

DEED FOR GROUND WATER RIGHTS

After Recording Return to:

Mustang Special Utility District, a Texas Utility
Attn. Chris Boyd – General Manager
7985 FM 2931
Aubrey, Texas 76227

-- above this line for official use only --

STATE OF TEXAS)

) KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF DENTON)

THIS DEED, made this 28th day of June, 2017, between CADG Sutton Fields, LLC, a Texas limited liability company, and CADG Sutton Fields II, LLC, Ltd., a Texas limited liability company, as "Grantors" and Mustang Special Utility District, as "Grantee" with respect to ground water rights underlying the real property hereinafter described (the "Property"):

Grantors: CADG Sutton Fields, LLC.
Attn. Mehrdad Moayed, Manager
1800 Valley View Lane, Suite 300
Farmers Branch, Texas 75234
Phone: (469) 892 - 7200
Email: Travis@CenturionAmerican.com
Fax: (469) 892 – 7202

CADG Sutton Fields II, LLC.
Attn. Mehrdad Moayed, Manager
1800 Valley View Lane, Suite 300
Farmers Branch, Texas 75234
Phone: (469) 892 - 7200
Email: Travis@CenturionAmerican.com
Fax: (469) 892 – 7202

Grantee: Mustang Special Utility District
7985 FM 2931
Aubrey, Texas 76227

Groundwater Authority: North Texas Groundwater Conservation District

Real Property Description: See Exhibit "A" attached

WITNESSETH, Grantors, in consideration for the sum of the sum of Ten dollars (\$10.00) and other good and valuable consideration, the sufficiency of which is expressly acknowledged and confessed, and subject to the Reservations from Conveyance contained

herein, sells, grants, quitclaims and conveys to Grantee the Groundwater Rights of said Real Property, together with all and singular the rights and appurtenances thereto or in any way belonging, to have and to hold, to Grantee. Grantors bind Grantors and Grantors' heirs, successors and assigns to warrant and forever defend all and singular the Groundwater Rights conveyed herein to Grantee against every person whomsoever lawfully claiming by through the Grantor.

Groundwater: All of the underground water that may be produced from the Trinity Aquifer at all depths and horizons beneath the surface of the Real Property.

Groundwater Rights: (1) The Groundwater and the right to explore for, access, test, drill for, develop, withdraw, capture, rework and/or repair the water system or otherwise beneficially use the Groundwater; (2) the right to use the surface of the Real Property for access to (egress and ingress) and to explore for, drill for, develop, produce, and transport the Groundwater; and (3) all permits, licenses, or other governmental authorizations relating to any of the foregoing.

Right to Use of Groundwater. Notwithstanding the grant herein, CADG shall have the right to operate the well now existing under TCEQ Well Tracking No. 430171 (the "Well"), and to use the water produced by the Well up to its current capacity, for irrigation needs and to maintain other surface amenities located on the Property. CADG shall have the right to drill and operate two (2) additional wells on the property at its own expense, after consultation with Mustang, and use the groundwater therefrom to serve any additional irrigation needs and other surface amenities located on the Property. Use of the ground water produced by any well shall not be used as fresh water or to provide retail water service to the property.

EXECUTED on this the 28th day of June, 2017.

/signatures below/

EXECUTED on this the 28th day of June, 2017.

CADG Sutton Fields, LLC,
a Texas limited liability company

By: CADG Holdings, LLC,
a Texas limited liability company
Its Sole Member

By: MMM Ventures, LLC,
a Texas limited liability company
Its Manager

By: 2M Ventures, LLC,
a Delaware limited liability company
Its Manager

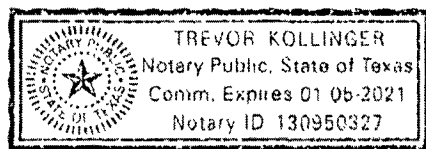
By: [Signature]
Name: Mehrdad Moayed
Its: Manager

STATE OF TEXAS §

§

COUNTY OF DALLAS §

This instrument was acknowledged before me on the 28 day of June 2017 by Mehrdad Moayed, Manager of 2M Ventures, LLC, as Manager of MMM Ventures, LLC, as Manager of CADG Holdings, LLC, as Sole Member of CADG Sutton Fields, LLC, a Texas limited liability company on behalf of said company.



(SEAL)

[Signature]
Notary Public, State of Texas


EXECUTED on this the 28th day of June, 2017.

CADG Sutton Fields II, LLC,
a Texas limited liability company

By: CADG Holdings, LLC,
a Texas limited liability company
Its Sole Managing Member

By: MMM Ventures, LLC,
a Texas limited liability company
Its Manager

By: 2M Ventures, LLC,
a Delaware limited liability company
Its Manager

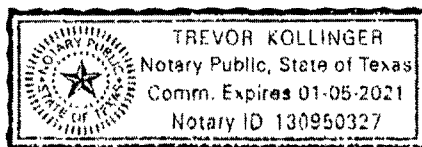
By: 
Name: Mehrdad Moayed
Its: Manager

STATE OF TEXAS §

§

COUNTY OF DALLAS §

This instrument was acknowledged before me on the 28 day of June 2017 by Mehrdad Moayed, Manager of 2M Ventures, LLC, as Manager of MMM Ventures, LLC, as Manager of CADG Holdings, LLC, as Sole Managing Member of CADG Sutton Fields II, LLC, a Texas limited liability company on behalf of said company.



(SEAL)


Notary Public, State of Texas

EXHIBIT A

PROPERTY DESCRIPTION

SUTTON FIELDS I & II

LEGAL DESCRIPTION 494.883 ACRE TRACT

BEING that certain tract of land situated in the Freeman Wilkerson Survey, Abstract No. 1411, the Thomas B. Cox Survey, Abstract No. 309, the Carrol Jackson Survey, Abstract No. 1546, the Jacob Rue Survey, Abstract No. 1109, and the Hiram Rue Survey, Abstract No. 1111, in Denton County, Texas, and being all of that certain tract of land described in deed to Tarsan Corporation recorded in Document No. 2002-108524, of the Real Property Records of Denton County, Texas (RPRDCT), being all of those certain tracts of land described in deeds to Mike A. Myers Investment Holdings, L.P. recorded in Document No. 2005-33384, RPRDCT, Document No. 2007-53939 RPRDCT, and Document No. 2005-93340, RPRDCT, all of that certain tract of land described in deed to The Amanda S. Myers Irrevocable Asset Trust recorded in Document No. 2011-125051, RPRDCT, all of that certain tract of land described in deed to Ok Kyun and Youngmoo Kim, Trustees of the Kim Family Living Trust recorded in Document No. 2005-86220, RPRDCT, and part of that certain tract of land described in deed to Frisco Industrial Partners recorded in Document NO. 2008-66233, RPRDCT, and being more particularly described as follows;

BEGINNING at a 1/2 inch capped iron rod found, said iron rod being located on the east right-of-way line of Farm to Market (FM) Road No. 1385 (variable width R.O.W.), and also being the northwest corner of Countryview Addition, an addition to Denton County according to Final Plat recorded in Cabinet F, Page 267, of the Plat Records of Denton County, Texas;

THENCE North 01°28'19" East, with said east right-of-way line of FM No. 1385, a distance of 310.72 feet to a 1/2 inch iron rod found for corner, said iron rod being the northwest corner of the aforementioned Mike A. Myers Investment Holdings, L.P. tract, recorded in Document No. 2007-53939 RPRDCT, and a southwest corner of the aforementioned Mike A. Myers Investment Holdings, L.P. tract recorded in Document No. 2005-93340 RPRDCT;

THENCE North 01°22'30" East, continuing with the east right-of-way line of FM No. 1385, a distance of 204.07 feet to a 1/2 inch iron rod found for corner, said iron rod being the northwest corner of said Mike A. Myers Investment Holdings, L.P. tract recorded in Document No. 2005-93340 RPRDCT, and the southwest corner of the aforementioned tract of land described in deed to Tarsan Corporation recorded in Document No. 2002-108524, RPRDCT;

THENCE North 01°32'20" East, continuing with the east right-of-way line of FM No. 1385, a distance of 455.39 feet to a 1/2 inch iron rod found for corner;

THENCE North 01°55'54" East, continuing with the east right-of-way line of FM No. 1385, a distance of 446.59 feet to a 1/2 inch iron rod found for corner at the intersection of the east right-

of-way line of FM No. 1385, and the approximate center of Crutchfield Road (undedicated public road), and the northwest corner of said Tarsan Corporation tract;

THENCE North 89°43'38" East, with said approximate center of Crutchfield Road, and the north line of the Tarsan tract, and the aforementioned Mike A. Myers Investment Holdings, L.P. tract recorded in Document No. 2005-33384, RPRDCT, a distance of 3428.14 feet to a railroad spike found for corner at the northeast corner of said Mike A. Myers Investment Holdings, L.P. tract recorded in Document No. 2005-33384, RPRDCT;

THENCE North 00°08'37" West, continuing with the approximate center of Crutchfield Road, and with the west line of the aforementioned Amanda S. Myers Irrevocable Asset Trust tract, a distance of 858.91 feet to a 1/2 inch iron rod found for corner, said iron rod being the northwest corner of said Amanda S. Myers Irrevocable Asset Trust tract, and the southeast corner of that certain tract of land described in deed to Fashand Farm, Ltd. recorded in Document No. 2004-135532, RPRDCT;

THENCE North 89°30'51" East, continuing with the approximate center of Crutchfield Road, and with the north line of the Amanda S. Myers Irrevocable Asset Trust tract, a distance of 1759.29 feet to a 1/2 inch iron rod found for corner;

THENCE South 00°23'19" East, with the east line of the Amanda S. Myers Irrevocable Asset Trust tract, and the west line of that certain tract of land described in deed to Smiley Road, Ltd. recorded in Document No. 2006-2064, RPRDCT, a distance of 2685.16 feet to a 5/8 inch iron rod found for corner;

THENCE South 89°13'31" West, with a line described in Boundary Line Agreement recorded in Instrument No. 2005-122140, RPRDT, a distance of 527.69 feet to a 1/2 inch iron rod found for corner;

THENCE South 00°41'45" West, with a line described in said Boundary Line Agreement recorded in Instrument No. 2005-122140, RPRDT, a distance of 2985.21 feet to a 60d nail found in asphalt for corner, said nail being located in the approximate center of Parvin Road (undedicated public road);

THENCE North 89°11'44" West, with said approximate center of Parvin Road, and with a line described in said Boundary Line Agreement recorded in Instrument No. 2005-122140, RPRDT, a distance of 1163.46 feet to a 3/8 inch iron rod found for corner;

THENCE North 00°42'55" West, leaving the approximate center of Parvin Road, and with the west line of the Amanda S. Myers Irrevocable Asset Trust tract, the east line of that certain tract of land described in deed to Donald K. Estep and Sonja K. Estep recorded in Document No. 2011-67774, RPRDCT, and that certain tract of land described in deed to Donald Kenny Estep and Sonja Kay Estep recorded in Document No. 2001-99806, RPRDCT, a distance of 280.30 feet to a 5/8 inch iron rod with plastic cap marked "PETITT-RPLS 4087" set for corner;

THENCE South 89°32'42" West, with a south line of that certain tract of land described in deed

to Ok Kyun and Youngmoo Kim, Trustees of the Kim Family Living Trust recorded in Document No. 2005-86220, RPRDCT, a distance of 239.66 feet to a 5/8 inch iron rod with plastic cap marked "PETITT-RPLS 4087" set for corner;

THENCE South 00°49'27" East, with an easterly line of said Kim Family Living Trust tract, the west line of said Estep tracts, and the west line of that certain tract of land described in deed to Claude Adams and Kathleen Adams recorded in Document No. 2011-67775, RPRDCT, and the west line of that certain tract of land described in deed to David P. Brewer and Carolyn Brewer recorded in Document No. 2012-34990, RPRDCT, a distance of 734.88 feet to a 1/2 inch iron rod found for corner at the southwest corner of said Brewer tract, and an interior "ell" corner of the Kim Family Living Trust tract;

THENCE North 89°20'27" East, a distance of 238.85 feet to a 1/2 inch iron rod found for corner, said iron rod being located at the southwest corner of the Brewer tract, a northeast corner of the Kim Family Living Trust tract, and also being located in the aforementioned approximate center of Parvin Road;

THENCE South 00°32'10" East, with an easterly line of the Kim Family Living Trust tract, and said approximate center of Parvin Road, a distance of 490.79 feet to a 1/2 inch iron rod found for corner at the most southerly southeast corner of the Kim Family Living Trust tract;

THENCE South 89°26'22" West, with the south line of the Kim Family Living Trust tract, and the approximate center of Parvin Road, a distance of 378.96 feet to a nail in asphalt found for corner;

THENCE North 00°17'53" East, leaving the approximate center of Parvin Road, and with a west line of the Kim Family Living Trust tract, and the east line of that certain tract of land described in deed to John M. Cospers and Jackie Cospers recorded in Volume 626, Page 706, RPRDCT, passing at a distance of 27.73 feet a 5/8 inch iron rod in concrete found, continuing in all, a distance of 267.98 feet to a 5/8 inch iron rod with plastic cap marked "PETITT-RPLS 4087" set for corner, from which a 5/8 inch iron rod in concrete found bears South 00°17'53" West, a distance of 2.99 feet;

THENCE South 89°25'59" West, with a south line of the Kim Family Living Trust tract, and the north line of the Cospers tract, a distance of 824.19 feet to a 1/2 inch iron rod found for corner;

THENCE South 00°39'57" East, with the west line of the Cospers tract, and an easterly line of the Kim Family Living Trust tract, passing at a distance of 244.64 feet a 1/2 inch iron rod found, continuing in all, a distance of 265.80 feet to a 1/2 inch iron rod found for corner at a southeast corner of Kim Family Living Trust tract, and also being located in the aforementioned approximate center of Parvin Road;

THENCE South 89°09'41" West, with the south line of the Kim Family Living Trust tract, and the approximate center of Parvin Road, passing at a distance of 411.81 feet a 1/2 inch iron rod found at the northeast corner of that certain tract of land described in deed to Swisher Partners, L.P. recorded in Document No. 2004-7927, RPRDCT, continuing in all, a distance of 462.41 feet

to a 1/2 inch iron rod found for corner at the southeast corner of that certain tract of land described in deed to the City of Celina, Texas recorded in Document No. 2008-62468, RPRDCT;

THENCE North 00°41'57" West, with the east line of said City of Celina, Texas tract, a distance of 60.00 feet to a 5/8 inch iron rod with plastic cap marked "PETITT-RPLS 4087" set for corner;

THENCE South 89°18'56" West, with a north line of the City of Celina, Texas tract, and Parvin Road, a distance of 1107.30 feet to a 5/8 inch iron rod with plastic cap marked "PETITT-RPLS 4087" set for corner;

THENCE North 00°41'04" West, leaving said north line of Parvin Road, a distance of 843.46 feet to a 5/8 inch iron rod with plastic cap marked "PETITT-RPLS 4087" set for corner;

THENCE South 89°18'56" West, a distance of 815.06 feet to a 5/8 inch iron rod with plastic cap marked "PETITT-RPLS 4087" set for corner, said iron rod being located on an easterly line of said City of Celina, Texas tract, and the aforementioned east right-of-way line of FM No. 1385;

THENCE North 01°32'26" East, with said east right-of-way line of FM No. 1385 according to City of Celina, Texas tract deed, a distance of 350.05 feet to a 5/8 inch iron rod with plastic cap marked "PETITT-RPLS 4087" set for corner;

THENCE North 89°22'47" East, leaving the east right-of-way line of FM No. 1385, and with the north line of the aforementioned tract of land described in deed to Frisco Industrial Partners recorded in Document No. 2008-66233, RPRDCT, and the south line of that certain tract of land described in deed to Anna Liz Hong recorded in Document No. 2014-15601, RPRDCT, a distance of 1908.52 feet to a 5/8 inch iron rod with plastic cap marked "PETITT-RPLS 4087" set for corner;

THENCE North 00°41'47" West, with the east line of said Anna Liz Hong tract, and the most westerly line of the aforementioned Kim Family Living Trust tract, a distance of 1546.84 feet to an old wood corner post found for corner, from which a 5/8 inch iron rod found bears South 16°28'53" West, a distance of 1.57 feet;

THENCE North 00°24'23" West, with the west line of the aforementioned Mike A. Myers Investment Holdings, L.P. tract recorded in Document No. 2005-33384, RPRDCT, passing at a distance of 479.75 feet a 5/8 inch iron rod found at the southeast corner of that certain tract of land described in deed to Lee A. Brown recorded in Document No. 2003-122624, RPRDCT, continuing with said west line of the Mike A. Myers Investment Holdings, L.P. tract recorded in Document No. 2005-33384, RPRDCT, and the east line of said Lee A. Brown tract, in all, a total distance of 951.64 feet to a 5/8 inch iron rod found for corner at the southeast corner of the aforementioned Countryview Addition;

THENCE North 00°07'02" West, continuing with the west line of the Mike A. Myers Investment Holdings, L.P. tract recorded in Document No. 2005-33384, RPRDCT, and the east line of said Countryview Addition, a distance of 588.61 feet to a 5/8 inch iron rod with plastic cap marked "PETITT-RPLS 4087" set for corner, from which a 1/2 inch iron rod found bears South 89°26'31" West, a distance of 1.51 feet;

THENCE South 89°18'14" West, with the south line of the aforementioned Mike A. Myers Investment Holdings, L.P. tract recorded in Document No. 2005-93340, RPRDCT, a distance of 1301.63 feet to a 1/2 inch iron rod found for corner at the most southerly southwest corner of said Mike A. Myers Investment Holdings, L.P. tract recorded in Document No. 2005-93340 RPRDCT, and the southeast corner of the aforementioned Mike A. Myers Investment Holdings, L.P. tract recorded in Document No. 2007-53939 RPRDCT;

THENCE South 89°15'45" West, with the south line of said Mike A. Myers Investment Holdings, L.P. tract recorded in Document No. 2007-53939 RPRDCT, a distance of 522.72 feet to the POINT OF BEGINNING of herein described tract of land containing an area of 494.883 acres of land.

