

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

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

A brief discussion of each bond issuance follows

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

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

\$2,442,000 Series 2016 Revenue Bonds issued for the purpose of funding capital improvements to the System, specifically the drilling of a new water well for an additional potable water supply and such infrastructure related thereto as necessary to incorporate the new into the existing water supply system of the Issuer, and for payment of cost incurred in connection with issuance of the Bonds. These revenue bonds have been authorized, guaranteed, and are held by the United States Department of Agriculture

\$11,700,000 Series 2016A Revenue Bonds issued for the purpose of funding improvements to the System, specifically the acquisition of sewage treatment capacity in a regional wastewater treatment plant, and for payment of costs incurred in connection with the issuance of the Bonds. These revenue bonds have been authorized, guaranteed, and are held by the United States Department of Agriculture

\$4,055,000 Series 2017 Revenue Refunding and Improvement Bonds issued for the purpose of refunding a portion of the District's outstanding revenue bonds for debt service savings, to finance properties, facilities, plants, improvements, equipment, interest in land needed for water and wastewater infrastructure serving new subdivisions, the drilling of a water well, and to purchase a surety bond to fund the 2017 Reserve Fund

\$3,555,000 Series 2017B Revenue Bonds issued for the purpose of funding improvements to the System, specifically the construction of an elevated storage tank, including site improvements. Funding is administered through the Texas Water Development Board.

**MUSTANG SPECIAL UTILITY DISTRICT  
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**G. LONG-TERM DEBT OBLIGATIONS (continued)**

**Note Payable**

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

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

In FY17, the District purchased property from the Horizon/Deer Creek Development Corporation by executing a \$955,000 note payable maturing in 10 years with a 5% interest rate per annum.

In FY18, the District executed an agreement with the City of Aubrey, Texas as partial settlement of a CCN dispute over the Jackson Ridge service area within the city of Aubrey, Texas. The agreement requires the District to repay \$2,794,820 in engineering and soft costs previously paid by the city of Aubrey through a note payable.

Note Payable	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding		Retired	Amounts Outstanding		Due Within One Year
			September 30, 2017	Issued		September 30, 2018		
UTRW District	2.29%	\$ 2,202,850	\$ 1,520,393	\$ -	\$ (143,048)	\$ 1,377,345	\$	148,920
Little Elm	0.00%	1,000,000	800,000	-	(100,000)	700,000		100,000
Sandbrook	5.00%	955,000	955,000	-	-	955,000		-
City of Aubrey	8.44%	2,794,820	-	2,794,820	(10,314)	2,784,506		44,785
<b>TOTAL</b>		<b>\$ 6,952,670</b>	<b>\$ 3,275,393</b>	<b>\$ 2,794,820</b>	<b>\$ (253,362)</b>	<b>\$ 5,816,851</b>	<b>\$</b>	<b>293,705</b>

Note payable debt service requirements are as follows

Year Ending September 30	Total		
	Principal	Interest	Requirements
2019	293,705	299,602	593,307
2020	303,605	289,679	593,284
2021	313,755	279,184	592,939
2022	324,785	268,106	592,891
2023	335,790	256,377	592,167
2024 - 2028	2,109,977	1,551,549	3,661,526
2029 - 2033	567,403	809,784	1,377,187
2034 - 2038	834,845	525,840	1,360,685
2039 - 2043	601,160	159,622	760,782
2044 - 2045	131,826	15,513	147,339
<b>Totals</b>	<b>\$ 5,816,851</b>	<b>\$ 4,455,256</b>	<b>\$ 10,272,107</b>

**MUSTANG SPECIAL UTILITY DISTRICT  
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**H. CUSTOMER DEPOSITS**

The District requires each new customer to deposit \$100 for water service and \$50 for sewer service, which is held as a refundable deposit to secure payment of the customer's water and sewer bill. At September 30, 2018, the District's related obligation totaled \$917,893.

**I. PENSION PLAN**

1.

**Plan Description**

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

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

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

The District's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The District contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the district and are currently 7%.

As of the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	18
Active employees	33
	<u>51</u>

The District's net pension liability ("NPL") was measured as of December 31, 2017, and the total pension liability ("TPL") used to calculate the NPL was determined by an actuarial valuation as of that date.

**Actuarial assumptions**

The TPL in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Real rate of return	5.3%
Inflation	2.8%
Long-term investment return	8.0%

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.

**MUSTANG SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**I. PENSION PLAN**

2

Employer-specific economic assumptions

Growth in membership	0.0%
Payroll growth	0.0%

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2018 information for a 10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon the most recent analysis was performed in 2017. See Milliman's TCDRS investigation of Experience report for the period January 1, 2013 - December 31, 2016 for more details

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected Minus Inflation)
US Equities	11.50%	4.55%
Private Equity	16.00%	7.55%
Global Equities	1.50%	4.85%
International Equities - Developed	11.00%	4.55%
International Equities - Emerging	8.00%	5.55%
Investment Grade Bonds	3.00%	0.75%
Strategic Credit	8.00%	4.12%
Direct Lending	10.00%	8.06%
Distressed Debt	2.00%	6.30%
REIT Equities	2.00%	4.05%
Master Limited Partnerships (MLPs)	3.00%	6.00%
Private Real Estate Partnerships	6.00%	6.25%
Hedge Funds	18.00%	4.10%

*Discount rate*

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

Changes in Net Pension Liability/(Asset)

	Increases (Decreases)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balances as of December 31, 2016	\$ 1,093,972	\$ 897,638	\$ 196,334
Changes for the year			
Service cost	172,832		172,832
Interest on total pension liability	101,221		101,221
Effect on plan changes	-		-
Effect of economic/demographic gains or losses	51,600		51,600
Effect of assumptions changes or inputs	560		560
Refund of contributions	(35,001)	(35,001)	-
Benefit payments	-	-	-
Administrative expenses	-	(943)	943
Member contributions	-	104,651	(104,651)
Net investment income	-	137,118	(137,118)
Employer contributions	-	309,253	(309,253)
Other	-	5,069	(5,069)
Balances as of December 31, 2017	\$ 1,385,184	\$ 1,417,785	\$ (32,601)



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

**I. PENSION PLAN**

2.

Net Pension Liability (continued)

*Sensitivity analysis*

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

	1% Decrease	Current Discount Rate	1% Increase
Total pension liability	\$ 1,632,556	\$ 1,385,184	\$ 1,181,450
Fiduciary net position	1,417,785	1,417,785	1,417,785
Net pension liability / (asset)	<u>\$ 214,771</u>	<u>\$ (32,601)</u>	<u>\$ (236,335)</u>

3.

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

Pension Expense / (Income)

	January 1, 2017 to December 31, 2017
Service Cost	\$ 172,832
Interest on total pension liability	101,221
Effect on plan changes	-
Administrative expenses	943
Member contributions	(104,651)
Expected investment return net of investment expenses	(87,919)
Recognition of deferred inflows/outflows or resources	
Recognition of economic/demographic gains or losses	29,901
Recognition of assumption changes or inputs	1,091
Recognition of investment gains or losses	7,594
Other	(5,069)
Pension expense / (income)	<u>\$ 115,943</u>

As of December 31, 2017, the deferred inflows and outflows of resources are as follows

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 3,884	\$ 150,699
Changes of assumptions	-	5,597
Net difference between projected and actual earnings	39,359	34,528
Contributions made subsequent to measurement date	N/A	89,436

Deferred outflows of resources of \$97,453 related to pensions resulting from contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows

Year ended December 31	
2018	\$ 38,587
2019	36,306
2020	23,094
2021	21,153
2022	15,401
** Thereafter	13,040

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

**MUSTANG SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**J. HEALTH CARE COVERAGE**

During the year ended September 30, 2018, the employees of the District were covered by a health insurance plan. The District contributed an average of \$1,295 for health and \$31 for dental per month per employee for the year ended September 30, 2018. Health coverage was through Blue Cross Blue Shield of Texas and dental coverage was through Principal Financial Group. The Plan is authorized by article 3.51-2, Texas Insurance Code and documented by contractual agreement.

**K. PENDING CLAIMS AND LITIGATION**

The District was not involved in any pending or threatened litigation according to their attorneys and legal representation as of January 22, 2019.

**L. RISK MANAGEMENT**

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

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

The District estimates that the amount of actual or potential claims against it as of September 30, 2018 will not materially affect the financial condition of the District. Therefore, the accompanying financial statements do not contain a provision for any such claims.

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

The District has service agreements with the following client districts:

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

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

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

In FY2018, an agreement was reached for the terms of conveyance of Denton County Freshwater Supply District to Mustang Special Utility District. Pending approval of the transfer of CCN by the Public Utility Commission (PUC), the retail customers of District 10 will become the retail customers of Mustang Utility District.

Beginning FY 2026, contract provisions call for the remaining client districts to convey to the District all rights, title, and interest to all water distribution and storage facilities and sanitary sewer collection facilities, including land, easements and rights of way that comprise the client district system and serve the client district certified area that have been acquired by the client districts with the proceeds of its outstanding bonds. Any portion not acquired with proceeds of outstanding bonds shall be leased to the District in accordance with contract provisions.

