKINS, TR 14B, 72.5 ACRES
676921	40.55	PULTE HOMES OF TEXAS LP	4800 REGENT BLVD STE 100	IRVING	TX	75063	A0730A WM LUMPKINS, TR 15B, 40.832 ACRES
676922	72.60	PULTE HOMES OF TEXAS LP	4800 REGENT BLVD STE 100	IRVING	TX	75063	A0730A WM LUMPKINS, TR 14B(1), 72.6 ACRES
699004	163.18	GREEN MEADOWS COMMUNITY INC	4265 KELLWAY CIR	ADDISON	TX	75001	A0211A COWAN, TR 32A, 165.6407 ACRES
699006	69.14	GREEN MEADOWS COMMUNITY INC	4265 KELLWAY CIR	ADDISON	TX	75001	A0211A COWAN, TR 41A, 69.135 ACRES
699007	67.41	GREEN MEADOWS COMMUNITY INC	4265 KELLWAY CIR	ADDISON	TX	75001	A0211A COWAN, TR 40A, 67.4146 ACRES, OLD DCAD SHT 2, TR #11
699081	36.59	HORIZON / DEER CREEK DEVELOPMENT CORP.	5760 LEGACY DR STE B3-388	PLANO	TX	75024	A0730A WM LUMPKINS, TR 2A,12A,16A, 36.588 ACRES, (DENTON ISD)