LEGAL DESCRIPTION – 112.886 ACRE TRACT

BEING that certain tract of land situated in the Thomas H. McIntyre Survey, Abstract No. 903, in Denton County, Texas, and being part of that certain tract of land described in deed to Denton County 128 Development LLC recorded in Document No. 2013-135475, of the Real Property Records of Denton County, Texas (RPRDCT), and being more particularly described as follows:

LEGAL DESCRIPTION – 127.930 ACRES

BEING that certain tract of land situated in the Thomas H. McIntyre Survey, Abstract No. 903, in Denton County, Texas, and being all of that certain tract of land described in deed to Denton County 128 Development LLC recorded in Document No. 2013-135475, of the Real Property Records of Denton County, Texas (RPRDCT), and being more particularly described as follows;

COMMENCING at a 1/2 inch iron rod found at the intersection of the east right-of-way line of Farm to Market (FM) Road No. 1385 (variable width R.O.W.), and the approximate center of Crutchfield Road (undedicated public road), said iron rod also being the northwest corner of that certain tract of land described in deed to Tarsan Corporation recorded in Document No. 2002-108524, RPRDCT;

THENCE North 89°43'38" East, continuing with the east right-of-way line of FM No. 1385, a distance of 2.88 feet to the POINT OF BEGINNING of herein described tract, a 1/2 inch iron rod found for corner, said iron rod being the southwest corner of said Denton County 128 Development LLC tract;

THENCE North 01°41'02" East, continuing with the east right-of-way line of FM No. 1385, a distance of 606.22 feet to a 1/2 inch iron rod found for corner;

THENCE North 00°48'15" East, continuing with the east right-of-way line of FM No. 1385, a distance of 797.75 feet to a 1/2 inch iron rod found for corner at the most westerly northwest corner of said Denton County 128 Development LLC tract, and the southwest corner of that certain tract of land described in deed to Munish Gupta and Anusha Gupta recorded in Document No. 2013-84112, RPRDCT;

THENCE North 89°33'57" East, leaving the east right-of-way line of FM No. 1385, and with the north line of said Denton County 128 Development LLC tract, and the south line of said Gupta tract, a distance of 1280.98 feet to a 1/2 inch iron rod found for corner;

THENCE North 00°21'49" West, with a west line of said Denton County 128 Development LLC tract, the east line of said Gupta tract, and the east line of that certain tract of land described in deed to Dena C. Riley recorded in Document No. 00-R0050894, RPRDCT, a distance of 547.19 feet to a 5/8 inch capped iron rod ("J-E #3700) found for corner at the southeast corner of that certain tract of land described in deed to Jeff Hamner recorded in Volume 2156, Page 762, RPRDCT;

THENCE North 00°25'32" West, with a west line of said Denton County 128 Development LLC tract, and an east line of said Jeff Hamner tract, a distance of 553.05 feet to a 1/2 inch iron rod found for corner at the northeast corner of said Jeff Hammer tract, and the southeast corner of that certain tract of land described in deed to 28 & 12 Arm on Preston Road, Ltd. recorded in Instrument No. 2004-137416, RPRDCT;

THENCE North 00°02'29" East, with a west line of said Denton County 128 Development LLC tract, and the east line of said 28 & 12 Arm on Preston Road, Ltd. tract, a distance of 73.81 feet to a 1/2 inch iron rod found for corner at the most northerly northwest corner of said Denton County 128 Development LLC tract, and the most southerly southwest corner of that certain tract of land described in deed to Blue Angus Ranch, LP, recorded in Instrument No. 2007-107216, RPRDCT;

THENCE South 89°46'58" East, with the most northerly north line of said Denton County 128 Development LLC tract, and the most southerly south line of said Blue Angus Ranch, LP tract, a distance of 959.75 feet to a 3/8 inch iron rod found for corner at the most southerly southeasterly corner of said Blue Angus Ranch, LP tract, and a southwest corner of that certain tract of land described in deed to Fashand Farm, Ltd. recorded in Document No. 2004-135532, RPRDCT;

THENCE South 89°47'30" East, continuing with the most northerly north line of said Denton County 128 Development LLC tract, and with a south line of said Fashand Farm, Ltd. tract, a distance of 395.36 feet to a 1/2 inch iron rod found for corner;

THENCE South 02°55'32" West, with an east line of said Denton County 128 Development LLC tract, and a west line of said Fashand Farm, Ltd. tract, a distance of 454.72 feet to a 1/2 inch iron rod found for corner;

THENCE North 89°27'35" East, with a north line of said Denton County 128 Development LLC tract, and a south line of said Fashand Farm, Ltd. tract, a distance of 156.79 feet to 1/2 inch iron rod found for corner at a northeast corner of said Denton County 128 Development LLC tract, and the northwest corner of that certain tract of land described in deed to Fashand Farm, Ltd. recorded in Document No. 2005-21653, RPRDCT;

THENCE South 00°09'07" East, with the most easterly east line of said Denton County 128

Development LLC tract, the west line of said Fashand Farm, Ltd. tract recorded in Document No. 2005-21653, RPRDCT, and the west line of that certain tract of land described in deed to Jan M. Paliwoda and Margaret Paliwoda recorded in Volume 4364, Page 1631, RPRDCT, a distance of 2035.13 feet to a 1/2 inch capped iron rod (#6005) found for corner at the northeast corner of that certain tract of land described in deed to SBA Towers IV, LLC recorded in Document No. 2013-94302, RPRDCT;

THENCE South 89°09'16" West, with the north line of said SBA Towers IV, LLC tract, a distance of 50.18 feet to a 1/2 inch capped iron rod (#6005) found for corner;

THENCE South 00°57'44" East, with the west line of said SBA Towers IV, LLC tract, a distance of 50.16 feet to a 1/2 inch capped iron rod (#6005) found for corner;

THENCE North 89°07'28" East, with the south line of said SBA Towers IV, LLC tract, a distance of 49.90 feet to a 1/2 inch iron rod found for corner on said most easterly east line of said Denton County 128 Development LLC tract, and the west line of said Jan M. Paliwoda and Margaret Paliwoda tract;

THENCE South 00°54'46" East, with said most easterly east line of said Denton County 128 Development LLC tract, and the west line of the Jan M. Paliwoda and Margaret Paliwoda tract, a distance of 31.06 feet to a 1/2 inch iron rod found for corner on said approximate center of Crutchfield Road, and being the southeast corner of said Denton County 128 Development LLC tract;

THENCE South 89°43'38" West, with said approximate center of Crutchfield Road, the north line of that certain tract of land described in deed to Mike A. Myers Investment Holdings, L.P. tract recorded in Document No. 2005-33384, RPRDCT, and the north line of said Tarsan tract, a distance of 2797.59 feet to the POINT OF BEGINNING of herein described tract of land containing an area of 127.930 acres of land;

SAVE AND EXCEPT the following 15.044 Acre Tract of land being more particularly described as follows:

LEGAL DESCRIPTION – 15.044 ACRE TRACT

BEING that certain tract of land situated in the Thomas H. McIntyre Survey, Abstract No. 903, in Denton County, Texas, and being part of that certain tract of land described in deed to Denton County 128 Development LLC recorded in Document No. 2013-135475, of the Real Property Records of Denton County, Texas (RPRDCT), and being more particularly described as follows;

COMMENCING at a 1/2 inch iron rod found at the intersection of the east right-of-way line of Farm to Market (FM) Road No. 1385 (variable width R.O.W.), and the approximate center of Crutchfield Road (undedicated public road), said iron rod also being the southwest corner of said Denton County 128 Development LLC tract, from which a 1/2 inch iron rod found on said east right-of-way line of FM Road No. 1385 bears North 01°41'02" East, a distance of 606.22 feet;

THENCE North 89°43'38" East, with said approximate center of Crutchfield Road, with said south line of the Denton County 128 Development LLC tract, and the north line of that certain tract of land described in deed to Tarsan Corporation recorded in Document No. 2002-108524, RPRDCT, a distance of 53.68 feet, from which a 1/2 inch iron rod found at the most southerly southeast corner of said Denton County 128 Development LLC tract bears North 89°43'38" East, a distance of 2743.91 feet;

THENCE North 00°16'22" West, leaving said approximate center of Crutchfield Road, and said common line of the Denton County 128 Development LLC tract, and the Tarsan Corporation tract, a distance of 45.00 feet to the POINT OF BEGINNING of herein described tract of land;

THENCE the following bearings and distances to 5/8 inch iron rods with plastic caps marked "PETITT-RPLS 4087" set for corner;

North 44°17'26" West, a distance of 34.74 feet;

North 01°41'30" East, a distance of 125.09 feet;

North 03°30'57" West, a distance of 110.18 feet;

North 01°41'30" East, a distance of 223.64 feet;

North 06°12'20" East, a distance of 118.95 feet;

North 00°48'41" East, a distance of 118.28 feet;

North 45°48'41" East, a distance of 35.36 feet;

And South 89°11'19" East, a distance of 531.97 feet, said iron rod being the beginning of a tangent curve to the left;

THENCE with said curve having a central angle of 44°12'24", a radius of 340.00 feet, a chord which bears North 68°42'29" East, a chord distance of 255.87 feet, for an arc distance of 262.33 feet to the end of said curve, a 5/8 inch iron rod with plastic cap marked "PETITT-RPLS 4087" set for corner;

THENCE the following bearings and distances to 5/8 inch iron rods with plastic caps marked "PETITT-RPLS 4087" set for corner;

South 43°16'28" East, a distance of 81.39 feet;

South 10°26'21" East, a distance of 50.00 feet;

South 00°18'36" East, a distance of 717.45 feet;

And South 89°43'38" West, being 45 feet north of and parallel to said approximate center

of Crutchfield Road, said south line of the Denton County 128 Development LLC tract, and the north line said Tarsan Corporation tract, a distance of 858.23 feet to the POINT OF BEGINNING of herein described tract of land containing an area of 15.044 acres of land.

LEAVING A NET AREA OF 112.886 ACRES OF LAND.

Note: The bearings shown and recited hereon are referenced to the Texas State Plane Coordinate System ~ Texas North Central Zone No. 4202 – NAD 83

Denton County
Juli Luke
County Clerk
Denton, TX 76202



70 2015 00036439

Instrument Number: 2015-36439

As

Recorded On: April 09, 2015

Misc General Fee Doc

Parties: SHAHAN PRAIRIE

To

Billable Pages: 19

Number of Pages: 19

Comment:

(Parties listed above are for Clerks reference only)

**** THIS IS NOT A BILL ****

Misc General Fee Doc	98.00
Total Recording:	98.00

******* DO NOT REMOVE. THIS PAGE IS PART OF THE INSTRUMENT *******

Any provision herein which restricts the Sale, Rental or use of the described REAL PROPERTY
because of color or race is invalid and unenforceable under federal law.

File Information:

Document Number: 2015-36439
Receipt Number: 1273300
Recorded Date/Time: April 09, 2015 11:19:40A

Record and Return To:

MSUD
7985 FM 2931
AUBREY TX 76227

User / Station: S Parr - Cash Station 3



THE STATE OF TEXAS }
COUNTY OF DENTON }

I hereby certify that this Instrument was FILED in the File Number sequence on the date/time
printed hereon, and was duly RECORDED in the Official Records of Denton County, Texas.

Juli Luke

County Clerk
Denton County, Texas

After filing return to:

Mustang Special Utility District
Attn: General Manager
7985 FM 2931
Aubrey, Texas 76227

**NON-STANDARD SERVICE CONTRACT
BY AND BETWEEN
MUSTANG SPECIAL UTILITY DISTRICT
AND
SHAHAN PRAIRIE, L.P.**

SHAHAN LAKEVIEW, PHASE 1 & FUTURE PHASES

This Non-Standard Service Contract (the "Contract") is entered into by and between Mustang Special Utility District (the "District") and Shahan Prairie, L.P., a Texas limited partnership (the "Developer").

WHEREAS, the Developer is engaged in developing a 102.324 acre tract in the E. A. Shahan Survey, Abstracts No. 1204 and No. 1205, and the Lawson Clark Survey, Abstract No. 311, an addition in Denton County, Texas, according to the final plat thereof filed in the real property records of Denton County, Texas, and more particularly described on Exhibit A attached hereto (the "Property"), all of which is located within the boundaries of Oak Point Water Control and Improvement District No. 3 (the "WCID");

WHEREAS, the Developer intends to develop a residential subdivision on the Property known as Shahan Lakeview, an addition to the Town of Oak Point, Denton County, Texas (the "Development"), in accordance with plans and specifications submitted to and approved by the District;

WHEREAS, the Developer submitted a request for the District to provide water and sewer service to the Property;

WHEREAS, the Developer will, at the Developer's sole cost, design and construct the internal water distribution and the wastewater gathering system that will provide water and sanitary sewer service to the individual lots located in the Development (the "On-Site Facilities");

WHEREAS, with the prior written approval of the District, the Developer will coordinate with the developer of Wildridge Estates in the design, construction and dedication to the District of facilities to bring sufficient water and wastewater service to the Development (the "Off-Site Facilities");

WHEREAS, the Developer will convey to the District various groundwater rights associated with the Property.

WHEREAS, the On-Site Facilities and the Off-Site Facilities may be hereinafter be

referred to as the "System Improvements"; and

WHEREAS, the District has agreed to take the actions necessary to make water and wastewater service available and to serve the Development pursuant to the terms and conditions of this Contract and the District's Rate Order.

NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS, that for and in consideration for the mutual promises hereinafter expressed, and other good and valuable consideration, the sufficiency of which is hereby acknowledged by the parties, the Developer and the District agree as follows:

1. Engineering and Design of the System Improvements.

The System Improvements shall be engineered and designed by a Texas Licensed Professional Engineer designated by the Developer and retained by the WCID in accordance with the applicable specifications of the District and all governmental agencies having jurisdiction. All plans and specifications for the System Improvements must be reviewed and approved by the District's consulting engineer prior to the issuance of any invitation for bids for construction of the System Improvements. After written approval of the plans and specifications by the District's consulting engineer, the plans and specifications shall become part of this Contract by reference and shall more particularly define the "System Improvements."

2. Required Easements or Rights-of-Way.

- A. The Developer shall be responsible for dedicating or acquiring any required easements across privately owned land or sites which the District determines are necessary for the construction or operation of the System Improvements and for obtaining any governmental approvals necessary to construct the System Improvements in public right-of-ways. Dedication may be accomplished by filing an approved final plat in the real property records of Denton County that dedicates sufficient easements for the extension of the District's facilities or the filing one or more easement grants, after the form and content has been approved by the District's attorney in writing.
- B. Any easements acquired by the Developer shall be in a form approved by the District and shall be assigned to the District upon proper completion of the construction of the System Improvements. The legal instruments by which the Developer will acquire any such easements or will assign such easements to the District must be approved by the District's attorney prior to the acquisition of such easements by the Developer.

3. Construction of the System Improvements.

- A. To construct the System Improvements, the Developer shall select a qualified contractor subject to the District's approval or advertise for bids for construction of the System Improvements, in accordance with generally accepted bidding practices and Chapter 49, Texas Water Code.

- B. The System Improvements shall be constructed in accordance with the plans and specifications approved by the District's engineer and the District's Rate Order, rules and regulations. The District shall have the right to inspect and approve all phases of the construction of the System Improvements. The Developer must give written notice to the District of the date on which construction is scheduled to commence so that the District may assign an inspector.
- C. If the System Improvements are being constructed in a manner inconsistent with regulations and standards of the District or the District approved plans and specifications, the District may stop any work on the System Improvements until such time as the Developer and/or the Developer's contractor(s) agree to construct the System Improvements in accordance with the District's regulations and standards and the District approved plans and specifications. In addition, the District may require that any substandard work be removed and or corrected prior to resuming construction of the remainder of the System Improvements yet to be constructed.

4. Dedication of System Improvements to the District.

Upon proper completion of construction of the System Improvements, and final inspection and approval thereof by the District, the Developer shall dedicate the System Improvements to the District by an appropriate legal instrument approved by the District's attorney. The System Improvements shall thereafter be owned by the District subject to the Developer's maintenance bond in an amount of twenty percent (20%) of the total construction cost of the System Improvements and for a term of two (2) years. The Developer's maintenance bond is subject to the approval of the District's attorney. Any connection of individual customers to the System Improvements shall be made by the District.

5. Transfer of Groundwater Rights.

The Developer acknowledges that growth in the Dallas Fort Worth Metroplex has placed an increasing burden on the water resources in North Central Texas. Further, the Developer acknowledges that the District is dependent on groundwater and surface water to supply the needs of its customers and the District is uniquely qualified to utilize groundwater to relieve and balance the District's need for surface water. Therefore, in consideration of the District's commitment to provide water service to the Development, the Developer will at the time it executes this Contract, execute and deliver to the District the Groundwater Rights Warranty Deed attached hereto as Exhibit B. To the extent allowed by the rules and regulations of the North Texas Groundwater Conservation District, the Developer may drill one or more non Trinity Aquifer water wells solely for the Developer's irrigation purposes.

6. Service Investigation Fee.

The Developer has paid an initial Service Investigation Fee of **\$3,000.00** to the

District. Upon completing its service investigation, including the completion of all legal and engineering services associated with processing the Developer's service request, the District shall refund the remaining balance of the Service Investigation Fee, if any, to the Developer. However, if the initial Service Investigation Fee paid by the Developer is not sufficient to pay all expenses incurred or to be incurred by the District in performing the service investigation, the Developer shall pay or reimburse the District for such expenses upon written request by the District and receipt by the Developer of invoices from the District and any District consultants for such expenses, and the District shall have no obligation to continue processing the Developer's service request until the requested payment or reimbursement has been paid. Such expenses that may be incurred by the District in performing the service investigation include, without limitation, professional, administrative and other fees for:

- (a) reviewing and approving plats, plans and specifications;
- (b) obtaining or determining cost estimates for construction;
- (c) advertising and accepting bids for construction;
- (d) reviewing and preparing this Contract and documents described herein or related to the subject matter hereof; or
- (e) obtaining or providing other services as required by the District for such investigation.

7. Cost of System Improvements.

The Developer shall pay or reimburse the District for all costs for On-Site Facilities necessary to provide water and wastewater service to the Property and shall pay or reimburse the District for the prorata portion of costs for Off-Site Facilities necessary to provide service to the Property (all amounts paid or reimbursed by Developer for the System Improvements being referred to herein as, the "System Improvements Costs") and the District's provision of service to the Property including, without limitation, costs arising from or related to the following:

- (a) engineering and design;
- (b) acquisition of easements and rights-of-way;
- (c) construction;
- (d) inspections;
- (e) attorney's fees;
- (f) insurance and bond premiums; and
- (g) governmental or regulatory proceedings and approvals required to lawfully provide service.

Eighty percent (80%) of the actual construction cost of the Off-Site Facilities requested or required by the District shall be reimbursed by the District to the Developer by as set out in Section 8 of this Contract.

8. Connection Fees.

A. The District's Water Connection Fee for each residential water service connection in the Development is **\$2,500.00**. The District's Wastewater Connection Fee for

each residential wastewater connection in the Development is **\$2,650.00**. Payment of the Water Connection Fee and the Wastewater Connection Fee, together with the payment of the District's meter set fee of **\$550.00** and a customer deposit at the time of connection, will cover everything required by the District to obtain and receive water and sewer service from the District at a single family residential unit with a 5/8" x 3/4" meter. Exclusive of the customer deposit, the sum of the foregoing fees is **\$5,700.00** (the "Connection Payment"), which will be collected by the District at the time an application is made for water service to a developed lot or lots in the Development.