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

**N. COMMITMENTS AND CONTINGENCIES**

The District has the following active construction projects as of September 30, 2018. Commitments for these projects in progress are composed of the following

	Total Contracts	Remaining Commitment
Light Ranch well-USDA funded	\$ 1,497,645	\$ 86,757
Hathaway elevated storage tank	2,065,000	158,350
FM 428 ground storage tank	1,392,696	69,635
Brewer road WW interceptor	2,037,639	40,753
Sandbrook WWTP	3,930,384	510,903
Silverado ground storage tank	2,943,601	298,569
Silverado well	1,116,950	54,835
New operations building	2,075,580	915,341
Green Meadows delivery point	636,776	48,411
TXDOT FM720 widening-shifting lines	288,479	45,765
	<u>\$ 17,984,750</u>	<u>\$ 2,229,319</u>

**O. OPERATING LEASE OPERATIONS**

The District leases a copier to provide for the printing, scanning and faxing needs of the daily operations. The lease expense for fiscal year 2018 was \$4,794. The future minimum lease payments for this lease are as follows

Year Ending September 30	Total
2019	4,794
2020	2,397
Total	<u>\$ 7,191</u>

**P. RELATED PARTY TRANSACTIONS**

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

**Q. SUBSEQUENT EVENTS**

The District has evaluated all events or transactions that occurred after September 30, 2018 up through January 22, 2019, the date the financial statements were available to be issued. It was noted that subsequent to the 2018 fiscal year, on November 1, 2018, Revenue Bonds Series 2018A were issued totaling \$16,265,000, for the purpose of constructing, acquiring, owning, operating, repairing, improving or extending any Issuers facilities, plants, improvements, equipment, appliances and interest in land relating to the water distribution system, and paying certain costs associated with the issuance of the bonds.



## REQUIRED SUPPLEMENTARY INFORMATION

**MUSTANG SPECIAL UTILITY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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

	12/31/2017	12/31/2016	12/31/2015	12/31/2014
<b>Total Pension Liability</b>				
Service Cost	\$ 172,832	\$ 109,691	\$ 89,543	\$ 57,029
Interest on total pension liability	101,221	70,554	55,071	34,762
Effect of plan changes	-	80,477	11,568	34,742
Effect of assumption changes or inputs	560	-	8,170	-
Effect of economic/demographic (gains) or losses	51,600	60,456	(6,215)	124,732
Benefit payments/refunds of contributions	(35,001)	(9,835)	(3,570)	(14,462)
<b>Net change in total pension liability</b>	<b>291,212</b>	<b>311,343</b>	<b>154,567</b>	<b>236,803</b>
<b>Total pension liability, beginning</b>	<b>1,093,972</b>	<b>782,629</b>	<b>628,062</b>	<b>391,258</b>
<b>Total pension liability, ending</b>	<b>\$ 1,385,184</b>	<b>\$ 1,093,972</b>	<b>\$ 782,629</b>	<b>\$ 628,061</b>
<b>Fiduciary Net Position</b>				
Employer contributions	\$ 309,253	\$ 75,194	\$ 43,002	\$ 79,412
Member contributions	104,651	60,252	53,088	44,875
Investment income net of investment expenses	137,118	53,108	(11,040)	32,743
Benefit payments/refunds of contributions	(35,001)	(9,835)	(3,570)	(14,462)
Administrative expenses	(943)	(577)	(487)	(432)
Other	5,069	10,402	(58)	(31)
<b>Net change in fiduciary net position</b>	<b>520,147</b>	<b>188,544</b>	<b>80,935</b>	<b>142,105</b>
<b>Fiduciary net position, beginning</b>	<b>897,638</b>	<b>709,094</b>	<b>628,159</b>	<b>486,054</b>
<b>Fiduciary net position, ending</b>	<b>\$ 1,417,785</b>	<b>\$ 897,638</b>	<b>\$ 709,094</b>	<b>\$ 628,159</b>
<b>Net pension liability/(asset)</b>	<b>\$ (32,601)</b>	<b>\$ 196,334</b>	<b>\$ 73,535</b>	<b>\$ (97)</b>
<b>Fiduciary net position as a % of total pension liability</b>	<b>102.35%</b>	<b>82.05%</b>	<b>90.60%</b>	<b>100.02%</b>
<b>Pensionable covered payroll</b>	<b>\$ 1,495,019</b>	<b>\$ 1,205,045</b>	<b>\$ 1,061,765</b>	<b>\$ 897,495</b>
<b>Net pension liability as a % of covered payroll</b>	<b>-2.18%</b>	<b>16.29%</b>	<b>6.93%</b>	<b>-0.01%</b>

See accompanying notes to these financial statements for more detail.

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

**MUSTANG SPECIAL UTILITY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<b>Year Ending December 31</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Pensionable Covered Payroll</b>	<b>Actual Contribution as a % of Covered Payroll</b>
2008	\$ 24,152	\$ 24,152	\$ -	\$ 736,353	3.3%
2009	22,092	22,092	-	692,524	3.2%
2010	19,697	19,697	-	647,944	3.0%
2011	21,386	21,386	-	711,000	3.0%
2012	20,522	20,522	-	717,536	2.9%
2013	23,850	23,850	-	792,350	3.0%
2014	24,412	79,412	(55,000)	897,495	8.8%
2015	43,001	43,001	-	1,061,765	4.0%
2016	75,195	75,195	-	1,205,045	6.2%
2017	134,253	309,253	(175,000)	1,495,019	20.7%

*Notes to Schedule of Contributions*

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

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	0.0 years (based on contribution rate calculated in 12/31/2017 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation
Investment Rate of Return	8.00%, net of investment expenses, included inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: Employer contributions reflect that the current service matching rate was increased to 200%. 2017: Employer contributions reflect that the member contribution rate was increased to 7%. Also, new Annuity Purchase Rates were reflected for benefits earned after 2017.

*\*Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule*





## SUPPLEMENTAL SCHEDULES

**MUSTANG SPECIAL UTILITY DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>OPERATING REVENUES</b>				
Charges for sales and services:				
Water/wastewater sales	\$ 8,718,700	\$ 8,718,700	\$ 10,608,709	\$ 1,890,009
Customer charges/fees	3,063,000	3,063,000	9,221,988	6,158,988
Operating Contracts	1,941,200	1,941,200	2,409,426	468,226
Other revenues	10,000	10,000	51,623	41,623
<b>Total operating revenues</b>	<b>13,732,900</b>	<b>13,732,900</b>	<b>22,291,746</b>	<b>8,558,846</b>
<b>OPERATING EXPENSES</b>				
Operation and Maintenance:				
Personnel costs and benefits	2,215,060	2,215,060	2,128,832	86,228
Water distribution system	5,192,170	5,833,370	6,029,757	(196,387)
Other operating costs	547,414	547,414	598,139	(50,725)
Professional and legal fees	435,000	435,000	421,043	13,957
Insurance	585,525	585,525	547,740	37,785
Depreciation and amortization	-	-	4,050,728	(4,050,728)
<b>Total operating expenses</b>	<b>8,975,169</b>	<b>9,616,369</b>	<b>13,776,239</b>	<b>(4,159,870)</b>
<b>Operating income (loss)</b>	<b>4,757,731</b>	<b>4,116,531</b>	<b>8,515,507</b>	<b>4,398,976</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Investment income	107,000	107,000	215,852	108,852
Gain (loss) on sale of assets	-	-	-	-
Interest expense	(641,000)	(827,250)	(1,028,940)	(201,690)
Transfer of CNN	-	-	-	-
Bond Issuance Costs	-	(62,000)	(140,257)	(78,257)
<b>Total non-operating revenues (expenses)</b>	<b>(534,000)</b>	<b>(782,250)</b>	<b>(953,345)</b>	<b>(171,095)</b>
<b>Net income (loss) before contributions</b>	<b>4,223,731</b>	<b>3,334,281</b>	<b>7,562,162</b>	<b>4,227,881</b>
<b>CAPITAL CONTRIBUTIONS</b>				
Developer contributions	-	-	19,914,422	19,914,422
<b>Total capital contributions</b>	<b>-</b>	<b>-</b>	<b>19,914,422</b>	<b>19,914,422</b>
<b>Change in net position</b>	<b>4,223,731</b>	<b>3,334,281</b>	<b>27,476,584</b>	<b>24,142,303</b>
<b>Net position - beginning of year</b>	<b>48,690,893</b>	<b>48,690,893</b>	<b>48,690,893</b>	
<b>Net position - end of year</b>	<b>\$ 52,914,624</b>	<b>\$ 52,025,174</b>	<b>\$ 76,167,477</b>	

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

STATISTICAL SECTION  
(UNAUDITED)

## STATISTICAL SECTION (UNAUDITED)

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

### **Contents**

### **Tables**

#### **Financial Trends**

These tables contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

1,2

#### **Revenue Capacity**

These tables present information to help the reader assess the District's most significant revenue sources, charges for services.

3,4,5

#### **Debt Capacity**

These tables present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

6,7

#### **Economic and Demographic Information**

These tables offer economic and demographic indicators to help the reader understand the environment within which the District's financial activities take place.