B. For Shahan Lakeview, Phase 1, Water Connection Fees and Wastewater Connection Fees will be paid to the District in the total amount of **\$566,500.00** for 110 water service connections in Phase 1 (the "Phase 1 Payment"). The Phase 1 Payment is to be paid through the District's collection of the Connection Payment as set out in the preceding Section 8 A.

C. The Developer will receive a credit equal to eighty percent (80%) of the actual construction cost of the Off-Site Facilities required by the District (the "Off-Site Credit"). The Off-Site Credit will not reduce or alter the amount of the Connection Payment. One-half of the Off-Site Credit will be paid by the District to the Developer within forty-five (45) days following the District's receipt of the 95th Connection Payment for water and wastewater service within the Development. The remainder of the Off-Site Credit will be paid within forty-five (45) days following the District's receipt of the 190th Connection Payment for water and wastewater service within the Development.

D. For Shahan Lakeview, Future Phases, Water Connection Fees and Wastewater Connection Fees will be paid to the District for each Future Phase (each, a "Future Phase Payment" and collectively, the "Future Phase Payments"). Each Future Phase Payment shall be equal to the Water Connection Fees and Wastewater Connection Fees for the connections in each Future Phase, and the Connection Payment for each single family residential unit to the District, a portion of which is applicable toward each Future Phase Payment, will be collected from each single family residential unit at the time of connection to the On-Site Facilities in each Future Phase. In no event shall the total Future Phase Payments exceed a total amount of **\$1,503,800.00** for the 292 planned water service connections in all Future Phases.

E. *No water meter will be set within Phase 1 or a Future Phase of the Development until the Connection Payment plus the customer deposit has been paid in full to the District.*

9. Annexation.

Contemporaneous with the execution of this Contract, the Developer will execute the Annexation Petition attached hereto as Exhibit C. Subsequently the District will prepare and file the necessary applications with the Texas Public Utility Commission in order to have the District's water and sewer CCNs revised to include the Property. To the extent reasonably necessary, the Developer agrees to support and assist with the District's CCN application together with the payment of the reasonable appraisal expenses and resulting

compensation, if any, that may be required to compensate Terra Southwest, Inc., pursuant to §13.254 of the Texas Water Code for the expedited release of a portion of CCN No. 11608.

10. Service from System Improvements.

After proper completion and dedication of the System Improvements to the District, the District shall provide continuous and adequate water and wastewater service to the Property, as conditioned upon:

A. The Developer complying with the terms and conditions of this Contract and the rules, regulations and Rate Order of the District;

B. The Developer paying all standard rates, fees and charges of the District;

C. The Developer paying all rates, fees and charges contained in this Contract including, without limitation, the Service Investigation Fees, Water Connection Fees and Wastewater Connection Fees;

D. It is understood and agreed by the parties that the obligation of the District to provide water service to the Property in the manner contemplated by this Contract is subject to the issuance of all permits, certificates and approvals required to lawfully provide such service by the Texas Commission on Environmental Quality, Texas Public Utility Commission and all other governmental agencies having jurisdiction.

E. Without the District's prior written approval, the Developer shall not:

- (1) construct or install additional water pipelines or water distribution facilities to service areas outside the Property;
- (2) add or incorporate any additional land to the Property for which water or wastewater service is to be provided pursuant to this Contract; or
- (3) extend or connect the System Improvements to or serve any person who, in turn, sells or furnishes water directly or indirectly to any other person.

11. Notices.

Any notice to be given hereunder by either party to the other party shall be in writing and may be effected by delivery in person or by facsimile, or by sending said notice by certified mail, return receipt requested, to the address set forth below. Notice shall be deemed given by mail when deposited with the United States Postal Service with sufficient postage affixed.

To District: Mustang Special Utility District
Attn: General Manager
7985 FM 2931
Aubrey, Texas 76227

Fax: (940) 440-9686

To Developer: Shahan Prairie, LP
Attn: Mehrdad Moayed
1800 Valley View Lane, Suite 300
Farmers Branch, Texas 75234
Fax: (972) 732-6644

With a copy to the WCID:

Oak Point Water Control and Improvement District No. 3
c/o Kelly Hart & Hallman LLP
Attn: Ross Martin
201 Main Street, Suite 2500
Fort Worth, Texas 76102

Either party may change its address for notice by giving the other party written notice of such change in accordance with the provisions of this paragraph.

12. Effect of Force Majeure.

In the event either party is rendered unable by force majeure to carry out any of its obligations under this Contract, in whole or in part, then the obligations of that party, to the extent affected by the force majeure shall be suspended during the continuance of the inability, provided however, that due diligence is exercised to resume performance at the earliest practical time. As soon as reasonably possible after the occurrence of the force majeure relied upon to suspend performance, the party whose contractual obligations are affected thereby shall give notice and full particulars of the force majeure to the other party. The cause, as far as possible, shall be remedied with all reasonable diligence. The term "force majeure" includes acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, orders of the government of the United States or the State of Texas or any civil or military authority, insurrections, riots, epidemics, landslides, lightening, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, restraints of government and civil disturbances, explosions, breakage or accidents to equipment, pipelines or canals, partial or complete failure of water supply, and any other inabilityes' of either party, whether similar to those enumerated or otherwise, that are not within the control of the party claiming the inability and that could not have been avoided by the exercise of due diligence and care. It is understood and agreed that the settlement of strikes and lockouts shall be entirely within the discretion of the party having the difficulty and that the requirement that any force majeure be remedied with all reasonable dispatch shall not require the settlement of strikes and lockouts by acceding to the demands of the opposing party if the settlement is unfavorable in the judgment of the party having the difficulty. *Notwithstanding the foregoing, force majeure does not apply to any monetary or financial duty or obligation of a party to this Contract.*

13. Breach of Contract and Remedies.

A. If either party breaches any term or condition of this Contract, the non-

breaching party may, at its sole option, provide the breaching party with notice of the breach within sixty (60) days of discovery of the breach by the non-breaching party. Upon its receipt of a notice of breach, the breaching party shall have sixty (60) days to cure the breach. If the breaching party does not cure the breach within the sixty (60) days, the non-breaching party shall have all rights and remedies at law and in equity including, without limitation, the right to enforce specific performance of this Contract by the breaching party and the right to perform the obligation in question and to seek restitution for all damages incurred in connection therewith.

B. Termination of this Contract by either party shall not affect any previous conveyance.

C. The rights and remedies granted in this Contract to the parties in the event of default are cumulative, and the exercise of such rights shall be without prejudice to the enforcement of any other right or remedy authorized by law or this Contract.

14. Indemnity.

The Developer shall indemnify and save harmless the District, its officers, agents, representatives and employees, from all suits, actions, losses, damages, claims or liability of any character, type or description, including without limiting the generality of the foregoing all expenses of litigation, court costs and attorney's fees, for injury or death to any person, or injury to any property, received or sustained by any person or persons or property, arising out of, or occasioned by, the acts of the Developer or its agents, representatives or employees in connection with or related to the Property, the Development, or the System Improvements.

15. No Third Party Beneficiaries.

This Contract is solely for the benefit of the parties hereto, and no other person has any right, interest or claim under this Contract.

16. Intent.

The parties hereto covenant and agree that they shall execute and deliver such other and further instruments and documents as are, or may become, necessary or convenient to effectuate and carry out the intent of this Contract.

17. Authority.

The signatories hereto represent and affirm that they have authority to execute this Contract on behalf of the respective parties hereto.

18. Severability.

The provisions of this Contract are severable, and if any word, phrase, clause, sentence, paragraph, section, or other part of this Contract or the application thereof to any person or circumstance shall ever be held by any court of competent jurisdiction to be

invalid or unconstitutional for any reason, the remainder of this Contract and the application of such word, phrase, clause, sentence, paragraph, section, or other part of this Contract to other persons or circumstances shall not be affected thereby and this Contract shall be construed as if such invalid or unconstitutional portion had never been contained therein.

19. Entire Agreement.

This Contract, including any exhibits and/or addendums attached hereto and made a part hereof, constitutes the entire agreement between the parties relative to the subject matter of this Contract. All prior agreements, covenants, representations, or warranties, whether oral or in writing, between the parties are merged herein.

20. Amendment.

No amendment of this Contract shall be effective unless and until it is duly approved by each party and reduced to a writing signed by the authorized representatives of the District and the Developer, respectively, which amendment shall incorporate this Contract in every particular not otherwise changed by the amendment.

21. Governing Law.

This Contract shall be construed under and in accordance with the laws of the State of Texas and all obligations of the parties are expressly deemed performable in Denton County, Texas.

22. Venue.

Any action at law or in equity brought to enforce or interpret any provision of this Contract shall be brought in a state court of competent jurisdiction with venue in Denton County, Texas.

23. Context.

Whenever the context requires, the gender of all words herein shall include the masculine, feminine and neuter, and the number of all words shall include singular and plural.

24. Assignment.

The rights and obligations of the Developer under this Contract may not be assigned without the prior written consent of the District. This Contract shall be binding on and shall inure to the benefit of the heirs, successors and assigns of the parties.

25. Effective Date.

This Contract shall be effective from and after the date of due execution by all parties.

parties.

IN WITNESS WHEREOF, each of the parties has caused this Contract to be executed by its duly authorized representative in multiple copies, each of equal dignity, on the date or dates indicated below.

EXECUTED on this the 13 day of January, 2015.

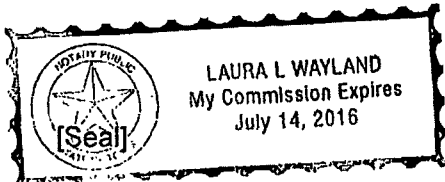
DEVELOPER:
SHAHAN PRAIRIE, LP.
a Texas limited partnership,
by its general partner,
Shahan GP, LLC

By: [Signature]
Mehrdad Moayedi, Manager

STATE OF TEXAS

COUNTY OF Dallas


BEFORE ME the undersigned authority appeared Mehrdad Moayedi, manager of Shahan GP, LLC, a Texas limited liability company, the general partner of Shahan Prairie, L.P., a Texas limited partnership, on behalf of the company for the consideration herein expressed.



[Signature]
Notary Public for the State of Texas

EXECUTED on this the 2 day of March, 2015.

MUSTANG SPECIAL UTILITY DISTRICT

By:  VP for
Bill Hathaway, President

STATE OF TEXAS

COUNTY OF DENTON

VP Mike Frazier
Vice

Before me the undersigned notary public appeared ~~Bill Hathaway~~, President of Mustang Special Utility District, a political subdivision of the State of Texas, on behalf of such District for the consideration therein expressed.





Notary Public for the State of Texas

EXHIBIT A

DESCRIPTION OF THE PROPERTY

LEGAL DESCRIPTION

BEING A 102.438 ACRE TRACT OF LAND SITUATED IN THE E.A. SHAHAN SURVEY, ABSTRACT NO. 1204, E.A. SHAHAN SURVEY, ABSTRACT NO. 1205, AND THE LAWSON CLARK SURVEY, ABSTRACT NO. 311, DENTON COUNTY, TEXAS, AND BEING ALL OF A CALLED 102.324 ACRE TRACT OF LAND, CONVEYED TO SHAHAN PRAIRIE, L.P. BY DEED RECORDED IN INSTRUMENT 2004-125495 REAL PROPERTY RECORDS, DENTON COUNTY, TEXAS, SAID 102.438 ACRE TRACT, WITH BEARING BASIS BEING GRID NORTH, TEXAS STATE PLANE COORDINATE SYSTEM NAD83 (CORS), NORTH CENTRAL ZONE 4202 BASED ON GPS MEASUREMENTS ON JULIAN DAY 329, 2004 FROM COLLIN COUNTY CORS ARP (PIN DF8982), DENTON CORS ARP (PIN DF8986) AND ARLINGTON RRP2 CORS ARP (PIN DF5387), BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING AT A 1/2 INCH IRON ROD FOUND FOR THE SOUTHWEST CORNER OF SAID 102.324 ACRE TRACT AND BEING THE SOUTHEAST CORNER OF A CALLED 267.403 ACRE TRACT OF LAND CONVEYED BY DEED TO PRAIRIE OAKS, LTD., RECORDED IN INSTRUMENT NO. 2004-135309, REAL PROPERTY RECORDS, DENTON COUNTY, TEXAS;

THENCE, NORTH 45 DEGREES 58 MINUTES 11 SECONDS EAST, ALONG THE COMMON LINE OF SAID 102.324 ACRE TRACT AND SAID 267.403 ACRE TRACT, A DISTANCE OF 100.64 FEET TO A 5/8 INCH IRON ROD WITH A YELLOW PLASTIC CAP STAMPED "CARTER BURGESS" SET FOR CORNER;

THENCE, NORTH 01 DEGREES 10 MINUTES 45 SECONDS EAST, CONTINUING ALONG SAID COMMON LINE, A DISTANCE OF 2708.94 FEET TO A 1/2 INCH IRON ROD FOUND FOR THE WESTERLY NORTHWEST CORNER OF SAID 102.324 ACRE TRACT AND BEING INTERIOR ELL CORNER OF SAID 267.403 ACRE TRACT;

THENCE, SOUTH 87 DEGREES 36 MINUTES 02 SECONDS EAST, ALONG THE COMMON LINE OF SAID 102.324 ACRE TRACT AND SAID 267.403 ACRE TRACT, A DISTANCE OF 644.41 FEET TO A 2 INCH IRON PIPE FOUND FOR A NORTHWESTERLY INTERIOR ELL CORNER OF SAID 102.324 ACRE TRACT AND BEING EXTERIOR ELL CORNER OF SAID 267.403 ACRE TRACT;

THENCE, NORTH 01 DEGREES 27 MINUTES 58 SECONDS EAST, CONTINUING ALONG THE COMMON LINE OF SAID 102.324 ACRE TRACT AND SAID 267.403 ACRE TRACT, A DISTANCE OF 669.69 FEET TO A CONCRETE MONUMENT FOUND FOR THE NORTHEAST CORNER OF SAID 267.403 ACRE TRACT AND THE SOUTH CORNER OF THE REMAINDER OF A TRACT OF LAND CONVEYED TO THE UNITED STATES OF AMERICA RECORDED IN VOLUME 388, PAGE 241, REAL PROPERTY RECORDS, DENTON COUNTY, TEXAS AND BEING DEFINED AS PARCEL NO. 2 BY QUIT CLAIM DEED TO J.R. PATTERSON AND WIFE SARAH A. PATTERSON, RECORDED IN VOLUME 466, PAGE 136, REAL PROPERTY RECORDS, DENTON COUNTY TEXAS,

THENCE, NORTH 01 DEGREES 02 MINUTES 35 SECONDS EAST, ALONG THE COMMON LINE OF SAID 102.324 ACRE TRACT AND SAID REMAINDER UNITED STATES OF AMERICA TRACT, A DISTANCE OF 386.58 FEET TO A CONCRETE MONUMENT FOUND FOR THE NORTHWEST CORNER OF SAID SHAHAN PRAIRIE, L.P. TRACT AND BEING THE WESTERLY SOUTHWEST CORNER OF A TRACT OF LAND CONVEYED BY DEED TO THE UNITED STATES OF AMERICA, RECORDED IN VOLUME 420, PAGE 577, REAL PROPERTY RECORDS, DENTON COUNTY TEXAS;

THENCE, ALONG THE COMMON NORTHEAST LINE OF SAID 102.324 ACRE TRACT AND THE SOUTHWEST LINE OF SAID UNITED STATES OF AMERICA TRACT, THE FOLLOWING COURSES AND DISTANCES:

SOUTH 64 DEGREES 40 MINUTES 04 SECONDS EAST, A DISTANCE OF 308.97 FEET TO A CONCRETE MONUMENT FOUND FOR CORNER;

SOUTH 07 DEGREES 00 MINUTES 47 SECONDS EAST, A DISTANCE OF 674.54 FEET TO A CONCRETE MONUMENT FOUND FOR CORNER;

SOUTH 36 DEGREES 43 MINUTES 47 SECONDS WEST, A DISTANCE OF 260.07 FEET TO A CONCRETE MONUMENT FOUND FOR CORNER;

SOUTH 26 DEGREES 28 MINUTES 10 SECONDS EAST, A DISTANCE OF 274.87 FEET TO A CONCRETE MONUMENT FOUND FOR CORNER;

NORTH 85 DEGREES 42 MINUTES 21 SECONDS EAST, A DISTANCE OF 823.99 FEET TO A POINT FOR CORNER;

SOUTH 39 DEGREES 51 MINUTES 41 SECONDS EAST, A DISTANCE OF 249.76 FEET TO A CONCRETE MONUMENT FOUND FOR CORNER;

SOUTH 54 DEGREES 35 MINUTES 21 SECONDS WEST, A DISTANCE OF 550.00 FEET TO A CONCRETE MONUMENT FOUND FOR CORNER;

SOUTH 16 DEGREES 37 MINUTES 54 SECONDS WEST, A DISTANCE OF 191.89 FEET TO A CONCRETE MONUMENT FOUND FOR CORNER AT THE SOUTHWEST CORNER OF SAID UNITED STATES OF AMERICA TRACT;

THENCE, SOUTH 88 DEGREES 59 MINUTES 50 SECONDS EAST, A DISTANCE OF 438.88 FEET TO A CONCRETE MONUMENT FOUND FOR CORNER AT THE NORTHWEST CORNER OF THE REMAINDER OF A TRACT OF LAND CONVEYED TO THE UNITED STATES OF AMERICA RECORDED IN VOLUME 392, PAGE 398, REAL PROPERTY RECORDS, DENTON COUNTY, TEXAS AND BEING DEFINED AS PARCEL NO. 4 BY QUIT CLAIM DEED TO R.E. MARTIN AND WIFE EDNA MARTIN, RECORDED IN VOLUME 466, PAGE 171, REAL PROPERTY RECORDS, DENTON COUNTY TEXAS,

THENCE, ALONG THE COMMON NORTHEAST LINE OF SAID 102.324 ACRE TRACT AND THE WEST LINE OF SAID UNITED STATES OF AMERICA TRACT, THE FOLLOWING COURSES AND DISTANCES:

SOUTH 00 DEGREES 52 MINUTES 20 SECONDS EAST, A DISTANCE OF 561.88 FEET TO A CONCRETE MONUMENT FOR CORNER;

SOUTH 51 DEGREES 53 MINUTES 15 SECONDS WEST, A DISTANCE OF 181.76 FEET TO A 1/4 INCH IRON ROD FOUND FOR CORNER;

SOUTH 35 DEGREES 13 MINUTES 27 SECONDS EAST, A DISTANCE OF 508.98 FEET TO A CONCRETE MONUMENT FOUND FOR CORNER AT THE EASTERLY SOUTHEAST CORNER OF SAID 102.324 ACRE TRACT AND BEING THE NORTHEAST CORNER OF KNOB HILL LAKE ESTATES AN ADDITION TO DENTON COUNTY, TEXAS, ACCORDING TO THE PLAT RECORDED IN VOLUME 3, PAGE 12, MAP RECORDS, DENTON COUNTY, TEXAS;

THENCE, ALONG THE COMMON SOUTH LINE OF SAID 102.324 ACRE TRACT AND THE NORTH LINE OF SAID KNOB HILL LAKE ESTATES, THE FOLLOWING COURSES AND DISTANCES:

NORTH 81 DEGREES 39 MINUTES 16 SECONDS WEST, A DISTANCE OF 1008.14 FEET TO A 3/4 INCH IRON ROD FOUND FOR CORNER;

NORTH 83 DEGREES 43 MINUTES 58 SECONDS WEST, A DISTANCE OF 433.65 FEET TO A 3/8 INCH IRON ROD FOUND FOR THE NORTHEAST CORNER OF SAID KNOB HILL LAKE ESTATES AND THE SOUTHEAST INTERIOR CORNER OF SAID 102.324 ACRE TRACT;

THENCE, SOUTH 01 DEGREES 15 MINUTES 01 SECONDS WEST, ALONG THE COMMON LINE OF SAID 102.324 ACRE TRACT AND SAID KNOB HILL LAKE ESTATES, PASSING AT A DISTANCE OF 1679.99 FEET A 5/8 INCH IRON ROD WITH A YELLOW PLASTIC CAP STAMPED "CARTER BURGESS" SET FOR WITNESS, CONTINUING A TOTAL DISTANCE OF 1754.99 FEET TO POINT FOR CORNER IN THE ASPHALT OF AFORESAID SHAHAN PRAIRIE ROAD;

THENCE, NORTH 88 DEGREES 46 MINUTES 02 SECONDS WEST, A DISTANCE OF 19.04 FEET TO A POINT FOR CORNER ON THE NORTHEAST LINE OF A TRACT OF LAND CONVEYED BY DEED TO CRAIG OLDEN RECORDED IN COUNTY CLERK'S FILE NO 93-R0026195, REAL PROPERTY RECORDS, DENTON COUNTY, TEXAS;

THENCE, NORTH 44 DEGREES 03 MINUTES 14 SECONDS WEST, ALONG THE COMMON LINE OF SAID 102.324 ACRE TRACT AND SAID CRAIG OLDEN TRACT, A DISTANCE OF 1028.84 FEET TO THE POINT OF BEGINNING AND CONTAINING 102.438 ACRES OF LAND, MORE OR LESS.

EXHIBIT B
GROUNDWATER DEED

Date: _____, 2015

Grantor: Shahan Prairie, LP

Grantor's Mailing Address: 1221 N I-35 E, Suite 200, Carrollton, TX 75006

Grantee: MUSTANG SPECIAL UTILITY DISTRICT

Grantee's Mailing Address: 7985 FM 2931, Aubrey, Texas 76227

Groundwater Authority: North Texas Groundwater Conservation District

Consideration: Ten dollars and other good and valuable consideration

Real Property: 102.324 acres in the E. A. Shahan Survey, Abstracts No. 1204 and No. 1205, and the Lawson Clark Survey, Abstract No. 311, an addition to the Town of Oak Point, Denton County, Texas, according to the final plat thereof filed in the real property records of Denton County, Texas, particularly described in metes and bounds description attached hereto.

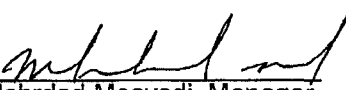
Groundwater: All of the underground water that may be produced from the Trinity Aquifer at depths and horizons beneath the surface of the Real Property.

Groundwater Rights: (1) The Groundwater and the right to test, explore for, drill for, develop, withdraw, capture, or otherwise beneficially use the Groundwater; (2) the right to use the surface of the Real Property for access to and to explore for, develop, produce and transport the Groundwater; and (3) all permits, licenses, or other governmental authorizations relating to any of the foregoing.

Reservation from Conveyance: Grantor reserves the rights to use the Groundwater in connection with its surface estate that does not lie within the Trinity Aquifer for domestic irrigation purposes.

Grantor, for the Consideration and subject to the Reservations from Conveyance grants, sells, and conveys to Grantee the Groundwater Rights, together with all and singular the rights and appurtenances thereto in any way belonging, to have and to hold it to Grantee for as long as Grantee holds a Certificate of Convenience and Necessity to provide water and sewer to the Real Property or is actually providing water to the Real Property. Grantor binds Grantor and Grantor's heirs and successors to warrant and forever defend all and singular the Groundwater Rights to Grantee against every person whomsoever lawfully claiming by through the Grantor.

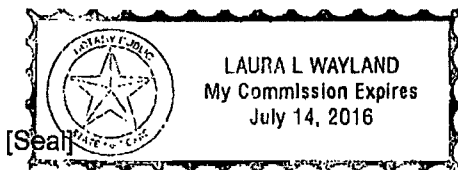
SHAHAN PRAIRIE, LP.,
a Texas limited
partnership, by its general
partner, Shahan GP, LLC

By: 
Mehrdad Moayedi, Manager

STATE OF TEXAS

COUNTY OF

BEFORE ME the undersigned authority appeared **Mehrdad Moayedi**, manager of Shahan GP, LLC, a Texas limited liability company, the general partner of Shahan Prairie, L.P., a Texas limited partnership, on behalf of the company for the consideration herein expressed.





Notary Public for the State of Texas

EXHIBIT C


MUSTANG SPECIAL UTILITY DISTRICT
ANNEXATION PETITION
(TEXAS WATER CODE § 4.301)

TO THE BOARD OF DIRECTORS OF MUSTANG SPECIAL UTILITY DISTRICT:

The undersigned owner of a 102.324 acre tract in the E. A. Shahan Survey, Abstracts No. 1204 and No. 1205, and the Lawson Clark Survey, Abstract No. 311, an addition to Denton County, Texas, more particularly described in Exhibit A, attached hereto, (the "Property") hereby petitions the Mustang Special Utility District (the "District") pursuant to Texas Water Code §49.301, to extend its present geographical boundaries of the District to include the Property as part of the District.

The undersigned certifies that to the best of its knowledge the Property is not within the CCN of any water utility. The Property is located within the geographical boundaries of Oak Point Water Control and Improvement District No. 3, a special district with the power to offer water and wastewater service. This petition is signed and duly acknowledged by each and every person, partnership, or corporation having an interest in said land.

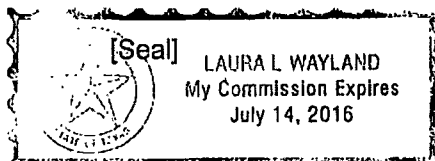
SHAHAN PRAIRIE, LP.,
a Texas limited partnership,
by its general partner,
Shahan GP, LLC

By: 
Mehrdad Moayed, Manager

STATE OF TEXAS

COUNTY OF Dallas

BEFORE ME the undersigned authority appeared Mehrdad Moayed, manager of Shahan GP, LLC, a Texas limited liability company, the general partner of Shahan Prairie, L.P., a Texas limited partnership, on behalf of the company for the consideration herein expressed.




Notary Public for the State of Texas

May 7, 2019

Mr. Chris Boyd
Mustang Special Utility District
7985 FM 2931
Aubrey, Texas 76227

RE: Request for Water and Sewer Service from Mustang Special Utility District

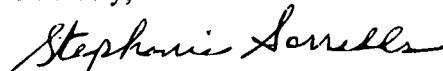
Dear Mr. Boyd:

This letter is to request that Mustang Special Utility District provide retail water and sewer service to an approximate 324.64-acre tract of land owned by Denton Sorrells, LLC in Denton County, Texas. The specific land at issue is identified on the survey and legal description attached as Exhibit A.

The landowner anticipates the property being developed in the near future as a residential and/or commercial development and will require water and sewer service for lots within the development. I understand that Mustang SUD is in the process of preparing an application for an amendment to its water and sewer CCN, and I ask that our property be included in the application.

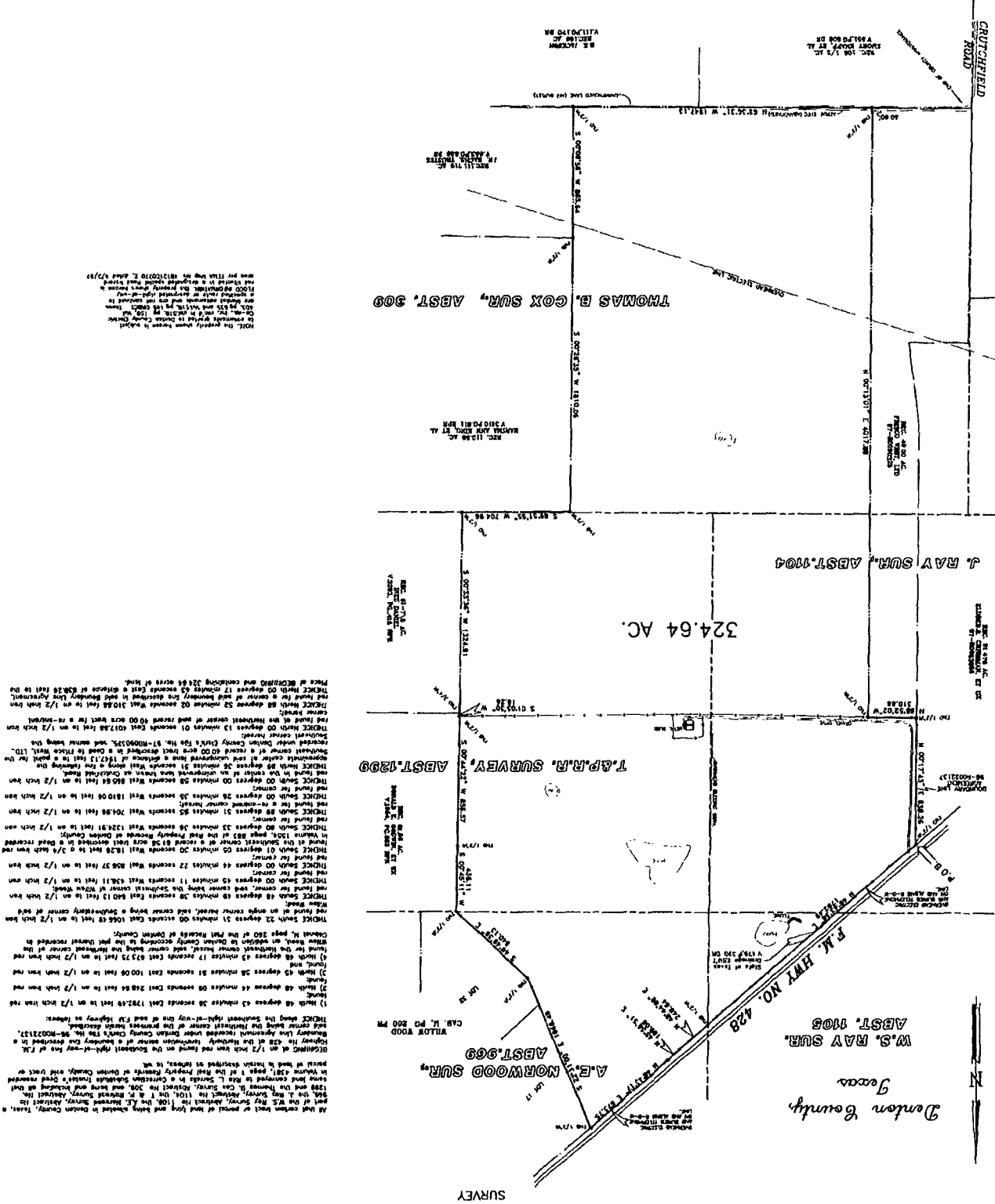
Thank you for your consideration. Should you have questions do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Stephanie Sorrells". The signature is fluid and cursive, with the first name and last name clearly distinguishable.

Stephanie Sorrells
Denton Sorrells, LLC

5/13/15

[illegible]

May 7, 2019

Mr. Chris Boyd
Mustang Special Utility District
7985 FM 2931
Aubrey, Texas 76227

RE: Request for Water and Sewer Service from Mustang Special Utility District

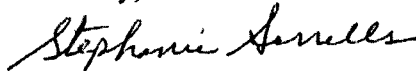
Dear Mr. Boyd:

This letter is to request that Mustang Special Utility District provide retail water and sewer service to an approximate 62-acre tract of land owned by Punkadilly, Ltd. In Denton County, Texas. The specific land at issue is identified on the survey and legal description attached as Exhibit A.

The landowner anticipates the property being developed in the near future as a residential and/or commercial development and will require water and sewer service for lots within the development. I understand that Mustang SUD is in the process of preparing an application for an amendment to its water and sewer CCN, and I ask that our property be included in the application.

Thank you for your consideration. Should you have questions do not hesitate to contact me.

Sincerely,



Stephanie Sorrells
President
Punkadilly, Ltd.

SURVEY

Decker County,
Texas

A. MORTON SUR,
ABST. 309

61.57 AC.

SMILEY ROAD

ROBERT COWAN SUR., ABST. 211

T. COX SUR, ABST. 309

JOHN MORTON
SUR, ABST. 791

BEFORE ME, the undersigned authority, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing petition, and acknowledged to me that he executed the same for the purposes and consideration therein expressed. I am a Notary Public in and for the State of Texas, and my commission expires on _____.

WITNESS my hand and seal this _____ day of _____, 19____.

Notary Public in and for the State of Texas



Subscribed and sworn to before me on _____ day of _____, 19____.

Notary Public in and for the State of Texas

61.57 AC. TRACT	
1/4 SECTION 32, T. 10N, R. 10E, S. 10W	
DECKER COUNTY, TEXAS	
FILED	19____
NOTED	19____
RECORDED	19____

J. E. Smith, *
Land Surveyor

Part 13.B Effect of Granting a Certificate Amendment

Effect on Applicant:

Granting this amendment will have a positive effect on Mustang SUD, and its customers, by allowing Mustang to increase its customer base and improving its ability to provide high quality and cost effective water service. Mustang already provides water and sewer service to customers on properties adjacent to the proposed area.

Effect on retail public utility of the same kind already serving the proximate area:

Requested Area 1: This area for water consists of approximately 324.64 acres owned by Denton Sorrells, LLC and approximately 61.58 acres owned by Punkadilly, LTD, both of which have been decertified from Aqua Texas, Inc.'s water CCN No. 13201.

On January 29, 2019, the PUC signed a Notice of Approval in PUC Docket No. 48700 approving Denton Sorrells, LLC's petition to amend Aqua Texas, Inc.'s certificate of convenience and necessity (CCN) No. 13201 by expedited release. The PUC Notice of Approval (see Attachment Part B.6.1) approved the petition and released the 324.64 acres owned by Denton Sorrells, LLC from Aqua Texas, Inc.'s water CCN No. 13201 in Denton County.

On January 29, 2019, the PUC signed a Notice of Approval in PUC Docket No. 48975 approving Punkadilly, LTD's petition to amend Aqua Texas, Inc.'s certificate of convenience and necessity (CCN) 13201 by expedited release. The PUC Notice of Approval (see Attachment Part B.6.2) approved the petition and released the 61.58 acres owned by Punkadilly, LTD from Aqua Texas, Inc.'s water CCN No. 13201 in Denton County.

There are currently no customers and no service being provided in this area. Both of these tracts are already located within the Mustang SUD sewer CCN No. 20930.

Additionally, Requested Area 1 includes the CADG Sutton Fields 494.819-acre tract that was decertified from Mustang SUD water CCN No. 11856 and sewer CCN No. 20930 in Docket No. 44629 (see Attachment Part B.6.3a). Later, the City of Celina in PUC Docket No. 45151 (see Attachment Part B.6.3b) sought PUC approval to provide water and sewer service to this area and was ordered to pay \$258,081 to Mustang SUD prior to serving. The payment has not been made, and the City has chosen to not provide retail water or sewer service to the area. The PUC's mapping database shows the area is currently under no CCN for water or sewer.

Requested Area 1 also includes the CADG Crutchfield 128-acre tract that the City of Celina was allowed to provide water and sewer service to in PUC Docket No. 45848 (see Attachment Part B.6.4). The City of Celina has chosen not to provide retail water or sewer service. The PUC's mapping database shows the area is currently under no CCN for water or sewer.

Homes are already construction or are being built in these areas and Mustang is already providing water and sewer service in these two areas.

Requested Area 2: Shahan Prairie Tract is a 180-acre tract which was decertified from Terra Southwest, CCN No. 11608 TCEQ Application No. 37389-C. Mustang SUD is already providing water service to homes in this area and currently it is within the Mustang SUD sewer CCN No. 20930.

Effect on any landowner(s) in the requested area:

Approving this application will have positive impacts on landowners in the requested area, as it will allow the construction of new residential developments to proceed, which is the desire of the landowners. As a regional service provider, Mustang SUD will be able to provide the landowners cost effective water and sewer service, and high quality continuous and adequate water and sewer service.

Part C.14. Ability to Provide Adequate Service

Mustang SUD is a regional water provider governed by an elected board of directors. Mustang SUD provides water service to more than 17,435 existing customer connections within its existing water CCN 11856, and has access to ample supplies of water via its contracts with the Upper Trinity Water District, and its long-standing relationship with Upper Trinity Water District.

Mustang SUD also currently operates a sewer collection system and provides sewer service to more than 3000 customer connections within its existing sewer CCN 20930 and meets the required standards in providing such service. Mustang SUD contracts with the Upper Trinity Regional Water District for most of Mustang SUD's sewer treatment capacity, although Mustang recently obtained TCEQ water quality Permit No. WQ0015536001, which plant will serve the customers in the Requested Area 1 (Denton Sorrells, LLC and Punkadilly, Ltd.)

Part C.15 Experience and Qualification of the Applicant to Provide Continuous and Adequate Retail Service

Mustang SUD is a regional water provider governed by an elected board of directors. Mustang SUD provides water service to more than 17,435 existing customer connections within its existing water CCN 11856, and has access to ample supplies of water via its contracts with the Upper Trinity Water District, and its long-standing relationship with Upper Trinity.