8,9

#### **Operating Information**

These tables contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

10,11

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

**MUSTANG SPECIAL UTILITY DISTRICT**  
**NET POSITION BY COMPONENT (UNAUDITED)**  
**CURRENT AND LAST NINE FISCAL YEARS**  
**(Accrual basis of accounting)**

**Table 1**

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

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

	FISCAL YEAR	
	2017	2018
Business-type activities:		
Net investment in capital assets	\$ 20,149,900	\$ 35,097,537
Restricted	759,940	2,001,074
Unrestricted	27,781,053	39,068,866
Total business-type activities net position	<u>\$ 48,690,893</u>	<u>\$ 76,167,477</u>

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

Table 2

	FISCAL YEAR									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
OPERATING REVENUES										
Charges for sales and services										
Water/Wastewater Sales	\$ 3,018,990	\$ 3,338,626	\$ 3,898,605	\$ 3,993,442	\$ 4,206,554	\$ 4,233,713	\$ 5,052,082	\$ 6,438,808	\$ 7,522,097	\$ 10,608,709
Customer Charges/Fees	1,029,752	1,134,975	1,350,541	1,398,781	1,224,635	2,030,519	3,019,145	3,955,411	3,528,666	9,221,988
Operating contracts					1,314,930	1,284,628	1,642,664	1,535,456	2,166,540	2,409,426
Miscellaneous	384,384	23,101	65,976	28,463	23,814	21,966	158,075	16,606	63,383	51,623
Total Operating Revenues	4,433,126	4,496,702	5,315,122	5,420,686	6,769,933	7,570,826	9,871,966	11,946,281	13,280,686	22,291,746
OPERATING EXPENSES										
Personnel Costs and Benefits	1,101,397	756,843	812,689	890,137	949,557	1,011,663	1,259,770	1,355,214	1,614,456	2,128,832
Water Distribution System	2,143,834	2,260,955	2,219,316	2,394,649	2,563,783	2,539,509	3,020,253	4,064,515	4,845,654	6,029,757
Other Operating Costs	225,730	214,036	348,478	295,052	314,873	337,385	359,429	440,374	495,296	598,139
Professional and Legal Fees	285,093	109,688	176,207	242,445	203,318	293,274	442,132	431,786	447,757	421,043
Insurance	261,044	150,700	179,694	170,611	189,881	203,675	319,454	363,093	368,134	547,740
Depreciation & Amortization	1,366,261	1,541,071	1,538,059	1,638,405	1,669,119	1,797,019	2,320,919	3,585,922	3,067,136	4,050,728
Total Operating Expenses	5,383,359	5,033,293	5,274,443	5,631,299	5,890,531	6,182,525	7,721,957	10,250,904	10,838,433	13,776,239
Operating Income (Loss)	(950,233)	(536,591)	40,679	(210,613)	879,402	1,388,301	2,150,009	1,695,377	2,442,253	8,515,507
NON-OPERATING REVENUES (EXPENSES):										
Investment Income	48,221	26,714	22,772	13,405	6,661	5,990	8,437	59,298	118,408	215,852
Sale of Fixed Assets	-	-	9,435	4,039	-	-	26,787	425,618	94,558	-
Bad Debt Expense	-	(61,970)	-	-	-	-	-	-	-	-
Interest Expense	(526,722)	(585,126)	(455,938)	(418,298)	(429,309)	(414,551)	(458,676)	(556,143)	(765,969)	(1,028,940)
Bond Issuance costs	-	-	-	-	-	(62,163)	-	-	-	(140,257)
Transfer to CCN	-	-	-	-	-	-	-	1,668,838	375,000	-
Total Non-Operating Revenues (Expenses)	(478,501)	(620,382)	(423,731)	(400,854)	(422,648)	(470,724)	(423,452)	1,597,611	(178,003)	(953,345)
Change in Net Position Before Capital Contributions	(1,428,734)	(1,156,973)	(383,052)	(611,467)	456,754	917,577	1,726,557	3,292,988	2,264,250	7,562,162
CAPITAL CONTRIBUTIONS										
Developer Contributions	61,875	(165,994)	5,000	5,000	1,056,901	1,008,575	1,098,330	7,813,577	7,488,680	19,914,422
Total Capital Contributions	61,875	(165,994)	5,000	5,000	1,056,901	1,008,575	1,098,330	7,813,577	7,488,680	19,914,422
Change in Net Position	(1,366,859)	(1,322,967)	(378,052)	(606,467)	1,513,655	1,926,152	2,824,887	11,106,565	9,752,930	27,476,584
Net position - Beginning of year	23,596,263	22,229,404	20,788,059	20,461,338	21,117,423	22,631,078	24,557,230	27,831,398	38,937,963	48,690,893
Prior Period Adjustments	-	(118,378)	51,331	1,262,553	-	-	449,281	-	-	-
Net Position - Adjusted Beginning of year	23,596,263	22,111,026	20,839,390	21,723,891	21,117,423	22,631,078	25,006,511	27,831,398	38,937,963	48,690,893
Net Position - End of year	\$ 22,229,404	\$ 20,788,059	\$ 20,461,338	\$ 21,117,424	\$ 22,631,078	\$ 24,557,230	\$ 27,831,398	\$ 38,937,963	\$ 48,690,893	\$ 76,167,477

**MUSTANG SPECIAL UTILITY DISTRICT  
INCOME BY SOURCE  
CURRENT AND LAST NINE FISCAL YEARS**

**Table 3**

<b>Fiscal Year Ended Sept. 30</b>	<b>Water</b>	<b>Wastewater</b>	<b>Other*</b>	<b>Total</b>
2009	\$ 2,657,663	\$ 361,327	\$ 1,462,357	\$ 4,481,347
2010	2,911,039	427,587	1,184,790	4,523,416
2011	3,427,513	491,182	1,428,634	5,347,329
2012	3,412,657	534,110	1,491,363	5,438,130
2013	3,582,488	624,066	2,570,040	6,776,594
2014	3,448,768	784,945	3,343,103	7,576,816
2015	4,005,251	1,046,831	4,819,884	9,871,966
2016	4,734,811	1,703,997	7,661,227	14,100,035
2017	5,492,481	2,029,616	6,346,555	13,868,652
2018	7,713,578	2,895,131	11,898,889	22,507,598

\*Other income includes operating contracts, interest income and miscellaneous income.

**MUSTANG SPECIAL UTILITY DISTRICT  
AVERAGE REVENUE RATES  
CURRENT AND LAST NINE FISCAL YEARS**

**Table 4**

<b>Fiscal Year</b>	<b>Water Rate/ Thousand Gallons</b>	<b>Wastewater Monthly Revenue/Customer</b>
2009	\$ 3.99	\$ 33.75
2010	3.99	39.50
2011	3.99	39.50
2012	3.99	39.50
2013	3.21	39.50
2014	3.21	39.50
2015	3.36	43.50
2016	3.44	52.20
2017	3.44	54.80
2018	3.61	57.55

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

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

**Source:** Mustang Special Utility District



**MUSTANG SPECIAL UTILITY DISTRICT  
PRINCIPAL REVENUE PAYERS  
SEPTEMBER 30, 2018**

**Table 5**

<b>Customer</b>	<b>Water Revenue Received</b>	<b>Percentage of Total Water Revenue</b>
Western Rim Property Services	\$ 227,852	2.95%
Wildridge Community Assoc.	142,397	1.85%
Western Rim Property Services	51,725	0.67%
3B & L Investments, LLC	45,502	0.59%
Western Rim Property Services	40,786	0.53%
Winnridge HOA	40,697	0.53%
Hillstone Point HOA	35,098	0.46%
Denton ISD (Middle School)	33,407	0.43%
Holt Texas, LTD	32,472	0.42%
Winnridge HOA	32,293	0.42%
Total attributable to ten largest payers:	<u>\$ 682,229</u>	<u>8.84%</u>
 Total Water Revenue	 <u>\$ 7,713,578</u>	 <u>100.00%</u>

**Source:** Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT  
TOTAL INDEBTEDNESS PER CUSTOMER  
CURRENT AND LAST NINE FISCAL YEARS**

**Table 6**

<b>Fiscal Year</b>	<b>Bonds Payable</b>	<b>Note Payable</b>	<b>Total Indebtedness</b>	<b>Total Customers</b>	<b>Debt Per Customer</b>
2009	\$ 8,975,000	\$ 2,461,595	\$ 11,436,595	3,395	\$ 3,369
2010	7,615,000	2,375,643	9,990,643	3,648	2,739
2011	7,318,023	2,267,706	9,537,706	3,728	2,558
2012	6,945,484	2,155,338	9,100,822	3,900	2,334
2013	6,632,944	2,038,356	8,671,300	4,246	2,042
2014	7,820,405	1,916,572	9,736,977	4,652	2,093
2015	7,482,886	2,789,788	10,272,674	5,233	1,963
2016	21,253,327	2,557,800	23,811,127	5,993	3,973
2017	20,403,399	3,275,393	23,678,792	6,645	3,563
2018	23,201,436	5,816,851	29,018,287	8,782	3,304

**Source:** Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT  
REVENUE BOND COVERAGE  
CURRENT AND LAST NINE FISCAL YEARS**

**Table 7**

<b>Fiscal Year</b>	<b>Total Revenues (1)</b>	<b>Total Expenses (2)</b>	<b>Net Revenues Available for Debt Service</b>	<b>Bond Debt Service Requirements (3)</b>	<b>Coverage</b>
2009	\$ 4,481,347	\$ 4,017,128	\$ 464,219	\$ 472,357	0.98
2010	4,523,416	3,492,222	1,031,194	588,020	1.75
2011	5,347,329	3,736,384	1,610,945	720,236	2.24
2012	5,438,130	3,992,894	1,445,236	727,698	1.99
2013	6,776,594	4,221,412	2,555,182	649,223	3.94
2014	7,576,817	4,385,506	3,191,311	667,534	4.78
2015	9,907,190	5,401,038	4,506,152	709,528	6.35
2016	14,100,035	6,654,788	7,445,247	759,333	9.80
2017	13,868,652	7,771,297	6,097,355	971,233	6.28
2018	22,507,598	9,725,511	12,782,087	1,337,864	9.55

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

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

(3) Includes principal and interest of revenue bonds

**MUSTANG SPECIAL UTILITY DISTRICT  
NUMBER OF CUSTOMERS BY SERVICE  
CURRENT AND LAST NINE FISCAL YEARS**

**Table 8**

<u>Fiscal Year</u>	<u>Water</u>	<u>Wastewater</u>
2009	3,395	875
2010	3,648	1,109
2011	3,728	1,181
2012	3,900	1,219
2013	4,246	1,564
2014	4,652	1,949
2015	5,233	2,500
2016	5,993	2,859
2017	6,645	3,475
2018	8,782	5,286