Mustang SUD also currently operates a sewer collection system and provides sewer service to more than 3000 customer connections within its existing sewer CCN 20930 and meets the required standards in providing such service. Mustang SUD contracts with the Upper Trinity Regional Water District for most of Mustang SUD's sewer treatment capacity, although Mustang recently obtained TCEQ water quality Permit No. WQ0015536001, which plant will serve the customers in the Requested Area 1 (Denton Sorrells, LLC and Punkadilly, Ltd.)

Attachment C.19 - List of Neighboring systems,
cities, etc.

TCEQ WATER DISTRICTS	Address	City	State	Zip
Denton County FWSD 10	724 Savannah Blvd.	Savannah	TX	76277
	19 Briar Hollow Ln, Suite 245	Houston	TX	77027-2858
Denton County MUD 6	c/o Coats Rose	Dallas	TX	72554
	14755 Preston Rd., Suite 600			
Denton County MUD 7	c/o Coats Rose	Dallas	TX	72554
	14755 Preston Rd., Suite 600			
Highway 380 Municipal Management District 1	c/o Coats Rose	Dallas	TX	72554
	14755 Preston Rd., Suite 600			
Mobberly MUD	c/o Coats Rose	Dallas	TX	72554
	14755 Preston Rd., Suite 600			
Prosper Management District 1	5420 LBJ FWY STE 1300	Dallas	TX	75240
Smiley Road WCID	Winstead, PC	Dallas	TX	75201
	2728 N. Harwood St., Suite 500			
Talley Ranch WCID 1 of Denton County	c/o Coats Rose	Dallas	TX	72554
	14755 Preston Rd., Suite 600			
Upper Trinity Regional Water District	P.O. Box 305	Lewisville	TX	75067-0305
Denton County FWSD 11-A	19 Briar Hollow Ln, Suite 245	Houston	TX	77027-2858
Denton County FWSD 11-B	19 Briar Hollow Ln, Suite 245	Houston	TX	77027-2858
Denton County FWSD 8-A	19 Briar Hollow Ln, Suite 245	Houston	TX	77027-2858
Denton County FWSD 4	4103 Valley View Dr.	Rosharon	TX	77583
	600 N Pearl St., Suite 900	Dallas	TX	75201
Denton County MUD 4	1980 Post Oak Blvd., Suite 1380	Houston	TX	77056-3970
Denton County MUD 5	P. O. Box 80	Tomball	TX	77377
	1980 POST OAK BLVD STE 1380	Houston	TX	77056
Denton County MUD 8	1980 Post Oak Blvd., Suite 1380	Houston	TX	77056-3970
Oak Point WCID 1	3100 McKinnon St., Suite 1100	Dallas	TX	75201
Oak Point WCID 2	3100 McKinnon St., Suite 1100	Dallas	TX	75201
Oak Point WCID 3	c/o Coats Rose 14755 Preston Rd., Suite 600	Dallas	TX	72554
Oak Point WCID 4	c/o Coats Rose 14755 Preston Rd., Suite 600	Dallas	TX	72554
Valencia on the Lake WCID	19 Briar Hollow Ln, Suite 245	Houston	TX	77027
Comanche Municipal Management District	c/o City of Aubrey	Aubrey	TX	76227
	107 S. Main St.			

Attachment C.19 - List of Neighboring systems,
cities, etc.

Creeks of Legacy PID	c/o City of Celina, Finance Dept. 142 N. Ohio St	Celina	TX	75009
Jackson Ridge Public Improvement District	c/o City of Aubrey 107 S. Main St.	Aubrey	TX	76227
Smiley Road WCID 1	Winstead, PC 2728 N. Harwood St., Suite 500	Dallas	TX	75201
Smiley Road WCID 2	Winstead, PC 2728 N. Harwood St., Suite 500	Dallas	TX	75201
Sutton Fields II PID	c/o City of Celina, Finance Dept. 142 N. Ohio St	Celina	TX	75009
Talley Ranch WCID 1 of Denton County	c/o Coats Rose 14755 Preston Rd., Suite 600	Dallas	TX	72554
Wildridge PID	c/o City of Oak Point 100 Naylor Road	Oak Point	TX	75068
Winn Ridge South PID	c/o City of Aubrey 107 S. Main St. Town of Little Elm, Finance Dept.	Aubrey Little Elm	TX	76227
Lakeside Estates PID 2	100 W. Eldorado Parkway		TX	75068
Lakewood Village Municipal Development District	Town of Lakewood Village 100 Highridge Dr.	Lakewood Village	TX	75068
Little Elm TIRZ 3	Town of Little Elm 100 W. Eldorado Parkway	Little Elm	TX	75068
Little Elm TIRZ 5	Town of Little Elm 100 W. Eldorado Parkway	Little Elm	TX	75068
Little Elm TIRZ 6	Town of Little Elm 100 W. Eldorado Parkway	Little Elm	TX	75068
Prairie Oaks PID 1	City of Oak Point 100 Naylor Road	Oak Point	TX	75068
Rudman Tract PID	Town of Little Elm 100 W. Eldorado Parkway	Little Elm	TX	75068
Shahan Prairie Road PID	City of Oak Point 100 Naylor Road	Oak Point	TX	75068
Valencia on the Lake PID	Town of Little Elm 100 W. Eldorado Parkway	Little Elm	TX	75068

Attachment C.19 - List of Neighboring systems,
cities, etc.

Valencia on the Lake TIRZ 4	Town of Little Elm 100 W. Eldorado Parkway	Little Elm	TX	75068
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CITIES

City of Aubrey	107 S. Main St.	Aubrey	TX	76227
City of Celina	142 N. Ohio St	Celina	TX	75009
Town of Cross Roads	1401 FM 424	Cross Roads	TX	76227
Town of Little Elm	100 W. Eldorado Pwky	Little Elm	TX	75068

City of Pilot Point	102 E. Main St.	Pilot Point	TX	76258
City of Prosper	P. O. Box 307	Prosper	TX	75078
Lakewood Village ETJ	Town of Lakewood Village100 Highridge Dr.	Lakewood Village	TX	75068
City of Oak Point	100 Naylor Road	Oak Point	TX	75068

CERTIFIED WATER CCN Areas

AQUA TEXAS INC (CCN 13201)	1106 Clayton Lane Suite 400W	Austin	TX	78723
CITY OF CELINA (CCN 12667)	142 N. Ohio St	Celina	TX	75009
CITY OF PROSPER (CCN 12967)	P. O. Box 307	Prosper	TX	75078
DENTON COUNTY FWSD 10 (CCN 13021)	724 Savannah Blvd.	Savannah	TX	76277
	19 Briar Hollow Ln, Suite 245	Houston	TX	77027-2858
WATER ASSN OF NORTH LAKE INC (CCN 12198)	25 Dove Creek Dr.	Aubrey	TX	76227
	1807 N. Elm St. Suite 109	Denton	TX	76201
DENTON COUNTY FWSD 11 (CCN 13022)	19 Briar Hollow Ln, Suite 245	Houston	TX	77027-2858
DENTON COUNTY FWSD 8A (CCN 1318)	19 Briar Hollow Ln, Suite 245	Houston	TX	77027-2858
KNOB HILL WATER SYSTEM (CCN 11414)	2861 High Meadow	Little Elm	TX	75068
TERRA SOUTHWEST INC (CCN 11608)	P. O. Box 140	Alvord	TX	76225
TOWN OF HACKBERRY (CCN 12015)	119 Maxwell Road	Frisco	TX	75034

Counties

Denton County Hon. Andy Eads County Judge	100 West Hickory Street, 2nd Floor	Denton	TX	76201-4168
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Attachment C.19 - List of Neighboring systems,
cities, etc.

Collin County Hon. Chris Hill County Judge	Collin County Administrative Bldg. 2300 Bloomdale Rd., Suite 4192	McKinney	TX	75071
Groundwater Districts				
North Texas Groundwater Conservation District	P. O. Box 508	Gainesville	TX	76241

Bryan W. Shaw, Ph.D., P.E., *Chairman*
Toby Baker, *Commissioner*
Jon-Niermann, *Commissioner*
Richard A. Hyde, P.E., *Executive Director*



ATTACHMENT Part D.20.A

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

February 20, 2017

Mr. Mike Frazier, President
Mustang Special Utility District (SUD)
7985 FM 2931
Aubrey, Texas 76227

RECEIVED
JUN 03 2019
TCEQ
CENTRAL FILE ROOM

Re: Public Water Supply Comprehensive Compliance Investigation at:
Mustang SUD-Countryview Estates, Countryview Dr., Aubrey, Denton County, Texas
RN102683620, PWS ID No. 0610200, Investigation No. 1393866

Dear Mr. Frazier:

On January 30-31, 2017, Ms. Crystal Watkins of the Texas Commission on Environmental Quality (TCEQ) Dallas/Fort Worth (D/FW) Regional Office conducted an investigation of the above-referenced facility to evaluate compliance with applicable requirements for public water supply systems. No violations are being alleged as a result of the investigation.

The TCEQ appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions regarding these matters, please feel free to contact Ms. Watkins in the D/FW Regional Office at (817) 588-5804.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles Marshall".

Charles Marshall
Team Leader, Public Water Supply Program
D/FW Regional Office

CM/cdw

Bryan W. Shaw, Ph.D., P.E., *Chairman*
Toby Baker, *Commissioner*
Jon Niermann, *Commissioner*
Richard A. Hyde, P.E., *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

February 20, 2017

RECEIVED

JUN 03 2019

TCEQ
CENTRAL FILE ROOM

Mr. Mike Frazier, President
Mustang Special Utility District (SUD)
7985 FM 2931
Aubrey, Texas 76227

Re: Public Water Supply Comprehensive Compliance Investigation at:
Mustang SUD-Light Ranch Estates, Fritcher Rd., Pilot Point, Denton County, Texas
RN101181576, PWS ID No. 0610226, Investigation No. 1393853

Dear Mr. Frazier:

On January 30-31, 2017, Ms. Crystal Watkins of the Texas Commission on Environmental Quality (TCEQ) Dallas/Fort Worth (D/FW) Regional Office conducted an investigation of the above-referenced facility to evaluate compliance with applicable requirements for public water supply systems. No violations are being alleged as a result of the investigation.

The TCEQ appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions regarding these matters, please feel free to contact Ms. Watkins in the D/FW Regional Office at (817) 588-5804.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles Marshall".

Charles Marshall
Team Leader, Public Water Supply Program
D/FW Regional Office

CM/cdw

Bryan W. Shaw, Ph.D., P.E., Chairman
Toby Baker, Commissioner
Jon Niermann, Commissioner
Richard A. Hyde, P.E., Executive Director



PWS-0610022-CO-2017-0306-FR10
Attachment D.20.A

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

March 6, 2017

RECEIVED

MAY 16 2017

TCEQ
CENTRAL FILE ROOM

Mr. Mike Frazier, President
Mustang Special Utility District (SUD)
7985 Farm to Market Road (FM) 2931
Aubrey, Texas 76227-3940

Re: Notice of Compliance with Notice of Violation (NOV) dated January 11, 2017:
Midway Water Utility, 642 Martingale Trail, Oak Point, Denton County, Texas
RN 101455020, PWS ID No. 0610022, Investigation No. 1382518

Dear Mr. Frazier:

This letter is to inform you that the Texas Commission on Environmental Quality (TCEQ) Dallas/Fort Worth (D/FW) Regional Office has received adequate compliance documentation on February 7, 2017, to resolve the alleged violations documented during the investigation of the above-referenced regulated entity conducted on December 14, 2016. Based on the information submitted, no further action is required concerning this investigation.

The TCEQ appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions, please feel free to contact Ms. Daniela Hill at the D/FW Regional Office at (817) 588-5810.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles Marshall".

Charles Marshall
Team Leader, Public Water Supply Program
D/FW Regional Office

CM/dh

Enclosure: Summary of Investigation Findings

Jon Niermann, *Chairman*
Emily Lindley, *Commissioner*
Toby Baker, *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

February 25, 2019

Mr. Mike Frazier, President
Mustang Special Utility District (SUD)
7985 FM 2931
Aubrey, Texas 76227

Re: Incident No. 302302

Dear Mr. Frazier:

On January 27, 2019, the Texas Commission on Environmental Quality (TCEQ) Dallas-Fort Worth Region Office received a complaint alleging low water pressure from the Mustang SUD public water system. The complaint was investigated by Environmental Investigator, Mr. Gregory Nagel.

The enclosed report describes the findings that were noted during the investigation.

The TCEQ appreciates your interest in protecting the quality of our environment. If you have any questions concerning these findings, or if we can be of further assistance, please contact Mr. Nagel directly at 817-588-5871 or the DFW Region Office at (817) 588-5800.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles Marshall".

Charles Marshall
Team Leader, Public Water Supply Program
D/FW Regional Office

CM/gpn

Enclosure: Investigation Report No. 1548252 (w/o attachments)

PWS_0610036_CP_20190218_Investigation
Texas Commission on Environmental Quality
Investigation Report

The TCEQ is committed to accessibility. If you need assistance in accessing this document, please contact oce@tceq.texas.gov

Customer: Mustang Sud
Customer Number: CN601363534

Regulated Entity Name: MUSTANG SUD

Regulated Entity Number: RN101457414

Investigation # 1548252

Incident Numbers

302302

Investigator: GREGORY NAGEL

Site Classification GW >1K-10K CONNECTION
P >1K-10K CONNECTION

Conducted: 02/08/2019 -- 02/18/2019

SIC Code: 4941

Program(s): PUBLIC WATER SYSTEM/SUPPLY

Investigation Type: Compliance Investigation

Location:

Additional ID(s): 0610036

Address: 7985 FM 2931,
AUBREY, TX, 76227

Local Unit: REGION 04 - DFW METROPLEX

Activity Type(s): PWSRECON - PWS Recon-
Reconnaissance investigation for
surface water and groundwater
facilities.
PWSCMPL - PWS Complaint

Principal(s):

Role	Name
RESPONDENT	MUSTANG SUD

Contact(s):

Role	Title	Name	Phone
PARTICIPATED IN	OPERATIONS MANAGER	MR ALDO ZAMORA	Fax (940) 440-9686 Work (940) 440-9561 x. 109
REGULATED ENTITY CONTACT	OPERATIONS MANAGER	MR ALDO ZAMORA	Fax (940) 440-9686 Work (940) 440-9561 x. 109
REGULATED ENTITY MAIL CONTACT	PRESIDENT	MR MIKE FRAZIER	Work (940) 440-9561

Other Staff Member(s):

Role	Name
Supervisor	CHARLES MARSHALL
QA Reviewer	CHARLES MARSHALL

COPY

Associated Check List

Checklist Name

PWS COMPLAINT INVESTIGATION

PWS INVESTIGATION - EQUIPMENT

MONITORING AND SAMPLING revised 06/2013

Unit Name

CMPL - 0610036

EQUIP - 0610036

Investigation Comments:

INTRODUCTION

On January 27, 2019, the Texas Commission on Environmental Quality (TCEQ) Dallas/Fort Worth (DFW) Regional Office received a complaint regarding low water pressure at the Mustang Special Utility District (Mustang SUD) water system. The complaint Incident #302302 was assigned to Mr. Gregory Nagel, TCEQ Environmental Investigator, for further investigation.

A complaint and reconnaissance investigation were conducted from February 8 through 18, 2019. No violations were noted during the investigation and a copy of the investigation report was mailed to the water system and the complainant following the investigation.

GENERAL FACILITIES AND PROCESS INFORMATION

Mustang SUD is a community water system located in Denton County, Texas. The water system serves 6,612 connections with an approximate population of 19,836 people based three people per connection. The water system has five groundwater wells which supplies five pump stations and Pressure Plane #1. Chloraminated water from Upper Trinity Regional Water District (UTRWD) Regional Water Treatment Plant (PWS ID# 0610213) supplies one pump station and one pressure plane to Mustang SUD at a minimum purchase rate of 2,014 gallons per minute (gpm) in Pressure Plane #2. For additional facility and process information, see Investigation Number 1402420.

BACKGROUND

The most recent comprehensive compliance investigation, Investigation Number 1402420, was conducted on January 30 and 31, 2017. Two violations were noted during the investigation and a Notice of Violation (NOV) was mailed to the water system.

Several complaints have been filed against the water system in the last five years.

Incident Number 240583 was received on July 26, 2016, concerning discolored water. No alleged violations were noted as a result of the complaint investigation, Investigation Number 1363170.

Incident Number 240595 was received on January 13, 2017, concerning low water pressure and water outages. No alleged violations were noted as a result of the complaint investigation, Investigation Number 1393773.

Incident Number 269927 was received on August 24, 2017, concerning low water pressure. No alleged violations were noted as a result of the complaint investigation, Investigation Number 1443410.

Incident Number 293361 was received on September 26, 2018, concerning low water pressure. No alleged violations were noted as a result of the complaint investigation, Investigation Number 1525060.

ADDITIONAL INFORMATION

On January 27, 2019, a complaint was received by email at the TCEQ Region 4 office. The complainant alleged that they have very low water pressure from the Mustang SUD water system. The complainant was contacted by the investigator on February 8, 2019, to discuss their complaint and notify them that their complaint would be investigated.

On January 29 and February 4, 2019, the investigator attempted to contact the complainant, however, they could not be reached, and a voicemail was left requesting them to contact the TCEQ DFW Regional Office to discuss

their allegation.

On February 8, 2019, the complainant contacted the TCEQ DFW Regional Office and spoke with the investigator. At that time, the complainant stated that they were experiencing low pressure and had been for the previous month.

That same day, the investigator contacted Mr. Aldo Zamora, Operations Manager for Mustang SUD, to discuss the low pressure allegation. Mr. Zamora stated that Upper Trinity Regional Water District (UTRWD) was working on a water main relocation project along FM 720 in Collin County, however, the service area of the complaint shouldn't be affected. During the conversation, Mr. Zamora stated that Mustang SUD had not received any recent low water pressure complaints and that the Temple Dane Pump Station was utilizing service pumps to maintain 70-75 pounds per square inch (psi) of pressure leaving the pump station to serve the complainant's portion of the distribution system.

In a follow up conversation with Mr. Zamora that day, the investigator asked Mr. Zamora to clarify how the pressure was being maintained in the complainant's portion of the distribution system. At that time, Mr. Zamora stated that under normal operating conditions, pressure is maintained by an elevated storage tank on Byron Road, but that the water main relocation project required the distribution line that runs from the elevated storage tank to the complainant's neighborhood to be temporarily disconnected. Mr. Zamora then stated that the pressure had to be maintained by the service pumps at the Temple Dane Pump Station while the elevated storage tank was offline. At that time, the investigator requested Mr. Zamora to meet him at the water station the following Monday to further evaluate the operation of the distribution system.

On February 11, 2019, the investigator met with Mr. Zamora at the Temple Dane Pump Station to further discuss the operation of the water system. At that time, Mr. Zamora stated that the Byron Road elevated storage tank went offline on January 30, 2019 and was scheduled to be brought back online later that week. Mr. Zamora also stated that since UTRWD is the water supplier for the water system and has control of the Byron Road elevated storage tank, the situation was out of Mustang SUD's control. Mr. Zamora then showed the investigator the distribution facilities at the pump station and identified a 12" and 16" water main that served the complainant's neighborhood from the Temple Dane Pump Station. Mr. Zamora also stated that should the pressure leaving the Temple Dane Pump Station drop below 55 psi, a valve on a separate nearby elevated storage tank in Providence Village would open and provide pressure maintenance for the complainant's neighborhood. Mr. Zamora stated that the water system was able to provide a higher pressure by utilizing the service pumps at the Temple Dane Pump Station for pressure maintenance rather than utilizing the Providence Village elevated storage tank while the Byron Road elevated storage tank was out of service. At that time, the investigator requested a record of the discharge pressures leaving the Temple Dane Pump Station for the previous six months and asked that Mr. Zamora notify him when the Byron Road elevated storage tank was brought back to an operational status.

Prior to meeting with Mr. Zamora on February 11, 2019, the investigator conducted distribution monitoring activities at the complainant's residence and noted the following results:

A disinfectant residual of 2.8 milligrams per liter (mg/L) total chlorine and a pressure of 88 psi.

A pressure recorder was then deployed at the complainant's residence to monitor and record the water pressure.

On February 12, 2019, Mr. Zamora provided the record of the discharge pressure leaving the Temple Dane Pump Station from October 17, 2018 through February 10, 2019. Based on the documentation provided, the minimum water pressure leaving the Temple Dane Pump Station during that time was approximately 65 pounds per square inch (psi) and the maximum water pressure was approximately 90 psi. The regulatory required minimum pressure that must be maintained throughout the distribution system at all times is 35 psi.

On February 15, 2019, Mr. Zamora notified Mr. Nagel that the Byron Road elevated storage was back online.

On February 18, 2019, the investigator returned to the complainant's residence to retrieve the pressure recorder. The investigator monitored the pressure at the complainant's residence at that time and noted a pressure of 89 psi. The pressure recorder documented an average pressure of 92 psi, with a minimum of 62 psi and a maximum of 109 psi. The pressure data retrieved from the pressure recorder was found to be compliant with TCEQ regulations.

MUSTANG SUD - AUBREY

2/8/2019 to 2/18/2019 Inv. # - 1548252

Page 4 of 4

Investigation Findings

The complainant's allegation was investigated during the complaint investigation conducted from February 8 through 18, 2019. The allegation of low pressure could not be substantiated at that time. 30 TAC 290.45(b)(2)(G) states surface water supplies must provide an elevated storage capacity of 100 gallons per connection. However, since the Byron Road elevated storage tank was out of service for a short period of time out of the control of Mustang SUD and adequate pressure readings were noted during the investigation, no violations were noted as a result of the investigation.

Attachments

- 1) Water System Documentation
- 2) Pressure Recorder Data

No violations were noted in this investigation

Signed


Environmental Investigator

Date

2/19/19

Signed


Supervisor

Date

2/21/19

Attachments: (in order of final report submittal)

☐ Enforcement Action Request (EAR)

☒ Letter to Facility (specify type) : Final letter

☐ Investigation Report

☐ Sample Analysis Results

☐ Manifests

☐ Notice of Registration

☐ Maps, Plans, Sketches

☐ Photographs

☒ Correspondence from the facility

☒ Other (specify) :

Pressure Recorder Data

MWD- WQ0015536001 - PA - 20190327 - NOTICE OF COMPLETION

Michael Anstice

From: WQ-ARPTeam
Sent: Wednesday, March 27, 2019 2:01 PM
To: Michael Anstice
Subject: FW: TCEQ Form 20007 for Mustang SUD Sandbrock WWTP Startup
Attachments: 20190326170750497.pdf

See attached

From: Aaron Laughlin <alaughlin@stegerbizzell.com>
Sent: Wednesday, March 27, 2019 2:00 PM
To: WQ-ARPTeam <WQ-ARPTeam@tceq.texas.gov>
Subject: TCEQ Form 20007 for Mustang SUD Sandbrock WWTP Startup

Please see attached Form TCEQ-20007 for the Mustang SUD Sandbrock WWTP, which is scheduled to be officially started up today. Let me know if you have any questions or comments on this submittal.

Thanks,

Aaron J. Laughlin, PE
Senior Engineer
Steger Bizzell
Texas Registered Engineering Firm F-181
1978 South Austin Avenue
Georgetown, TX 78626
PH: 512-930-9412

RECEIVED**MAR 27 2019****Water Quality Applications Team****RECEIVED****APR 10 2019****TCEQ
CENTRAL FILE ROOM**

RECEIVED

MAR 27 2019

Water Quality Applications Team



**TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
NOTIFICATION OF COMPLETION/PHASE OF WASTEWATER
TREATMENT FACILITY**

If you have questions about completing this form please contact the Applications Review and Processing Team at 512-239-4671.

Current Permit Information

What is the TCEQ Water Quality Permit Number? WQ0015536001

What is the EPA I.D. Number? TX 0137464

Current Name on Permit: Mustang Special Utility District Sandbrock Wastewater Treatment Facility

Notification

Indicate the phase the facility will be operating.

- ☒ Interim Phase I Flow
☐ Interim Phase II Flow
☐ Interim Phase III Flow
☐ Final Phase Flow

Indicate the date that the operation began or will begin operating under the selected phase:

Month/Day/Year: 03/27/2019

Comments: WWTP startup activities began the week of 03/11/2019. WWTP was seeded on 03/14/2019 and we anticipate that the plant will begin discharging on 03/27/2019.

Certification and Signature

Responsible Official Name (Print or Type): Dean Jameson

Responsible Official Title: President, Mustang SUD Board of Directors

Responsible Official Email:

I certify that I am authorized under 30 Texas Administrative Code §305.44 to sign and submit this document, and can provide documentation in proof of such authorization upon request.

Signature (use blue ink):  Date: 3-25-19

Email completed form to:
or

WQ-ARPTeam@tceq.texas.gov

Fax completed form to:
or mail completed form to:

512-239-0884
 Texas Commission on Environmental Quality
 Applications Review and Processing Team (MC-148)
 P.O. Box 13087
 Austin TX 78711-3087

RECEIVED

MAR 27 2019

Water Quality Applications Team

Instructions for Notification of Completion/Phase Of Wastewater Treatment Facility

Current Permit Information

Provide your Permit Number. This number will start with WQ followed by 10 digits. The number can be found on the top right-hand corner of your issued permit.

For Texas Pollutant Discharge Elimination Permits (TPDES), provide the EPA ID number. This number will start with TX followed by 7 digits. The number can be found on the top right-hand corner of your issued permit.

Provide the current name that is on your permit. This information can be found on the first page of your permit.

Indicate the phase of operation you will be operating under. Provide the date the facility will begin operating in that phase. Date should be provided as month/day/year.

Signature Requirements

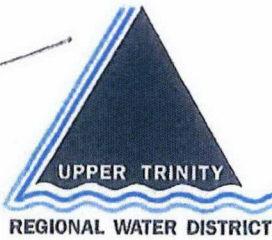
In accordance with 30 Texas Administrative Code §305.44 relating to Signatories to Applications, all applications shall be signed as follows:

For a corporation, the application shall be signed by a responsible corporate officer. For purposes of this paragraph, a responsible corporate officer means a president, secretary, treasurer, or vice-president of the corporation in charge of a principal business function, or any other person who performs similar policy or decision-making functions for the corporation; or the manager of one or more manufacturing, production, or operating facilities employing more than 250 persons or having gross annual sales or expenditures exceeding \$25 million (in second-quarter 1980 dollars), if authority to sign documents has been assigned or delegated to the manager in accordance with corporate procedures. Corporate procedures governing authority to sign permit or post-closure order applications may provide for assignment or delegation to applicable corporate positions rather than to specific individuals.

For a partnership or sole proprietorship, the application shall be signed by a general partner or the proprietor, respectively.

For a municipality, state, federal, or other public agency, the application shall be signed by either a principal executive officer or a ranking elected official. For purposes of this paragraph, a principal executive officer of a federal agency includes the chief executive officer of the agency, or a senior executive officer having responsibility for the overall operations of a principal geographic unit of the agency (e.g., regional administrator of the EPA).

Jan - 2019



STATEMENT

P.O. Drawer 305 • Lewisville, TX 75067

(972) 219-1228 • Fax: (972) 221-9896

Mustang SUD

NE-RTWS

Monthly billing statement for participation in the Regional Treated Water System
of the Upper Trinity Regional Water District

Statement Date: 2/12/2019

Invoice No:

W231902

VOLUME CHARGE

	Date	Regional Reading	Harpool Reading	TOTALS
Current Meter Reading	1/31/2019	93,170,000	1,223,250,000	
Prior Meter Reading	1/1/2019	47,090,000	167,182,000	
		46,080,000	56,068,000	102,148,000
Adjustments: Credit-Paloma Creek S FWSD#11A				(21,260,000)
Adjustments: Credit-Paloma FWSD#8A				(3,770,900)
Adjustment: Credit for unaccounted water (#8 & #11)				(750,927)
Adjustment: Credit - Artesia FWSD#10				(8,061,000)
Adjustment: Credit for unaccounted water (artesia)				(247,830)
Adjustment: Add for water entering the MSUD system through the Providence fireflow meter during the 720 construction				9,000
Total Flow for Period				68,066,343
Multiplied by the Treatment Rate (per 1,000 gallons)				\$ 1.09
Volume Charge Due				\$ 74,192.31

DEMAND CHARGE

Annual Demand Charge (per mgd)	\$ 439,650
Multiplied by the Subscribed Capacity (mgd)	4.48
Divided by the Number of Billing Periods in the Year	12
Demand Charge Due	\$ 164,136.00

Total Amount Due This Bill

\$ 238,328.31


Please Pay By:

3/4/2019

STATEMENT

Feb. 2019

P.O. Box 306 • Lewisville, TX 75067

(972) 219-1228 • Fax (972) 221-9896
NE-RTWS


REGIONAL WATER DISTRICT
Mustang SUD

Monthly billing statement for participation in the Regional Treated Water System
of the Upper Trinity Regional Water District

Statement Date: 3/12/2019

Invoice No:

W231903

VOLUME CHARGE

	Date	Regional Reading	Harpool Reading	FM428 POD	TOTALS
Current Meter Reading	2/28/2019	153,675,000	1,247,515,000	1,122,000	
Prior Meter Reading	2/1/2019	93,170,000	1,223,250,000	-	
		60,505,000	24,265,000	1,122,000	85,892,000
Adjustments: Credit-Paloma Creek S FWSD#11A					(19,100,000)
Adjustments: Credit-Paloma FWSD#8A					(3,485,700)
Adjustment: Credit for unaccounted water (#8 & #11)					(677,571)
Adjustment: Credit - Artesia FWSD#10					(7,396,000)
Adjustment: Credit for unaccounted water (artesia)					(221,880)
Adjustment: Add for water entering the MSUD system through the Providence fireflow meter during the 720 construction					14,000
Total Flow for Period					55,024,849
Multiplied by the					
Treatment Rate (per 1,000 gallons)					\$ 1.09
Volume Charge Due					\$ 59,977.09

DEMAND CHARGE

Annual Demand Charge (per mgd)	\$ 439,650
Multiplied by the	
Subscribed Capacity (mgd)	4.48
Divided by the	
Number of Billing Periods in the Year	12
Demand Charge Due	\$ 164,136.00

Total Amount Due This Bill

\$ 224,113.09

Please Pay By:

4/1/2019

STATEMENT

March - 2019

P.O. Box 305 • Lewisville, TX 75067

(972) 219-1228 • Fax (972) 221-9896

NE-RTWS

REGIONAL WATER DISTRICT

Mustang SUD

Monthly billing statement for participation in the Regional Treated Water System
of the Upper Trinity Regional Water District

Statement Date: 4/12/2019

Invoice No:

W231904

VOLUME CHARGE

	Date	Regional Reading	Harpool Reading	FM428 POD	TOTALS
Current Meter Reading	3/31/2019	268,135,000	1,256,609,000	6,208,000	
Prior Meter Reading	3/1/2019	153,675,000	1,247,515,000	1,122,000	
		114,460,000	9,094,000	5,086,000	
Adj: faulty meter reading during March				(3,086,000)	
Sub-Total				2,000,000	125,554,000
Adjustments: Credit-Paloma Creek S FWSD#11A					(24,190,000)
Adjustments: Credit-Paloma FWSD#8A					(4,215,150)
Adjustment: Credit for unaccounted water (#8 & #11)					(852,155)
Adjustment: Credit - Artesia FWSD#10					(9,381,000)
Adjustment: Credit for unaccounted water (artesia)					(281,430)
Adjustment: Add for water entering the MSUD system through the Providence fireflow meter during the 720 construction					-
Total Flow for Period					86,634,265
Multiplied by the					
Treatment Rate (per 1,000 gallons)					\$ 1.09
Volume Charge Due					\$ 94,431.35

DEMAND CHARGE

Annual Demand Charge (per mgd)	\$ 439,650
Multiplied by the	
Subscribed Capacity (mgd)	4.48
Divided by the	
Number of Billing Periods in the Year	12
Demand Charge Due	\$ 164,136.00

Total Amount Due This Bill

\$ 258,567.35

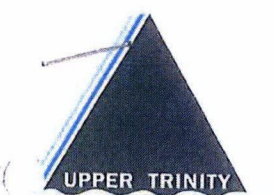
Please Pay By:

5/2/2019

STATEMENT

P.O. Box 305 • Lewisville, TX 75067

(972) 219-1228 • Fax (972) 221-9896

NE-RTWS

REGIONAL WATER DISTRICT

Mustang SUD

Monthly billing statement for participation in the Regional Treated Water System
of the Upper Trinity Regional Water District

Statement Date: 5/10/2019

Invoice No:

W231905

VOLUME CHARGE

	Date	Regional Reading	Harpool Reading	FM428 POD	TOTALS
Current Meter Reading	4/30/2019	377,865,000	1,269,309,000	6,208,000	
Prior Meter Reading	4/1/2019	268,135,000	1,256,609,000	6,208,000	
		109,730,000	12,700,000	-	122,430,000
Adjustments: Credit-Paloma Creek S FWSD#11A					(26,390,000)
Adjustments: Credit-Paloma FWSD#8A					(4,282,000)
Adjustment: Credit for unaccounted water (#8 & #11)					(980,160)
Adjustment: Credit - Artesia FWSD#10					(11,068,000)
Adjustment: unmetered flow					1,270,000
Adjustment: Credit for unaccounted water (artesia)					(332,040)
Adjustment: Add for water entering the MSUD system through the Providence fireflow meter during the 720 construction					-
Total Flow for Period					78,647,800
Multiplied by the					
Treatment Rate (per 1,000 gallons)					\$ 1.09
Volume Charge Due					\$ 85,726.10

DEMAND CHARGE

Annual Demand Charge (per mgd)	\$ 439,650
Multiplied by the	
Subscribed Capacity (mgd)	4.48
Divided by the	
Number of Billing Periods in the Year	12
Demand Charge Due	\$ 164,136.00

Total Amount Due This Bill**\$ 249,862.10**

Please Pay By:

5/30/2019

2019 Licensing								
Last Name	First	Program	License Type & Level	License #	Issue Date	Exp. Date	License Status	CEU's EARNED AS OF DEC. 2017
ARGUELLO (4075)	ECTOR	WWOL	WASTEWATER TREATMENT OPERATOR B	WW0044993	01/19/18	03/21/21	CURRENT	30.5
BAGSBY (3545)	TERRENCE	WATEROL	GROUNDWATER TREATMENT OPERATOR C	WG0017766	03/21/19	03/21/22	CURRENT	0
BLANK (5289)	DUSTIN	WATEROL	WATER DISTRIBUTION OPERATOR B	WD0012245	12/18/17	12/13/21	CURRENT	72
		WWOL	WASTEWATER COLLECTION OPERATOR III	WW0054674	10/17/18	12/22/21	CURRENT	0
		CSIOL	CUSTOMER SERVICE INSPECTOR	CI0010146	09/27/16	09/27/19	CURRENT	36
CARTER	RAUN	WWOL	WASTEWATER TREATMENT OPERATOR D	WW0056079	10/19/16	10/19/19	CURRENT	48
		WWOL	WASTEWATER COLLECTION OPERATOR II	WW0058418	05/24/18	05/24/21	CURRENT	0
		WATEROL	GROUNDWATER DISTRIBUTION OPERATOR C	WD0014899	02/27/19	02/27/22	CURRENT	0
		WATEROL	GROUNDWATER TREATMENT OPERATOR C				PENDING	
COTTON (7070)	NATHAN	WATEROL	GROUND WATER TREATMENT OPERATOR B	WG17040	04/10/18	04/10/21	CURRENT	0
		WWOL	WASTEWATER COLLECTION OPERATOR I	WW0052908	03/01/18	03/04/21	CURRENT	0
		WATEROL	GROUNDWATER DISTRIBUTION OPERATOR C	WD0013630	12/01/16	12/01/19	CURRENT	80
DICKERSON	CLINT	WATEROL	WATER OPERATOR D				PENDING	
HERNANDEZ	JOSE	WATEROL	WATER OPERATOR D	WO0040888	4/5/2018	4/5/2021	CURRENT	40
LAHR (5430)	COLTON	WATEROL	GROUND WATER DISTRIBUTION OPERATOR C	WD0014317	12/12/17	12/12/20	CURRENT	0
MAYES (2013)	RODGER	WATEROL	GROUND WATER TREATMENT OPERATOR B	WG0013265	12/29/16	02/28/20	CURRENT	49
		WWOL	WASTEWATER TREATMENT OPERATOR C	WW0002209	01/08/18	02/14/21	CURRENT	3
NASH (7808)	CODY	WATEROL	GROUNDWATER DISTRIBUTION OPERATOR C	WD0013634	03/01/17	03/01/20	CURRENT	0
O'NEAL	JUSTIN	WWOL	WASTEWATER TREATMENT OPERATOR D	WW0062033	04/15/19	04/15/22	CURRENT	0
ORTEGA (4524)	ARTHUR	WATEROL	WATER OPERATOR D	WO0041980	03/02/18	03/02/21	CURRENT	35
TREVINO (8334)	ISMAEL	WWOL	WASTEWATER COLLECTION OPERATOR III	WW0057021	01/25/17	01/25/20	CURRENT	60
		WWOL	WASTEWATER TREATMENT OPERATOR D	WW0058340	07/28/17	07/28/20	CURRENT	60
		WATEROL	GROUND WATER TREATMENT OPERATOR B	WG0011719	02/26/18	03/24/21	CURRENT	0
SOTO	JOSE	WATEROL	WATER OPERATOR D	WO0043673	02/27/19	02/27/22	CURRENT	0
WARREN (9030)	DANA	WATEROL	GROUND WATER TREATMENT OPERATOR C	WG0018958	04/10/18	04/10/21	CURRENT	9
WATSON	CHASE	WATEROL	WATER OPERATOR D				PENDING	
WEATHERLY (4074)	ERIC	WWOL	WASTEWATER TREATMENT OPERATOR C	WW0052556	04/06/18	06/02/21	CURRENT	1.5
WHITE (0562)	DAKOTA	WWOL	WASTEWATER COLLECTION OPERATOR II	WW0059353	01/29/18	01/29/21	CURRENT	23
WILLIAMSON (8041)	MARK	WWOL	WASTEWATER COLLECTIONS OPERATOR I	WW0060487	10/25/18	10/25/21	CURRENT	0
ZAMORA (2392)	ALDO	WATEROL	WATER OPERATOR A	WO0040331	05/22/17	05/22/20	CURRENT	3
		WWOL	WASTEWATER COLLECTION OPERATOR I	WW0035142	06/22/18	08/21/21	CURRENT	0
		CSIOL	CUSTOMER SERVICE INSPECTION	CI0010428	09/27/17	09/27/20	CURRENT	0
		WWOL	WASTEWATER TREATMENT OPERATOR C	WW0059355	01/26/18	01/26/21	CURRENT	3

Engineer's Report for May 13, 2019 Board Meeting

Mustang Special Utility District
Aubrey, Texas

May 9, 2019

System Engineering

Hathaway

Elevated Tank – Construction of the tank is complete with the exception of disinfection of the tank, which will take place after the Hathaway Well Completion and Site Improvements projects are complete and water is available on the site to use for tank disinfection. Tank disinfection is tentatively scheduled for the end of May pending successful disinfection and pressure testing of the well and water lines.