**Source:** Mustang Special Utility District

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

**Table 9**

<b>Fiscal Year</b>	<b>Estimated Population Denton County</b>	<b>Personal Income Denton County (in Thousands)</b>	<b>Per Capita Income Denton County</b>	<b>Median Age Denton County</b>	<b>Unemployment Rate Denton County</b>
2008	614,650	26,718,853	43,470	n/a	4.4%
2009	628,300	25,990,700	41,367	33.0	7.7%
2010	637,750	26,986,773	42,316	n/a	7.1%
2011	662,614	29,402,032	44,373	32.3	7.8%
2012	683,010	31,691,622	46,400	33.3	5.6%
2013	694,050	32,993,380	47,537	n/a	5.5%
2014	713,200	32,352,984	45,363	33.7	4.5%
2015	734,940	26,873,081	36,565	34.0	3.1%
2016	758,370	24,571,188	32,400	36.7	3.7%
2017	814,560	42,301,777	51,930	34.5	3.1%
2018	not available	not available	not available	not available	3.1%

**Sources:**

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

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

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

**Table 10**

<b>Fiscal Year</b>	<b>Administrative</b>	<b>Water</b>	<b>Wastewater</b>	<b>Treatment Plant</b>	<b>Total</b>
2009	8.5	9	-	-	17.5
2010	8	8	-	-	16
2011	7	8	1	-	16
2012	7	7	2	-	16
2013	8	8	2	-	18
2014	9	8	2	-	19
2015	9	10	2	-	21
2016	10	14	2	-	26
2017	12	15	3	-	30
2018	13	13	4	1	31

**Source:** Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT  
CAPITAL ASSETS BY FUNCTION  
CURRENT AND LAST NINE FISCAL YEARS**

**Table 11**

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

Function	FISCAL YEAR				
	2014	2015	2016	2017	2018
<b>Water/Wastewater</b>					
Land	\$ 469,255	\$ 486,546	\$ 486,546	\$ 1,488,076	\$ 1,488,076
Waterwells & Distribution System	19,623,300	19,805,430	27,660,913	40,487,230	59,469,395
Buildings and Structures	898,237	843,690	915,359	954,049	862,634
Vehicles & Equipment	332,088	897,364	913,233	899,339	786,680
Intangible assets	-	-	-	15,480,246	22,209,412
<b>Total Water/Wastewater</b>	<b>21,322,880</b>	<b>22,033,030</b>	<b>29,976,051</b>	<b>59,308,940</b>	<b>84,816,197</b>

**Notes:** Balances presented are net of accumulated depreciation.





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

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

<b><u>Contents</u></b>	<b>Page</b>
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<b>TSI-8 Board Members, Key Personnel, and Consultants</b>	<b>92</b>

**MUSTANG SPECIAL UTILITY DISTRICT  
TSI-1 SERVICES AND RATES  
FOR FISCAL YEAR ENDING SEPTEMBER 30, 2018**

1. Services Provided by the District.
- |   |   |                                     |
|---|---|-------------------------------------|
| <input checked="" type="checkbox"/> Retail Water      | <input checked="" type="checkbox"/> Wholesale Water | <input type="checkbox"/> Drainage   |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater       | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation             | <input type="checkbox"/> Fire Protection            | <input type="checkbox"/> Security   |
| <input type="checkbox"/> Solid Waste/Garbage          | <input type="checkbox"/> Flood Control              | <input type="checkbox"/> Roads      |
- ☒ Participants in joint venture, regional system and/or wastewater service (other than emergency interconnect)
- ☐ Other (specify):
2. Retail Rates Based on 5/8" Meter      ☐ Retail Rates Not Applicable

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
WATER	\$ 28.10	-	N	\$ 2.75	-0- to 3,000 gallons
				\$ 3.85	3,001 to 9,000 gallons
				\$ 4.80	9,001 to 15,000 gallons
				\$ 5.85	15,001 to 25,000 gallons
				\$ 8.95	25,001 to unlimited
WASTEWATER	\$ 51.60	-	Y	\$	0 to 8,000
	\$ 57.55	-	Y	\$	8,001 to unlimited

District employs winter averaging for wastewater usage?      ☐ Yes    ☒ No

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

WATER	<u>\$ 64.25</u>	WASTEWATER	<u>\$ 57.55</u>
-------	-----------------	------------	-----------------

Water and Wastewater Retail Connections.

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	-	-	x 1.0	-
<= 3/4"	9,055	8,509	x 1.0	8,509
1"	142	139	x 2.5	348
1 1/2"	27	27	x 5.0	135
2"	84	82	x 8.0	656
3"	4	4	x 15.0	60
4"	12	12	x 25.0	300
6"	4	4	x 50.0	200
8"	5	5	x 80.0	400
Water Total	9,333	8,782		10,608
Wastewater	5,286	5,286	x 1.0	5,286

Source. Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT  
TSI-1 SERVICE AND RATES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

3. Total water consumption during the fiscal year:

Gallons pumped into system:	1,202,959,873
Gallons billed to customers:	851,454,405
Water Accountability Ratio:	70.78%

4. District does not levy standby fees.

5. Location of District:

County(ies) in which District is located. Denton

Is the District located entirely within one county? ☒ Yes ☐ No

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

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

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

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

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

If Yes, by whom? N/A ☐ Yes ☒ No

Source: Mustang Special Utility District

**Mustang Special Utility District  
TSI-2 Enterprise Fund Expenditures\*  
Fiscal Year Ending September 30, 2018**

<b>Personnel Expenditures (including benefits)</b>	<u>\$ 2,745,384 **</u>
<b>Professional Fees:</b>	
Auditing	<u>19,000</u>
Legal	<u>101,745</u>
Engineering	<u>874,739</u>
Financial Advisor/Other Advisor	<u>69,685</u>
<b>Purchased Services for Resale:</b>	
Bulk Water and Wastewater Service Purchases	<u>3,950,415</u>
<b>Contracted Services:</b>	
Other Contracted Services	<u>64,343</u>
<b>Utilities</b>	<u>471,147</u>
<b>Repairs and Maintenance</b>	<u>704,865</u>
<b>Administrative Expenditures:</b>	
Office Supplies	<u>22,965</u>
Insurance	<u>37,008</u>
Other Administrative Expenditures	<u>262,126</u>
<b>Capital Outlay:</b>	
Capitalized Assets	<u>6,730,778 ***</u>
<b>Other Expenditures</b>	<u>2,992,434 ****</u>
<b>Total Expenditures</b>	<u><u>\$ 19,046,634</u></u>

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

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

Full Time	31
Part Time	0

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

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

Source: Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT  
TSI-3 SCHEDULE OF TEMPORARY INVESTMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

Item	Certificate Number	Interest Rate	Maturity Date	Balance at End of Year
<u>Proprietary Fund Type</u>				
<u>Enterprise Fund</u>				
LOGIC Accounts				
Customer Deposit Fund	n/a	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-Certificate of Deposit				
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	2.2080%	n/a	42,791
TexPool Accounts				
General Operating	n/a	1.9953%	n/a	1,000,175
General Operating Prime	n/a	1.9953%	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				<u>\$ 18,492,116</u>

Source Mustang Special Utility District

Note Independent Bank accounts are interest bearing accounts with the bank and are covered by collateral

**MUSTANG SPECIAL UTILITY DISTRICT**

TSI-4. Taxes Levied and Receivable  
September 30, 2018  
(Unaudited)

*(Does not apply to the District)*

**MUSTANG SPECIAL UTILITY DISTRICT  
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS  
SERIES 2009 - BY YEARS  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	50,000	46,995	96,995
2020	55,000	44,495	99,495
2021	55,000	41,745	96,745
2022	60,000	38,995	98,995
2023	60,000	35,995	95,995
2024	65,000	32,935	97,935
2025	65,000	29,555	94,555
2026	70,000	26,110	96,110
2027	75,000	22,400	97,400
2028	80,000	18,425	98,425
2029	80,000	14,025	94,025
2030	85,000	9,625	94,625
2031	90,000	4,950	94,950
Total	<u>\$ 890,000</u>	<u>\$ 366,250</u>	<u>\$ 1,256,250</u>

Source: Mustang Special Utility District



**MUSTANG SPECIAL UTILITY DISTRICT  
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS  
SERIES 2014 - BY YEARS  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	50,000	59,968	109,968
2020	50,000	56,968	106,968
2021	55,000	53,968	108,968
2022	55,000	50,668	105,668
2023	55,000	49,018	104,018
2024	60,000	46,268	106,268
2025	60,000	44,348	104,348
2026	65,000	42,308	107,308
2027	65,000	39,968	104,968
2028	70,000	37,530	107,530
2029	70,000	34,800	104,800
2030	75,000	32,000	107,000
2031	80,000	29,000	109,000
2032	80,000	25,800	105,800
2033	85,000	22,600	107,600
2034	90,000	19,200	109,200
2035	90,000	15,600	105,600
2036	95,000	12,000	107,000
2037	100,000	8,200	108,200
2038	105,000	4,200	109,200
Total	<u>\$ 1,455,000</u>	<u>\$ 684,412</u>	<u>\$ 2,139,412</u>