Production Well – The well pump was successfully started up for the first time on April 30th, and the well is being periodically pumped out as weather allows. Bac-T testing on the well is scheduled for the week of May 13th. The anticipated completion date of this project is May 2019.

Site Improvements – The project is currently under construction. Contractor has installed the building, poured all pads on the site and installed permanent power for the site. Remaining items to complete include single phase electrical wiring, instrumentation wiring, testing, and final site work. The anticipated completion date of this project is May 2019.

Houlihan (Green Meadows/FM 428)

Point of Delivery (POD) – UTRWD has accepted the POD pending completion of the grading and access road. The grading and access road work is being performed by Dake Construction as part of the Houlihan Pump Station construction.

Ground Storage Tank (GST) – Final documents were received on May 7th and are being reviewed before final acceptance.

Pump Station/Pressure Tank – Work continues on the station. The contractor is currently installing the subgrade utilities in the building in preparation of forming the slab.

Silverado/Regatta

Pump Station/Pressure Tank – Station has been accepted and final close out documents and manuals are expected next week.

Silverado Well #2 – The site has been selected and design of the well is underway.

Silverado EST – The site has been selected and design of the EST is underway.

Byran Road Elevated Storage Tank (EST) Painting

Recoating of the tank has been scheduled to be completed this fall.

Byran Road Elevated Storage MSUD-UTRWD Emergency Interconnect

The contractor has completed submittals and will have an updated schedule next weeks. We are 9 weeks into the project and the contractor will mobilize on the last week of May when the vault is expected to arrive. The project is on track to be substantially completed in 13 weeks and testing is expected mid-June.

Sandbrock WWTP

The project is currently in construction phase. Smith & Loveless was on the site the week of March 11th, and the first plant process train was successfully seeded and started up on March 15th. Startup of the 2nd process train by Smith & Loveless is scheduled for the week of June 10. Repairs to the influent lift station pumps and VFDs were completed on May 3.

Highway 377 Water Transmission Main

The design plans and specifications are complete. During the easement negotiation process, two landowners were unwilling to grant the water line easement. In an effort to move the project forward, Mustang SUD has requested the line be placed in ROW along these properties. When these properties develop in the future, the lines will be placed in easement acquired through the new land owners. A redesign of the impacted section of line is underway. Project is expected to be advertised the week of May 13, 2019.

FM 1385 Water Transmission Main, Phase 2

The project notice to proceed was issued for April 29, 2019. The contractor's material submittals have been reviewed and approved and the contractor has begun mobilization.

Houlihan WTM

Mustang SUD is currently acquiring easements from the land owners along the alignment.

Subdivision Reviews

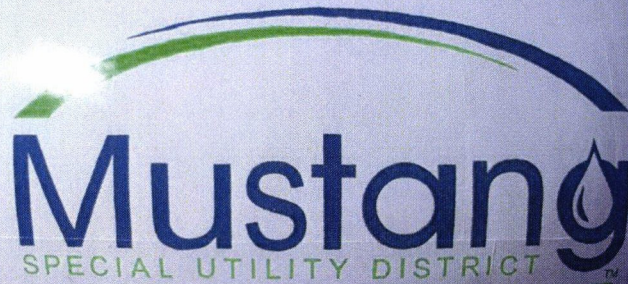
Review Dates	Subdivision Name
4/23/2019	Northlake Estates Phase 2 Lift Station
4/24/2019	Silverado Phase 5 Major Improvements
5/1/2019	Sandbrock Ranch Phase 6 (230 Residential/14 Other)
5/3/2019	Silverado Phase 5A (75 Residential/5 Other)
5/6/2019	Union Park Gazebo Street
5/6/2019	Union Park Retail Road
5/7/2019	Aubrey ISD Middle School #3
5/9/2019	The Enclave at Pecan Creek Phase 1 (188 Residential/14 Other)

Respectfully submitted,

Curtis Steger, PE
Steger Bizzell

ATTACHMENT Part E.30

2018



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
SEPTEMBER 30, 2018



MUSTANG SPECIAL UTILITY DISTRICT
IN DENTON COUNTY, TEXAS

MUSTANG SPECIAL UTILITY DISTRICT

of Denton County, Texas

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2018

General Manager
Chris Boyd

Financial Services Manager
Patty Parks

**MUSTANG SPECIAL UTILITY DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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**MUSTANG SPECIAL UTILITY DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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INTRODUCTORY SECTION



January 22, 2019

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, 2018, 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.

Mike Ward Accounting & Financial Consulting, PLLC has issued an unmodified ("clean") opinion on the District's financial statements for the year ended September 30, 2018. 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 have recently built 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 for the near future. This translates to 1,000 – 1,500 new connections per year. The District also expects to continue adding commercial customers along the U.S. Highway 380 corridor in conjunction with the residential development.

MAJOR INITIATIVES

The District is working to increase groundwater resources with the completion of several new wells, and the addition of several ground/elevated storage tanks.

The District is working to increase wastewater capacity by building a wastewater treatment plant on the northeast side of the district, and by purchasing additional wastewater capacity from Upper Trinity Regional Water District.

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 Financial Services Manager, 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 Mike Ward Accounting & Financial Consulting, PLLC, 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, 2018, 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 Financial Services 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



JENNIFER BLAND
ASSISTANT GENERAL MANAGER



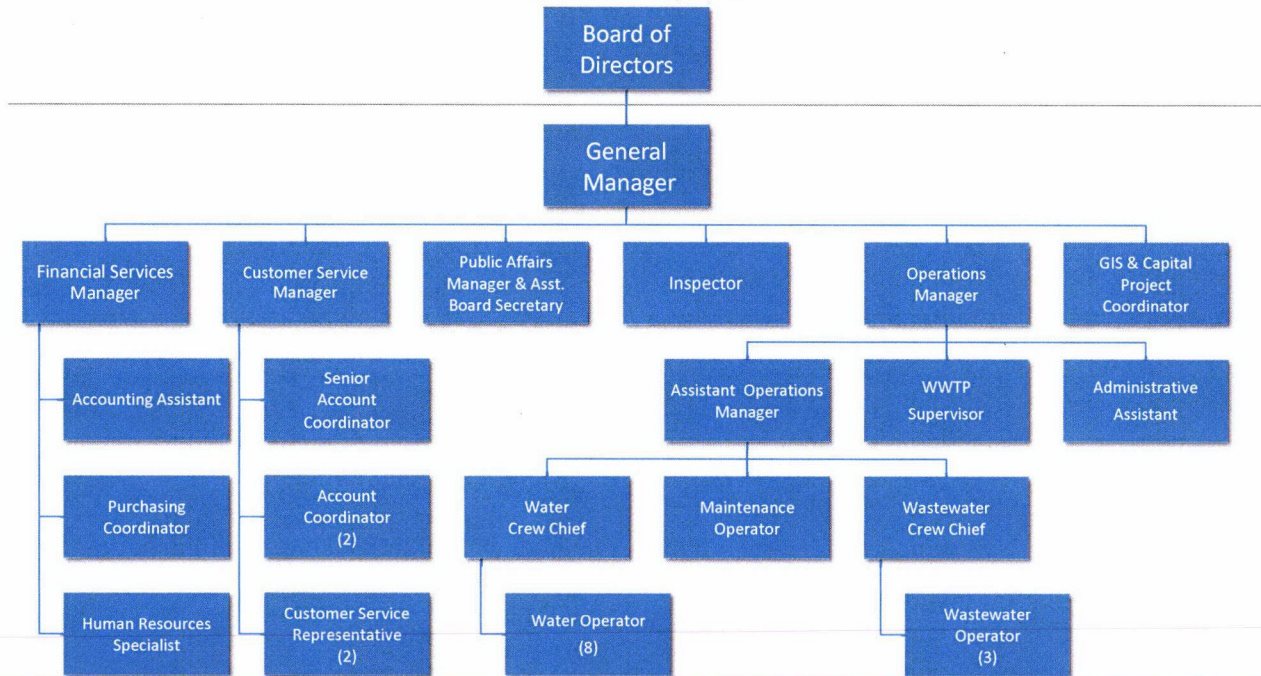
PATTY PARKS
FINANCIAL SERVICES MANAGER

**MUSTANG SPECIAL UTILITY DISTRICT
BOARD OF DIRECTORS
AS OF SEPTEMBER 30, 2018**

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

Mustang Special Utility District

2017-2018 Organization Chart
32 Full-Time Employees



FINANCIAL SECTION

Mike Ward Accounting & Financial Consulting, PLLC

Mike Ward, CPA
266 RCR 1397
Point, Texas 75472

(903) 269-6211
mward@mikewardcpa.com

January 22, 2019

Independent Auditor's Report

To the Board of Directors
Mustang Special Utility District:

Report on the Financial Statements

I 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, 2018 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence that I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinions

In my 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, 2018 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 and the TCDRS – Schedule of Funding Progress and Schedule of Changes in Net Pension Liability and Related Ratios 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 operation, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I have obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My 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 and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate 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 additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Budgetary Comparison Schedule 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, I do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated January 22, 2019 on my consideration of Mustang Special Utility District's internal control over financial reporting and my 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 my 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,

Mike Ward Accounting + Financial Consulting, PLLC

Mike Ward Accounting & Financial Consulting, PLLC

Point, Texas

MUSTANG SPECIAL UTILITY DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2018

Within this section of the Mustang Special Utility District's ("District") comprehensive annual financial report, management provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2018. 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 \$76,167,477 (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 \$39,068,866, or 51%, of total net position. Restricted net position of \$2,001,074, or 3% of total net position, is restricted for debt service.
- The District's total net position increased by \$27,476,584. The majority of this increase is attributable to capital contributions.
- Net investment in capital assets totaled \$35,097,537, or 46% 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.

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 (3) cash flows from investing activities. The Statement of Cash Flows is a useful tool in understanding the District's cash position and reasons behind that position.

**MUSTANG SPECIAL UTILITY DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2018**

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 within the basic financial statements. The notes to the financial statements begin immediately following the basic financial statements.

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.

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 are also included within the Supplemental Schedules of this report.

New GASB pronouncements

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. The District provides no postemployment benefits other than pensions, therefore this pronouncement has no effect on the District during the 2018 fiscal year.

**MUSTANG SPECIAL UTILITY DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2018**

	Net Position	
	2018	2017
Current and other assets	\$ 21,801,768	\$ 30,261,406
Noncurrent assets	3,722,907	2,781,000
Capital assets	84,816,197	43,828,691
Total assets	<u>110,340,872</u>	<u>76,871,097</u>
Deferred outflows of resources-pension	<u>280,260</u>	<u>285,319</u>
Long-term liabilities	29,170,544	24,008,320
Current liabilities	5,239,868	4,452,544
Total liabilities	<u>34,410,412</u>	<u>28,460,864</u>
Deferred inflows of resources-pension	<u>43,243</u>	<u>4,659</u>
Net investment in capital assets	35,097,537	20,149,900
Restricted	2,001,074	759,940
Unrestricted	39,068,866	27,781,053
Total net position	<u>\$ 76,167,477</u>	<u>\$ 48,690,893</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 \$76,167,477 as of September 30, 2018. The District's net position increased by \$27,476,584 for the fiscal year ended September 30, 2018. The majority of this increase is attributable to capital contributions.

Net investment in capital assets:

The largest portion of total net position, \$35,097,537, or 46%, 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, \$2,001,074, or 3%, 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, \$39,068,866 or 51%, 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, 2018**

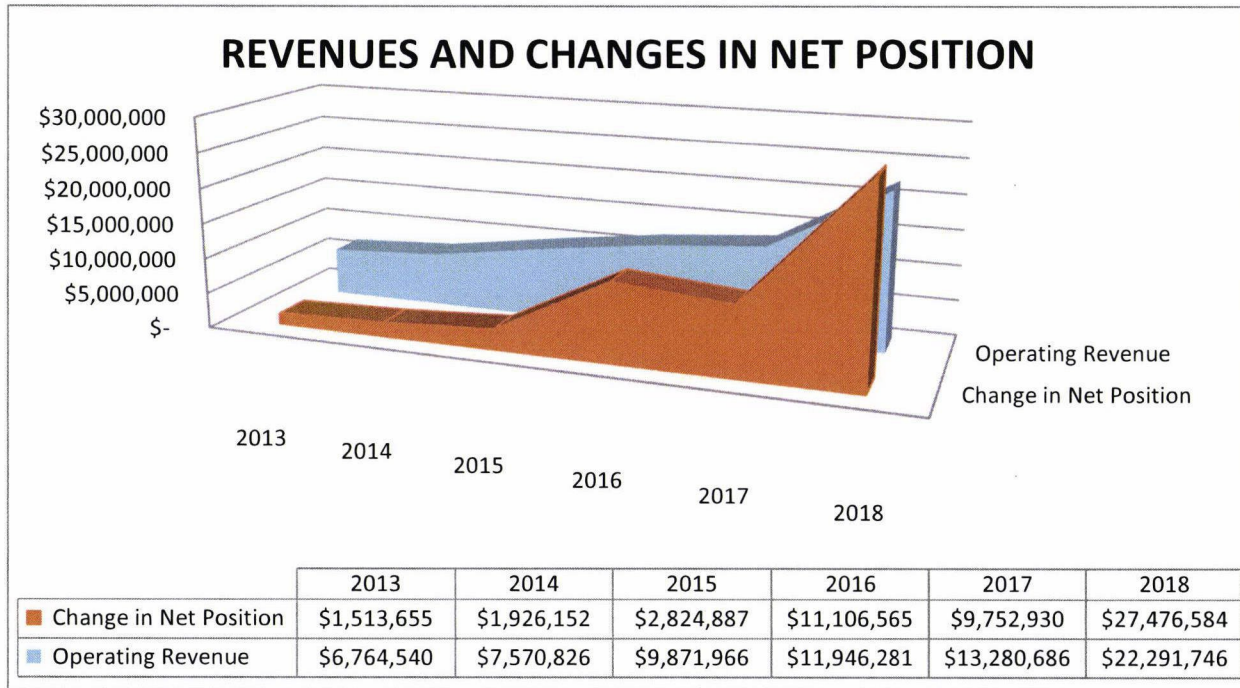
Changes in Net Position

	Business-type Activities		Total Percentage Change Favorable/ (Unfavorable)
	2018	2017	
REVENUES			
Program Revenues:			
Charges for sales and services:			
Water/wastewater sales	\$ 10,608,709	\$ 7,522,097	41.03%
Customer charges/fees	9,221,988	3,528,666	161.34%
Operating contracts	2,409,426	2,166,540	11.21%
General Revenues:			
Miscellaneous revenue	51,623	63,383	-18.55%
Investment income	215,852	118,408	82.30%
Gain on disposal of capital assets	-	94,558	-100.00%
Transfer of CCN	-	375,000	100.00%
Total revenues	22,507,598	13,868,652	62.29%
EXPENSES			
Operating expenses	13,776,237	10,838,433	-27.11%
Interest expense	1,028,941	670,453	-53.47%
Bond issuance costs	140,258	95,516	100.00%
Total expenses	14,945,436	11,604,402	-28.79%
Change in net position before contributions	7,562,162	2,264,250	233.98%
Capital contributions	19,914,422	7,488,680	165.93%
Change in net position	27,476,584	9,752,930	181.73%
Net position - beginning of year	48,690,893	38,937,963	-25.05%
Net position - end of year	\$ 76,167,477	\$ 48,690,893	56.43%

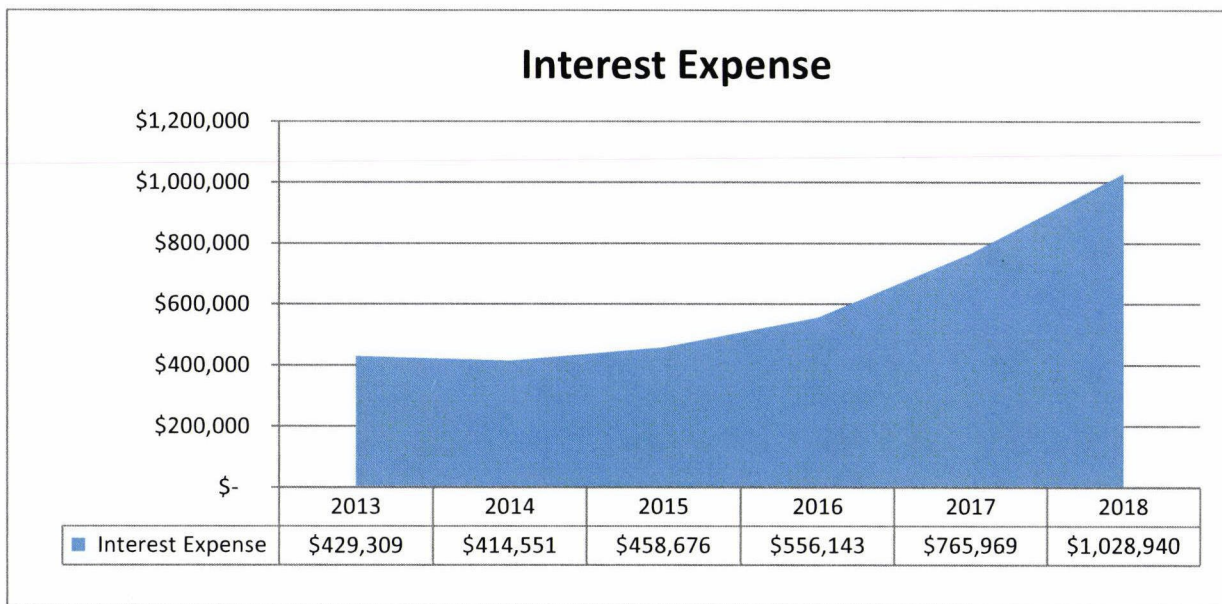
The District as a whole is primarily reliant on charges for services. Activities were 99% supported by charges for services and 1% of revenues were derived from other sources.