Source: Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT  
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS  
SERIES 2016 - BY YEARS  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	31,000	67,821	98,821
2020	32,000	66,930	98,930
2021	34,000	66,010	100,010
2022	35,000	65,033	100,033
2023	36,000	64,026	100,026
2024	37,000	62,991	99,991
2025	39,000	61,928	100,928
2026	40,000	60,806	100,806
2027	42,000	59,656	101,656
2028	43,000	58,449	101,449
2029	45,000	57,213	102,213
2030	46,000	55,919	101,919
2031	48,000	54,596	102,596
2032	50,000	53,216	103,216
2033	51,000	51,779	102,779
2034	53,000	50,313	103,313
2035	55,000	48,789	103,789
2036	57,000	47,208	104,208
2037	59,000	45,569	104,569
2038	62,000	43,873	105,873
2039	64,000	42,090	106,090
2040	66,000	40,250	106,250
2041	68,000	38,353	106,353
2042	71,000	36,398	107,398
2043	74,000	34,356	108,356
2044	76,000	32,229	108,229
2045	79,000	30,044	109,044
2046	82,000	27,773	109,773
2047	85,000	25,415	110,415
2048	88,000	22,971	110,971
2049	91,000	20,441	111,441
2050	94,000	17,825	111,825
2051	98,000	15,123	113,123
2052	101,000	12,305	113,305
2053	105,000	9,401	114,401
2054	109,000	6,383	115,383
2055	113,000	3,249	116,249
Total	<u>\$ 2,359,000</u>	<u>\$ 1,556,731</u>	<u>\$ 3,915,731</u>

Source: Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT  
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS  
SERIES 2016A - BY YEARS  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	179,000	316,965	480,983
2020	184,000	312,043	480,785
2021	189,000	306,983	480,423
2022	195,000	301,785	479,923
2023	200,000	296,423	480,258
2024	206,000	290,923	479,428
2025	212,000	285,258	479,433
2026	218,000	279,428	479,273
2027	224,000	273,433	478,920
2028	231,000	267,273	478,403
2029	237,000	260,920	478,693
2030	244,000	254,403	477,790
2031	251,000	247,693	477,695
2032	258,000	240,790	477,380
2033	266,000	233,695	476,873
2034	273,000	226,380	477,145
2035	281,000	218,873	476,198
2036	289,000	211,145	476,003
2037	298,000	203,198	475,588
2038	306,000	195,003	475,925
2039	315,000	186,588	475,015
2040	324,000	177,925	474,830
2041	334,000	169,015	474,398
2042	343,000	159,830	474,690
2043	353,000	150,398	473,708
2044	363,000	140,690	473,423
2045	374,000	130,708	472,863
2046	384,000	120,423	473,000
2047	395,000	109,863	471,808
2048	407,000	99,000	471,313
2049	418,000	87,808	471,488
2050	430,000	76,313	470,305
2051	443,000	64,488	469,793
2052	455,000	52,305	469,895
2053	469,000	39,793	284,640
2054	482,000	26,895	469,000
2055	496,000	13,640	482,000
<b>Total</b>	<b><u>\$ 11,526,000</u></b>	<b><u>\$ 7,028,296</u></b>	<b><u>\$ 17,419,288</u></b>

Source: Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT  
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS  
SERIES 2017 - BY YEARS  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	320,000	128,300	448,300
2020	325,000	118,700	443,700
2021	340,000	105,700	445,700
2022	350,000	92,100	442,100
2023	365,000	78,100	443,100
2024	365,000	63,500	428,500
2025	365,000	48,900	413,900
2026	385,000	34,300	419,300
2027	150,000	18,900	168,900
2028	155,000	14,400	169,400
2029	160,000	9,750	169,750
2030	165,000	4,950	169,950
Total	<u>\$ 3,445,000</u>	<u>\$ 717,600</u>	<u>\$ 4,162,600</u>

Source: Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT  
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS  
SERIES 2017B - BY YEARS  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	95,000	62,718	157,718
2020	95,000	62,547	157,547
2021	100,000	62,224	162,224
2022	100,000	61,714	161,714
2023	100,000	61,044	161,044
2024	100,000	60,174	160,174
2025	100,000	59,144	159,144
2026	100,000	57,904	157,904
2027	105,000	56,514	161,514
2028	105,000	54,907	159,907
2029	105,000	53,164	158,164
2030	110,000	51,337	161,337
2031	110,000	49,346	159,346
2032	115,000	47,278	162,278
2033	115,000	45,036	160,036
2034	115,000	42,724	157,724
2035	120,000	40,367	160,367
2036	120,000	37,847	157,847
2037	125,000	35,279	160,279
2038	130,000	32,566	162,566
2039	130,000	29,719	159,719
2040	135,000	26,833	161,833
2041	135,000	23,796	158,796
2042	140,000	20,718	160,718
2043	140,000	17,498	157,498
2044	145,000	14,250	159,250
2045	150,000	10,857	160,857
2046	155,000	7,332	162,332
2047	155,000	3,674	158,674
Total	<u>\$ 3,450,000</u>	<u>\$ 1,188,511</u>	<u>\$ 4,638,511</u>

Source: Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT  
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS  
ALL SERIES - BY YEARS  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	725,000	682,767	1,407,767
2020	741,000	661,683	1,402,683
2021	773,000	636,630	1,409,630
2022	795,000	610,295	1,405,295
2023	816,000	584,606	1,400,606
2024	833,000	556,791	1,389,791
2025	841,000	529,133	1,370,133
2026	878,000	500,856	1,378,856
2027	661,000	470,871	1,131,871
2028	684,000	450,984	1,134,984
2029	697,000	429,872	1,126,872
2030	725,000	408,234	1,133,234
2031	579,000	385,585	964,585
2032	503,000	367,084	870,084
2033	517,000	353,110	870,110
2034	531,000	338,617	869,617
2035	546,000	323,629	869,629
2036	561,000	308,200	869,200
2037	582,000	292,246	874,246
2038	603,000	275,642	878,642
2039	509,000	258,397	767,397
2040	525,000	245,008	770,008
2041	537,000	231,164	768,164
2042	554,000	216,946	770,946
2043	567,000	202,252	769,252
2044	584,000	187,169	771,169
2045	603,000	171,609	774,609
2046	621,000	155,528	776,528
2047	635,000	138,952	773,952
2048	495,000	121,971	616,971
2049	509,000	108,249	617,249
2050	524,000	94,138	618,138
2051	541,000	79,611	620,611
2052	556,000	64,610	620,610
2053	574,000	49,194	623,194
2054	591,000	33,278	624,278
2055	609,000	16,889	625,889
<b>Total</b>	<b>\$ 23,125,000</b>	<b>\$ 11,541,800</b>	<b>\$ 34,666,800</b>

Source: Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT  
TSI-6 CHANGES IN LONG-TERM BONDED DEBT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**Bond Issues**

	Series 2009	Series 2014	Series 2016	Series 2016A	Series 2017	Series 2017B	Total
Interest Rate	3.0% - 6.0%	3.0% - 6.0%	2.88%	2.88%	3.00%	.18% to 2.37%	
Date Interest Payable	3/1, 9/1	3/1, 9/1	3/1, 9/1	3/1, 9/1	3/1, 9/1	3/1, 9/1	
Maturity Dates	2031	2038	2055	2055	2030	2047	
Bonds Outstanding at Beginning of Current Year	\$ 940,000	\$ 1,505,000	\$ 2,389,000	\$ 11,700,000	\$ 3,755,000	\$ -	\$ 20,289,000
Bonds Sold During Current Year	-	-	-	-	-	3,555,000	3,555,000
Retirements Principal	(50,000)	(50,000)	(30,000)	(174,000)	(310,000)	(105,000)	(719,000)
Bonds Outstanding at End of Current Year	<u>\$ 890,000</u>	<u>\$ 1,455,000</u>	<u>\$ 2,359,000</u>	<u>\$ 11,526,000</u>	<u>\$ 3,445,000</u>	<u>\$ 3,450,000</u>	<u>\$ 23,125,000</u>
Interest Paid During the Fiscal Year	<u>\$ 49,995</u>	<u>\$ 62,968</u>	<u>\$ 33,034</u>	<u>\$ 281,957</u>	<u>\$ 137,600</u>	<u>\$ 53,310</u>	<u>\$ 618,864</u>

**Paying Agent's Name and City**

Series 2009	Bank of Texas NA, Dallas, TX
Series 2014	Bank of Texas NA, Dallas, TX
Series 2016	United States Department of Agriculture, McKinney, TX
Series 2016A	United States Department of Agriculture, McKinney, TX
Series 2017	Bank of Texas NA, Dallas, TX
Series 2017B	Bank of Texas NA, Dallas, TX

	Refunding Bonds	Revenue Bonds
Bond Authority Amount Authorized	\$ -	\$ 24,477,000
Amount Issued	\$ -	\$ 20,708,467

Bonded debt service cash and temporary investments balances as of September 30, 2018 \$1,276,976

Average annual debt service payment (principal and interest) for remaining term of all bonded debt is \$936,940

Source Mustang Special Utility District

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

	Amounts					Percent of Fund Total Revenue				
	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
<b>OPERATING REVENUES</b>										
Water/wastewater sales	\$ 10,608,709	\$ 7,522,097	\$ 6,438,808	\$ 5,193,037	\$ 4,233,713	47.59%	56.64%	53.90%	52.61%	55.92%
Customer charges/fees	9,221,988	3,528,666	3,955,411	3,019,145	2,030,519	41.37%	26.57%	33.11%	30.58%	26.82%
Operating contracts	2,409,426	2,166,540	1,535,456	1,642,664	1,284,628	10.81%	16.31%	12.85%	16.64%	16.97%
Miscellaneous revenue	51,623	63,383	16,606	17,120	21,966	0.23%	0.48%	0.14%	0.17%	0.29%
Total operating revenues	22,291,746	13,280,686	11,946,281	9,871,966	7,570,826	100.00%	100.00%	100.00%	100.00%	100.00%
<b>OPERATING EXPENSES</b>										
Personnel costs and benefits	2,128,832	1,614,456	1,355,214	1,259,770	1,011,663	9.55%	12.16%	11.34%	12.76%	13.36%
Water distribution system	6,029,757	4,845,654	4,064,515	3,020,253	2,539,509	27.05%	36.49%	34.02%	30.59%	33.54%
Other operating costs	598,139	495,296	440,374	359,429	337,385	2.68%	3.73%	3.69%	3.64%	4.46%
Professional and legal fees	421,043	447,757	431,786	442,132	293,274	1.89%	3.37%	3.61%	4.48%	3.87%
Insurance	547,740	368,134	363,093	319,454	203,675	2.46%	2.77%	3.04%	3.24%	2.69%
Amortization	1,381,080	627,157	1,329,016	668,915	439,043	6.20%	4.72%	11.12%	6.78%	5.80%
Depreciation	2,669,648	2,439,979	2,266,906	1,652,004	1,357,976	11.98%	18.37%	18.98%	16.73%	17.94%
Total operating expenses	13,776,239	10,838,433	10,250,904	7,721,957	6,182,525	61.80%	81.61%	85.81%	78.22%	81.66%
Operating income (loss)	\$ 8,515,507	\$ 2,442,253	\$ 1,695,377	\$ 2,150,009	\$ 1,388,301	38.20%	18.39%	14.19%	21.78%	18.34%
<b>NON-OPERATING REVENUES (EXPENSES)</b>										
Investment income	215,852	118,408	59,298	8,437	5,990	0.97%	0.89%	0.50%	0.09%	0.08%
Gain (loss) on sale of assets	-	94,558	425,618	26,787	-	0.00%	0.71%	3.56%	0.27%	0.00%
Interest expense	(1,028,940)	(765,969)	(556,143)	(458,676)	(414,551)	-4.62%	-5.77%	-4.66%	-4.65%	-5.48%
Transfer of CCN	(140,257)	375,000	1,668,838	-	-	-0.63%	2.82%	13.97%	0.00%	0.00%
Bond issuance costs	-	-	-	-	(62,163)	0.00%	0.00%	0.00%	0.00%	-0.82%
Total non-operating revenue (expense)	(953,345)	(178,003)	1,597,611	(423,452)	(470,724)	-4.28%	-1.34%	13.37%	-4.29%	-6.22%
<b>Net income (loss) before contributions</b>	\$ 7,562,162	\$ 2,264,250	\$ 3,292,988	\$ 1,726,557	\$ 917,577	33.92%	17.05%	27.56%	17.49%	12.12%
<b>CAPITAL CONTRIBUTIONS</b>										
Wastewater subscription - developer	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
Developer contributions	19,914,422	7,488,680	7,813,577	1,098,330	1,008,575	89.34%	56.39%	65.41%	11.13%	13.32%
Total capital contributions	19,914,422	7,488,680	7,813,577	1,098,330	1,008,575	89.34%	56.39%	65.41%	11.13%	13.32%
<b>Change in net position</b>	\$ 27,476,584	\$ 9,752,930	\$ 11,106,565	\$ 2,824,887	\$ 1,926,152	123.26%	73.44%	92.97%	28.62%	25.44%

Source: CAFR's Changes in Net Position



**Mustang Special Utility District**  
**TSI-8 Board Members, Key Personnel, and Consultants**  
**Fiscal Year Ending September 30, 2018**

Complete District Mailing Address: 7985 FM 2931, Aubrey, TX 76227  
District Business Telephone Number 940-440-9561  
Submission date of the most recent District Registration Form June 2017  
(TWC Sections 36.054 and 49.054):  
Limit on Fees of Office that a Director may receive during a fiscal year: No Limit  
(Set by Board Resolution - TWC Section 49.060)

<b>Names:</b>		<b>Term of Office</b>	<b>Date Hired</b>	<b>Fees of Office Paid</b>	<b>Expense Reimbursements</b>	<b>Title at Year End</b>
<b>Board Members:</b>						
Dean Jameson	Elected	2018-2021		-	-	President
Marc Hodak	Elected	2017-2020		-	-	Vice President
Kim Lehere	Elected	2017-2020		-	-	Secretary
Kathryn Langley	Elected	2018-2021		-	-	Director
Wade Veeder	Elected	2018-2021		-	-	Director
Mike Frazier	Elected	2016-2019		-	-	Director
Michael Walker	Elected	2016-2019		-	-	Director
Matt Gaunt	Elected	2016-2019		-	-	Director
Ken Mitchell	Elected	2017-2020		-	-	Director
<b>Key Administrative Personnel:</b>						
Chris Boyd			2/21/2007	-	-	General Manager
Jennifer Bland			8/20/2018		-	Assistant General Manager
Patty Parks			6/8/2012	-	67	Financial Services Manager
Aldo Zamora			10/11/2004	-	-	Operations Manager
Beth Kazel			1/16/2003	-	-	Customer Service Manager
<b>Consultants:</b>						
Steger Bizell			2009	874,739	-	Engineer
Conway Company CPAs, PC			2011	19,000	-	Auditor
Robert Harris			2014	51,825	-	Attorney
Jackson Walker LLP			2015	49,920	-	Attorney
The Hopkins Group			2017	8,239	-	Human Resources
McCall, Parkhurst, & Horton			2008	30,446	-	Bond Counsel
Specialized Public Finance			2008	31,000	-	Financial Advisor

Source: Mustang Special Utility District

**Mike Ward Accounting & Financial Consulting, PLLC**

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[mward@mikewardcpa.com](mailto:mward@mikewardcpa.com)

January 22, 2019

To the Board of Directors  
Mustang Special Utility District

In planning and performing our audit of the financial statements of the business-type activities for Mustang Special Utility District as of and for the year ended September 30, 2018, in accordance with auditing standards generally accepted in the United State of America, I considered Mustang Special Utility District's internal control over financial reporting ("internal control") as a basis for designing my auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mustang Special Utility District's internal control. Accordingly, I do not express an opinion on the effectiveness of Mustang Special Utility District's internal control over financial reporting.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified no deficiencies in internal control that I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

This communication is intended solely for the information and use of the Board of Directors, and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully Submitted,

*Mike Ward Accounting & Financial Consulting, PLLC*

**Mike Ward Accounting & Financial Consulting, PLLC**

Point, Texas

## SINGLE AUDIT

**MUSTANG SPECIAL UTILITY DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended September 30, 2018**

Federal Grantor Pass Through Grantor Program Title	CFDA Number	Grant Number	Program Expenditures
<b>FEDERAL GRANTS</b>			
<b><u>U.S. Department of Agriculture</u></b>			
Water and Waste Disposal Systems for Rural Communities-Loans *	10.76	0331012588	450,000
Total U.S. Department of Agriculture			<u>450,000</u>
<b><u>U.S. Environmental Protection Agency</u></b>			
Passed-Through Texas Water Development Board*			
Drinking Water State Revolving Fund	66.468	L1000637	2,195,694
Total U.S. Environmental Protection Agency			<u>2,195,694</u>
<b>Total Federal Grant Awards</b>			<u>2,645,694</u>
Grand Total of Federal Grant Awards			<u><u>\$ 2,645,694</u></u>

\* Denotes Major Program

**MUSTANG SPECIAL UTILITIES DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**SEPTEMBER 30, 2018**

**U.S. Department of Agriculture**

**A. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award activity of the Mustang Special Utility District (SUD) under programs of the federal government for the year ended 09/30/2018. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended and does not present the financial position, changes in net assets, or cash flows of the District.

Per Uniform Guidance, expenditures reflected in the SEFA equals the value of new loans made during the fiscal year ending 09/30/2018 instead of when the actual costs were incurred. The District makes periodic submissions to the U S Department of Agriculture (USDA) of capital expenses as they are incurred. The USDA approves the submissions and they advise how many bonds they will issue with each submission based on the approved costs and then disburse the funds in form of loans to the District. Although the District will submit expenses for a certain amount based on invoices, the USDA disburses funds for a different amount based on the amount of bonds they issue. The bonds are only deliverable in increments of \$1,000. Per the letter of conditions, USDA disburses to the District funds for the interest accrued during construction. Please see reconciliation of invoices submitted for expenses incurred vs. amount of funds received by the District.

**Reconciliation:**

Allowable Capital Expenditures submitted to USDA	\$	289,502
Received after 9/30/2018		-
Additional funds disbursed to the District for principal and interest during construction		160,498
Total Loan Proceeds received for capitalized expenditures during fiscal year ending 09/30/18 as noted in the SEFA	\$	450,000

**B. Summary of Accounting Policies**

Expenditures reported on the Schedule are reported on the cash basis of accounting. The program expenditures reported on the Schedule includes the value of new loans made during the audit period in accordance with Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance).

The SUD has elected not to use the 10 percent de minimis indirect cost as allowed under the Uniform Guidance

**C. Federal Loan Programs**

The federal loan programs listed subsequently is administered directly by the U S. Department of Agriculture and balances and transactions relating to the programs are included in the Mustang SUD basic financial statements. The District is guaranteed to receive the entire \$14,142,000 in loans from the USDA, therefore a loan receivable was recorded in the financial statements.

The balance of the loans receivable from the USDA is as follows:

CFDA Number	Program Name	Proceeds Received as of 10/01/2017 Including Interest	Proceeds Received as of 09/30/2018 Including Interest	Receivable from USDA as of 9/30/2018	Total Amount guaranteed by USDA
10.760	U S Department of Agriculture - Water and Waste Disposal Systems for Rural Communities Loans	\$11,361,000	\$ 11,811,000	\$ 2,331,000	\$ 14,142,000

The balance of debt administered by the USDA and owed by Mustang SUD is as follows

CFDA Number	Program Name	Loan Balance as of 10/1/2017	Principal paid	Loan Balance as of 9/30/2018
10.760	U.S. Department of Agriculture - Water and Waste Disposal Systems for Rural Communities Loans	\$ 14,089,000	\$ 204,000	\$ 13,885,000

**MUSTANG SPECIAL UTILITIES DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**SEPTEMBER 30, 2018**

**U.S. Environmental Protection Agency**  
**Passed-Through Texas Water Development Board**

**A. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award activity of the Mustang Special Utility District (SUD) under programs of the federal government for the year ended 09/30/2018. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended and does not present the financial position, changes in net assets, or cash flows of the District.