**MUSTANG SPECIAL UTILITY DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
CHART OF REVENUES AND CHANGE IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2013 - 2018**

REVENUES AND CHANGES IN NET POSITION



CHANGE IN INTEREST EXPENSE



MUSTANG SPECIAL UTILITY DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2018

Capital Assets

The District's investment in capital assets as of September 30, 2018 totals \$84,816,197, net of accumulated depreciation. This investment in capital assets includes land, buildings, water distribution systems, furniture and fixtures, vehicles, and intangible assets, ie., rights to provide service to water customers. More detailed information about the District's capital assets is presented in Note E.

The total net increase in capital assets for the current fiscal year was \$25,507,259 or 43%, from the prior fiscal year.

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

- 19 separate phases of subdivisions were completed, with others ongoing
- Silverado well, ground storage tank, and pump station near completion
- Sandbrock wastewater treatment plant construction
- Hathaway elevated storage tank construction
- New operations building construction

Capital Assets
as of September 30, 2018
(Net of Accumulated Depreciation)

	Business-type Activities		Total Percentage Change Increase/ (Decrease)
	2018	2017	
Land and improvements	\$ 1,488,076	\$ 1,488,076	-
Construction in progress	18,501,988	6,577,710	181.28%
Water distribution system	40,967,407	33,909,518	20.81%
Buildings and improvements	862,634	954,050	-9.58%
Equipment	676,595	720,058	-6.04%
Vehicles	110,085	179,280	-38.60%
Intangible assets	22,209,412	15,480,246	43.47%
Total	<u>\$ 84,816,197</u>	<u>\$ 59,308,938</u>	<u>43.01%</u>

More detailed information about the District's capital assets is presented within the note to the financial statements

Long-Term Obligations

As of September 30, 2018, the District has a total long-term debt outstanding of \$28,941,851. During the fiscal year, total debt increased by \$5,377,458.

Outstanding Debt
as of September 30, 2018

	Business-type Activities		Total Percentage Change Increase/ (Decrease)
	2018	2017	
Bonds payable	\$ 23,125,000	\$ 20,289,000	13.98%
Note payable	5,816,851	3,275,393	77.59%
Total	<u>\$ 28,941,851</u>	<u>\$ 23,564,393</u>	<u>22.82%</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, 2018**

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

The 2019 strategic goals are as follows:

- Water Resources Management
- Asset Management and Operational Optimization
- Financial Strength and Resiliency
- Customer and Stakeholder Relationships
- Professional Development

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, 2018**

	Proprietary Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 14,331,493
Receivables, net of allowance for uncollectibles	3,105,569
Inventory	203,999
Prepays	84
Restricted cash and cash equivalents	4,160,623
Total current assets	21,801,768
Non-current assets:	
Bond receivables	3,690,306
Net pension asset	32,601
Capital assets:	
Non-depreciable capital assets	19,990,066
Depreciable capital assets, net	42,518,475
Intangible assets:	
Organizational costs, net of accumulated amortization	60,343
Present service capacity, net of accumulated amortization	22,247,313
Total capital and intangible assets, net of accum. depreciation	84,816,197
Total non-current assets	88,539,104
Total Assets	110,340,872
DEFERRED OUTFLOW OF RESOURCES	
Deferred outflow of resources-pension	280,260
LIABILITIES	
Current liabilities:	
Accounts payable	4,053,775
Current portion of note payable	293,705
Payable from restricted assets.	
Accrued interest payable	268,200
Customer deposits	917,893
Current portion of bonds payable	725,000
Total current liabilities	6,258,573
Noncurrent liabilities:	
Escrow payable from restricted assets	114,544
Compensated absences	37,713
Note payable	5,523,146
Bonds payable, net of premium	22,476,436
Total noncurrent liabilities	28,151,839
Total Liabilities	34,410,412
DEFERRED INFLOW OF RESOURCES	
Deferred inflow of resources-pension	43,243
NET POSITION	
Net investment in capital assets	35,097,537
Restricted for	
Debt servicing	2,001,074
Unrestricted	39,068,866
Total Net Position	\$ 76,167,477

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, 2018**

	Proprietary Fund
OPERATING REVENUES	
Charges for sales and services:	
Water/wastewater sales	\$ 10,608,709
Customer charges/fees	9,221,988
Operating contracts	2,409,426
Miscellaneous income	51,623
Total operating revenues	<u>22,291,746</u>
OPERATING EXPENSES	
Operation and Maintenance:	
Personnel costs and benefits	2,128,832
Water distribution system	6,029,757
Other operating costs	598,139
Professional and legal fees	421,043
Insurance	547,740
Depreciation and amortization	4,050,728
Total operating expenses	<u>13,776,239</u>
Operating income (loss)	<u>8,515,507</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	215,852
Bond issuance costs	(140,257)
Interest expense	(1,028,940)
Total non-operating revenues (expenses)	<u>(953,345)</u>
Net income (loss) before contributions	7,562,162
CAPITAL CONTRIBUTIONS	
Developer contributions	19,914,422
Total capital contributions	<u>19,914,422</u>
Change in net position	27,476,584
Net position - beginning of year	48,690,893
Net position - end of year	<u><u>\$ 76,167,477</u></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, 2018**

	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 21,944,261
Cash received from other sources	51,623
Cash paid to employees	(2,222,358)
Cash paid to suppliers	(7,031,947)
Net cash provided by (used for) operating activities	<u>12,741,579</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(21,335,584)
Interest paid on note and bonds payable	(1,106,180)
Bond issuance costs	(63,020)
Proceeds from debt issuance	5,440,514
Principal paid on debt	(1,010,326)
CCN	(8,255,581)
Developer contributions	19,914,422
Net cash provided by (used for) capital and related financing activities	<u>(6,415,755)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	215,852
Net cash provided by investing activities	<u>215,852</u>
Net increase (decrease) in cash and cash equivalents	6,541,676
Cash and cash equivalents at beginning of year	11,950,440
Cash and cash equivalents at end of year	<u>\$ 18,492,116</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 8,515,507
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	4,050,728
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Receivables	(485,172)
Prepaid items	3,760
Inventory	35,658
Increase (decrease) in liabilities:	
Accounts payable	381,520
Accrued expenses	91,724
Escrow payable	2,026
Customer deposits	189,310
Accrued interest payable	141,768
Pension liability	(185,250)
Total adjustments	4,226,072
Net cash provided (used) by operating activities	<u>\$ 12,741,579</u>

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

**MUSTANG SPECIAL UTILITY DISTRICT
STATEMENT OF AGENCY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
SEPTEMBER 30, 2018**

	Freshwater Districts Paloma Creek	Freshwater District Savannah	Total Fiduciary Funds
ASSETS			
Cash and cash equivalents - restricted	\$ 625,429	\$ 342,018	\$ 967,447
Accounts Receivable	616,639	294,542	911,181
Total assets	<u>1,242,068</u>	<u>636,560</u>	<u>1,878,628</u>
LIABILITIES			
Accounts Payable	1,242,068	636,560	1,878,628
Total liabilities	<u>\$ 1,242,068</u>	<u>\$ 636,560</u>	<u>\$ 1,878,628</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, 2018**

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 these notes. The remainder of the notes are organized to provide a 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, 2018.

1. Reporting Entity

The Board of Directors is a nine-member body elected by qualified voters of the District, and 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, 2018, 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 services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

Agency funds account for amounts held on behalf of others by the District as a trustee, or a 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 funds of the District.

The two 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.

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. Basis of Presentation (continued)

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.

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.

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

e. Budget

Prior to the start of the fiscal year, the governing board of the District adopted 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.

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 for use. This cost of capacity is paid for up-front and the capacity is available for thirty (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, 120 hours during 5-10 years of service, 160 hours after 10 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.

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

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, 2017. 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 that 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 TCDRS 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 TCDRS. 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.

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.

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4 Financial Statement Amounts (continued)

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.

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 2018.

Cash Deposits

At September 30, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$18,492,116 and the bank balance/fair market value was \$18,733,617.

Restricted Cash	<u>2018</u>
Debt Service, including interest and sinking funds required	\$ 1,276,976
Capital Projects	2,040,233
Developer Escrow Funds	114,511
Repairs & Replacements	20,290
Customer Deposits	708,613
	<u>\$ 4,160,623</u>

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

C. CASH AND INVESTMENTS (Continued)

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 AAA by Standard and Poor's.

The District also invests in TexPool. The Texas Local Government Investment Pools (the "TexPool Portfolios") have been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments. The fund is rated AAA 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.

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 fiscal 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 pools 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, 2018, the District's investments all were classified as level two according to the 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.

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

C. CASH AND INVESTMENTS (Continued)

**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 End of</u>
<u>Proprietary Fund Type</u>				
<u>Enterprise Fund</u>				
LOGIC Accounts				
Customer Deposit Fund	n/a	2.2112%	n/a	\$ 708,613
System Growth Fund	n/a	2.2112%	n/a	3,942,234
Developers Escrow Account	n/a	2.2112%	n/a	114,511
2009 Debt Reserve	n/a	2.2112%	n/a	4,887
2014 Debt Reserve	n/a	2.2112%	n/a	16,815
2016 Repairs & Replacement	n/a	2.2112%	n/a	20,290
2016 Debt Reserve	n/a	2.2112%	n/a	11,950
2016A Debt Reserve	n/a	2.2112%	n/a	4,634
2017 Debt Reserves	n/a	2.2112%	n/a	15,200
2017B Debt Reserves	n/a	2.2112%	n/a	162,881
Financial Northeastern Companies				
General Fund				
Bank of the West San Francisco	06568ONG1	1.9500%	11/9/2018	250,461
Synovus BK Columbus GA	87164DLK4	1.9000%	11/14/2018	214,981
Merchants BK	588493JJ6	1.9000%	11/15/2018	214,981
Infinity FED	45673LAQ9	1.9000%	2/12/2019	224,793
Local Government FCU	53955LAA5	2.3000%	2/20/2019	249,139
TCT FCU	87235DAE5	2.2500%	2/20/2019	183,068
Nationwide Bank	63861NAT2	2.0000%	8/14/2019	224,188
Affinity FCU	00832KAE9	2.7000%	8/16/2019	243,578
Reserve Fund				
Pinnacle Bank	72345SGB1	1.8500%	2/22/2019	99,876
Citizens State Bank	17670JAH4	2.0000%	8/12/2019	99,645
Morgan Stanley Bank NA	61747MJ85	2.3000%	2/10/2020	99,514
Citizens Deposit Bank of Arlington	17453FCA8	2.2000%	8/17/2020	98,787
Wells Fargo Bank, NA	949763NM4	2.5500%	2/16/2021	99,023
JPMorgan Chase	48128FNR9	3.0500%	8/14/2021	99,967
Independent Bank-NOW Account				
General Operating	n/a	1.4000%	n/a	3,426,675
System Growth	n/a	1.4000%	n/a	1,114,911
2016 Construction	n/a	1.4000%	n/a	459,763
2016A Construction	n/a	1.4000%	n/a	5,352
Payments	n/a	1.4000%	n/a	4,024
Capital Projects	n/a	1.4000%	n/a	42,791
TexPool Accounts				
General Operating	n/a	1.9953%	n/a	1,000,175
General Operating Prime	n/a	2.2080%	n/a	400,076
TexStar Accounts				
Series 2009 Revenue Bonds Interest & Sinking	n/a	1.9995%	n/a	19,944
Series 2014 Revenue Bond Interest & Sinking	n/a	1.9995%	n/a	22,158
Series 2016 Revenue Bond Interest & Sinking	n/a	1.9995%	n/a	53,189
Series 2016A Revenue Bond Interest & Sinking	n/a	1.9995%	n/a	125,316
2017 Interest & Sinking	n/a	1.9995%	n/a	77,775
2017 Construction	n/a	1.9995%	n/a	2,040,232
2017B Bond Interest & Sinking	n/a	1.9995%	n/a	18,009
2017B Construction	n/a	1.9995%	n/a	2,132,094
UTRWD Interest & Sinking	n/a	1.9995%	n/a	144,217
Other:				
Petty Cash	n/a	n/a	n/a	1,400
Total				\$ 18,492,116

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

D. RECEIVABLES

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

Receivables	2018
Fees & Services - Mustang	\$ 3,116,363
Allowance for uncollectible	(10,794)
Net Receivables	<u>\$ 3,105,569</u>

E. CAPITAL ASSETS

Capital asset activity for the period ended September 30, 2018 is as follows

	Beginning Balances	Prior Period Adjustment	Transfer	Additions	Retirements	Ending Balances
Business-type Activities						
Capital assets, not being depreciated						
Land	\$ 1,488,076	\$ -	\$ -	\$ -	\$ -	\$ 1,488,076
Construction in progress	6,577,710	-	(5,937,709)	17,861,987	-	18,501,988
Total capital assets, not being depreciated	8,065,786	-	(5,937,709)	17,861,987	-	19,990,064
Capital assets, being depreciated						
Water Distribution System	49,518,660	-	(2,286,533)	11,629,238	(8,013)	58,853,352
Buildings and Improvements	1,541,144	-	-	5,170	-	1,546,314
Master Studies	144,850	-	15,752	-	-	160,602
Equipment	1,457,724	-	-	37,295	(5,900)	1,489,119
Vehicles	636,708	-	-	24,294	-	661,002
Intangible Assets	21,489,357	-	8,208,490	-	-	29,697,847
Total assets being depreciated	74,788,443	-	5,937,709	11,695,997	(13,913)	92,408,236
Less accumulated depreciation for:						
Water Distribution System	(15,609,142)	-	114,418	(2,399,234)	8,013	(17,885,945)
Buildings and Improvements	(638,503)	-	-	(61,911)	-	(700,414)
Master Studies	(93,441)	-	(15,172)	(35,255)	-	(143,868)
Equipment	(737,666)	-	-	(80,758)	5,900	(812,524)
Vehicles	(457,428)	-	-	(93,489)	-	(550,917)
Intangible Assets	(6,009,111)	-	(99,246)	(1,380,078)	-	(7,488,435)
Total accumulated depreciation	(23,545,291)	-	-	(4,050,725)	13,913	(27,582,103)
Total capital assets, being depreciated, net	51,243,152	-	5,937,709	7,645,272	-	64,826,133
Business-type activities capital assets, net	<u>\$ 59,308,938</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,507,259</u>	<u>\$ -</u>	<u>\$ 84,816,197</u>

F. AMORTIZATION OF INTANGIBLE ASSETS

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	\$ -	\$ -	\$ (4,310)	\$ 125,006
Present Service Capacity	21,326,864	(6,009,111)	8,241,667	(1,376,770)	22,182,650
	<u>\$ 21,456,180</u>	<u>\$ (6,009,111)</u>	<u>\$ 8,241,667</u>	<u>\$ (1,381,080)</u>	<u>\$ 22,307,656</u>

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

G. LONG-TERM DEBT OBLIGATIONS

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2018 is as follows

Business-type Activities	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Bonds payable					
Revenue bonds	\$ 20,289,000	\$ 3,555,000	\$ (719,000)	\$ 23,125,000	\$ 725,000
Plus deferred amounts					
Bond premium	114,399	-	(37,963)	76,436	-
Total bonds payable	20,403,399	3,555,000	(756,963)	23,201,436	725,000
Notes payable	3,275,393	2,794,820	(253,362)	5,816,851	293,705
Compensated absences	20,715	56,569	(39,571)	37,713	-
Business-type activity					
Long-term liabilities	\$ 23,699,507	\$ 6,406,389	\$ (1,049,896)	\$ 29,056,000	\$ 1,018,705

Revenue Bonds	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30, 2017	Issued	Retired	Amounts Outstanding September 30, 2018	Due Within One Year
Series 2009	5.30%	\$ 1,220,000	\$ 940,000	-	\$ (50,000)	\$ 890,000	\$ 50,000
Series 2014	6.00%	1,505,000	1,505,000	-	(50,000)	1,455,000	50,000
Series 2016	2.88%	2,442,000	2,389,000	-	(30,000)	2,359,000	31,000
Series 2016A	2.88%	11,700,000	11,700,000	-	(174,000)	11,526,000	179,000
Series 2017	3.00%	4,055,000	3,755,000	-	(310,000)	3,445,000	320,000
Series 2017B	18% to 2 37%	3,555,000	-	3,555,000	(105,000)	3,450,000	95,000
Subtotal		24,477,000	20,289,000	3,555,000	(719,000)	23,125,000	725,000
Add deferred amounts							
Bond Premium/Discount		136,901	114,399	-	(37,963)	76,436	-
Total bonds payable		\$ 24,613,901	\$ 20,403,399	\$ 3,555,000	\$ (756,963)	\$ 23,201,436	\$ 725,000

Bonded debt service requirements are as follows

Year Ended September 30	Principal	Interest	Total Requirements
2019	725,000	682,767	\$ 1,407,767
2020	741,000	661,682	1,402,682
2021	773,000	636,629	1,409,629
2022	795,000	610,294	1,405,294
2023	816,000	584,605	1,400,605
2024 - 2028	3,897,000	2,508,631	6,405,631
2029 - 2033	3,021,000	1,943,883	4,964,883
2034 - 2038	2,823,000	1,538,329	4,361,329
2039 - 2043	2,692,000	1,153,764	3,845,764
2044 - 2048	2,938,000	775,225	3,713,225
2049 - 2053	2,704,000	395,800	3,099,800
2054 - 2055	1,200,000	50,191	1,250,191
Totals	\$ 23,125,000	\$ 11,541,800	\$ 34,666,800