Per Uniform Guidance, expenditures reflected in the SEFA equals the value of new loans made during the fiscal year ending 09/30/2018 instead of when the actual costs were incurred. The District makes periodic submissions to the Texas Water Development Board (TWDB) of capital expenses as they are incurred. The TWDB approves the submissions and they advise how many bonds they will issue with each submission based on the approved costs and then disburse the funds in form of loans to the District. Please see reconciliation of invoices submitted for expenses incurred vs. amount of funds received by the District.

**Reconciliation:**

Allowable Capital Expenditures submitted to TWDB	\$	2,195,694
Received after 9/30/2018		-
Total Loan Proceeds received for capitalized expenditures during fiscal year ending 09/30/18 as noted in the SEFA	\$	2,195,694

**B. Summary of Accounting Policies**

Expenditures reported on the Schedule are reported on the cash basis of accounting. The program expenditures reported on the Schedule includes the value of new loans made during the audit period in accordance with Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance).

The SUD has elected not to use the 10 percent de minimis indirect cost as allowed under the Uniform Guidance.

**C. Federal Loan Programs**

The federal loan programs listed subsequently is administered directly by the U.S. Environmental Protection Agency and balances and transactions relating to the programs are included in the Mustang SUD basic financial statements. The District is guaranteed to receive the entire \$3,555,000 in loans from the TWDB, therefore a loan receivable was recorded in the financial statements.

The balance of the loans receivable from the USDA is as follows:

CFDA Number	Program Name	Proceeds Received as of 10/01/2017 Including Interest	Proceeds Received as of 09/30/2018 Including Interest	Receivable from USDA as of 9/30/2018	Total Amount guaranteed by USDA
66.468	U.S. Environmental Protection Agency Passed-Through the Texas Water Development Board	\$0	\$ 2,195,694	\$ 1,359,306	\$ 3,555,000

The balance of debt administered by the TWDB and owed by Mustang SUD is as follows:

CFDA Number	Program Name	Loan Balance as of 10/1/2017	Principal Issued	Principal paid	Loan Balance as of 9/30/2018
66 468	U S Environmental Protection Agency Passed-Through the Texas Water Development Board	\$ -	\$ 3,555,000	\$ 105,000	\$ 3,450,000

## Mike Ward Accounting & Financial Consulting, PLLC

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### **Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance**

#### Independent Auditor's Report

January 22, 2019

To the Board of Directors of  
Mustang Special Utility District.

#### **Report on Compliance for Each Major Federal Program**

I have audited Mustang Special Utility District ("Mustang SUD") compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Mustang SUD's major federal programs for the year ended September 30, 2018. Mustang SUD's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs and corrective action plan.

#### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### **Auditor's Responsibility**

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

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination on Mustang SUD's compliance.

#### **Opinion on Each Major Federal Program**

In my opinion, the Mustang Special Utility District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended September 30, 2018.

#### **Other Matters**

The results of my auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with Uniform Guidance.

### **Report on Internal Control over Compliance**

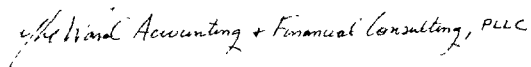
Management of Mustang SUD is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Mustang SUD's internal control over compliance with the types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

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

My consideration of internal control over compliance was for the limited purpose as described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses.

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

Respectfully Submitted,

Mike Ward Accounting & Financial Consulting, PLLC

**Mike Ward Accounting & Financial Consulting, PLLC**

Point, Texas



**MUSTANG SPECIAL UTILITY DISTRICT  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**Finding 2017-001**

**CFDA 10.760** Water and Waste Disposal Systems for Rural Communities

**Award Number** - 0331012588

**Award Year** – 2017

**Federal Agency** – United States Department of Agriculture

Type of Finding: Significant deficiency

Criteria 2 CFR Part 200 – Uniform Administrative Requirements, cost principles, and audit requirements for federal awards as highlighted in July 2017 Compliance Requirements. The grant contract requires that when entities are funded on a reimbursement basis, program costs must be paid for by the entity funds before reimbursement is requested from the Federal Government.

Conditions/Context: During our testing we noted the date of the reimbursement request was before the date of the check to the vendor for a specific expenditure designated on the reimbursement request.

Cause: Mustang SUD did not have an internal control in place to prevent a reimbursement request prior to the expenditure.

Effect: Some expenditures were paid outside of the parameters of the contract.

Questioned Costs: None Reported

Repeat Finding from Prior Year (s): No

Recommendation: We recommend adding an internal control which requires only existing expenditures be allowed in the reimbursement process.

**Status:**

Complete

**MUSTANG SPECIAL UTILITY DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weaknesses identified? No

Deficiencies identified that are not  
considered to be material weaknesses? No

Noncompliance material to the financial statements noted? No

**Federal Awards**

Internal control over major programs:

Material weaknesses identified No

Deficiencies identified that are not  
considered to be material weaknesses No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in  
accordance with 2 CFR section 200.516(a) reported in this Schedule? No

Major Federal Programs:

U.S.D.A. CFDA 10.760 Water and Waste Disposal Systems for Rural Communities  
Grant #0331012588

Dollar threshold used to distinguish between type A and type B  
federal programs: \$750,000

Auditee qualified as low risk auditee? No

U.S. Environmental Protection Agency CDFA 66.468, Passed-through Texas  
Water Development Board, Drinking Water Development Board,  
Grant #L1000637

Dollar threshold used to distinguish between type A and type B  
federal programs: \$750,000

Auditee qualified as low risk auditee? No

**MUSTANG SPECIAL UTILITY DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**Section II - Findings and Questioned Costs Related to Financial Statements**

**None**

**MUSTANG SPECIAL UTILITY DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**Section III - Findings and Questioned Costs Related to Federal Awards**

**None**

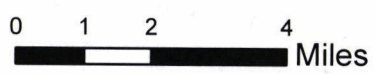


Application Exhibit  
Attachment Part F.32.1

Requested Area One (1)  
Water Only

Requested Area Two (2)  
Water Only

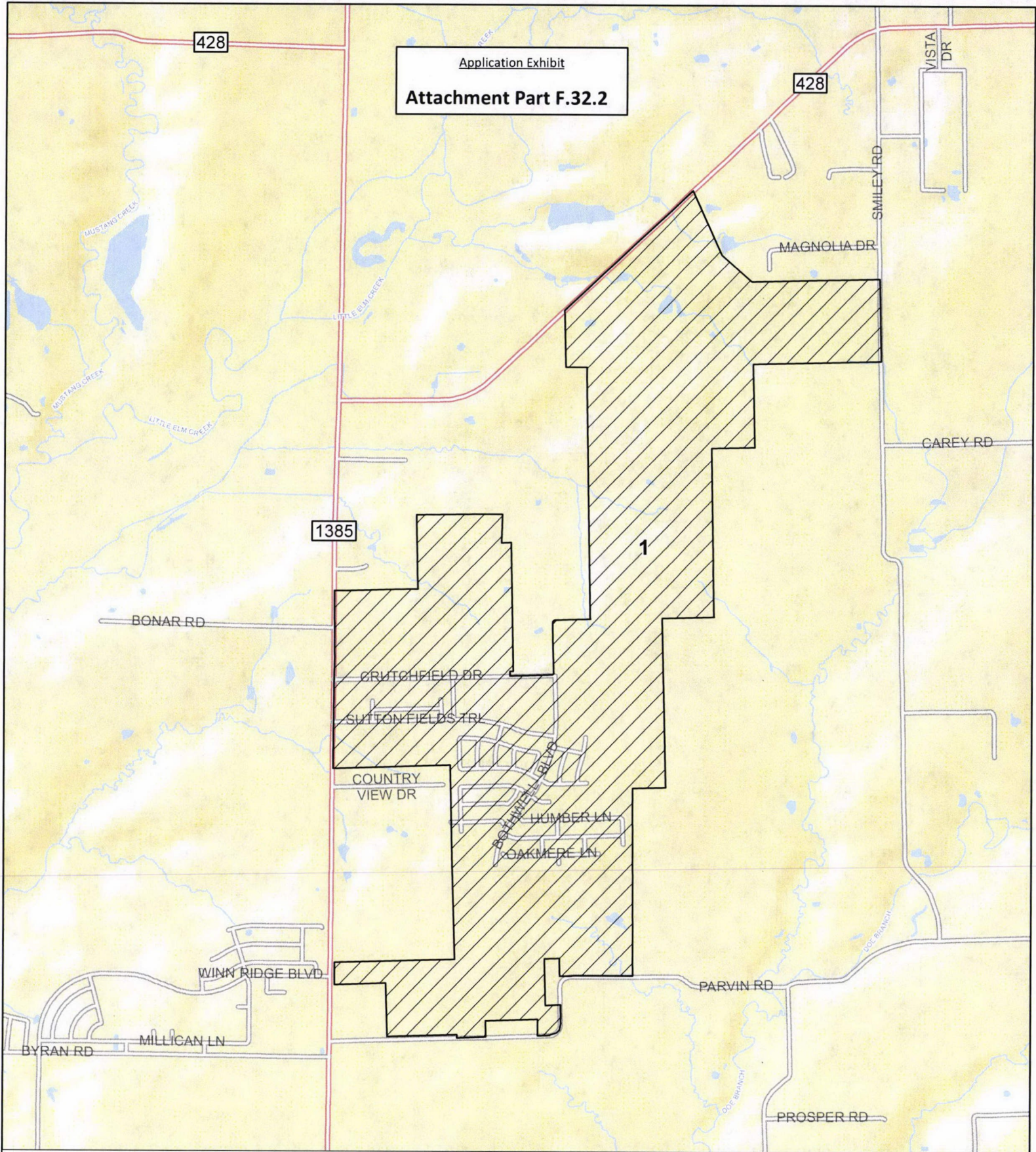
- Mustang SUD Water CCN No. 11856 Amendment -  
Requested Service Areas



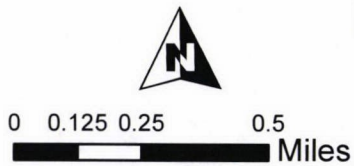
Legend - 1" = 15,000'

 Requested Areas One (1) & Two (2)





**- Mustang SUD Water CCN No.11856 Amendment -  
Requested Service Area Map (1 of 2)**




July 16, 2019

Requested Area south of FM 428,  
east of FM 1385, and west of Smiley Road.

Denton County, TX

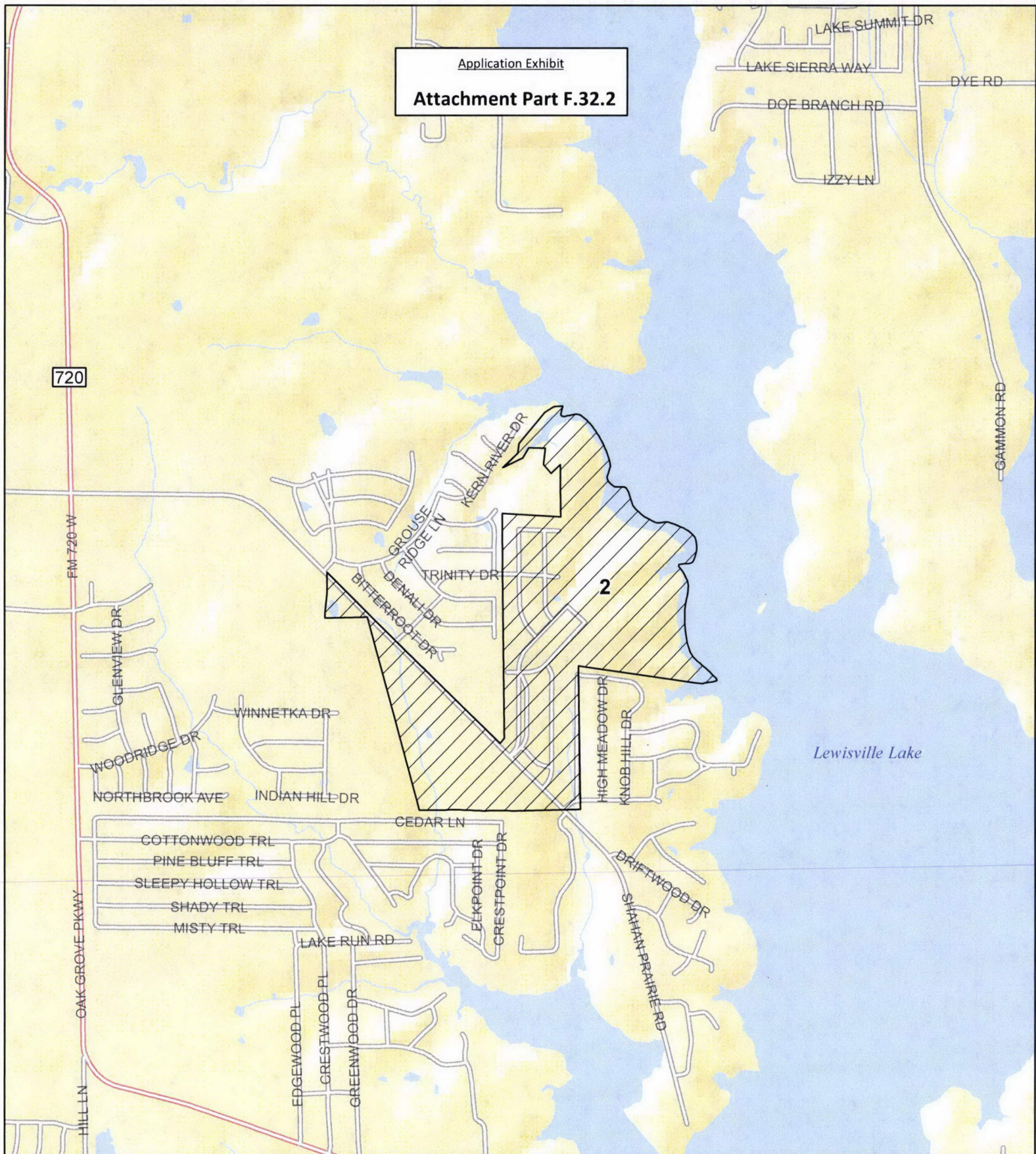
**Legend - 1" = 2,000'**

 Requested Area One (1)

**262**



Attachment Part F.32.2



**- Mustang SUD Water CCN No.11856 Amendment -  
Requested Service Area Map (2 of 2)**



0 0.125 0.25 0.5  
Miles

Requested Area is along Shahan Prairie Road,  
east of FM 720

July 16, 2019

Denton County, TX

Legend - 1" = 1,500'

 Requested Area Two (2)

263




Application Exhibit  
Attachment Part F.32.1

Requested Area 1A  
Sewer Only

Requested Area 1B  
Sewer Only

**Legend - 1" = 15,000'**

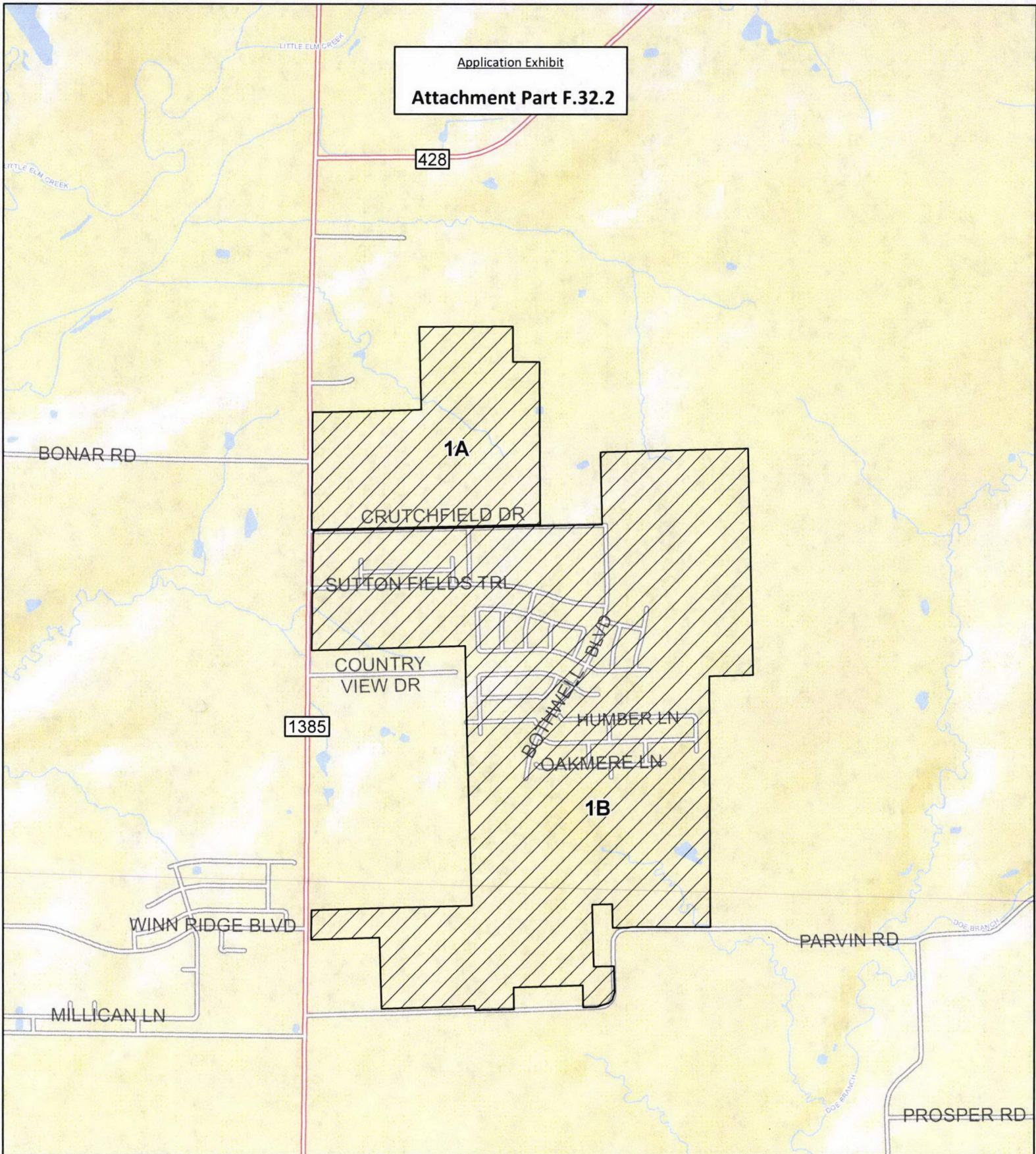
 Requested Area 1A & 1B

264

Denton County, TX



Application Exhibit  
Attachment Part F.32.2



**- Mustang SUD Sewer CCN No. 20930 Amendment -  
Requested Service Area Map (1 of 1)**




0 0.125 0.25 0.5  
Miles

July 16, 2019

Requested Area south of FM 428,  
east of FM 1385, and west of Smiley Road.

Denton County, TX

Legend - 1" = 1,500'

 Requested Area 1A & 1B

265