

MUSTANG SPECIAL UTILITY DISTRICT
of Denton County, Texas

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2019

General Manager
Chris Boyd

Assistant General Manager
Jennifer Bland

Financial Services Manager
Patty Parks



**MUSTANG SPECIAL UTILITY DISTRICT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED SEPTEMBER 30, 2019**

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**MUSTANG SPECIAL UTILITY DISTRICT
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INTRODUCTORY SECTION



February 24, 2020

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, 2019, 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, 2019. 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 15% and is expected to maintain the same pace for the near future. This translates to 1,500 – 2,000 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 has increased groundwater resources with the completion of one new well, and the addition of a new pumping station.

The District has increased wastewater capacity 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

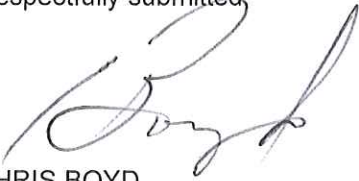
The Mustang Special Utility District has engaged the firm of Mike Ward Accounting & Financial Consulting, PLLC, to perform the annual audit and their opinion has been included in this report. It should be noted that the auditors included all funds in their audit, performed their audit in accordance with 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, 2019, and the changes in financial position and cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Acknowledgements

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

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

Respectfully submitted,



CHRIS BOYD
GENERAL MANAGER



JENNIFER BLAND
ASSISTANT GENERAL MANAGER



PATTY PARKS
FINANCIAL SERVICES MANAGER

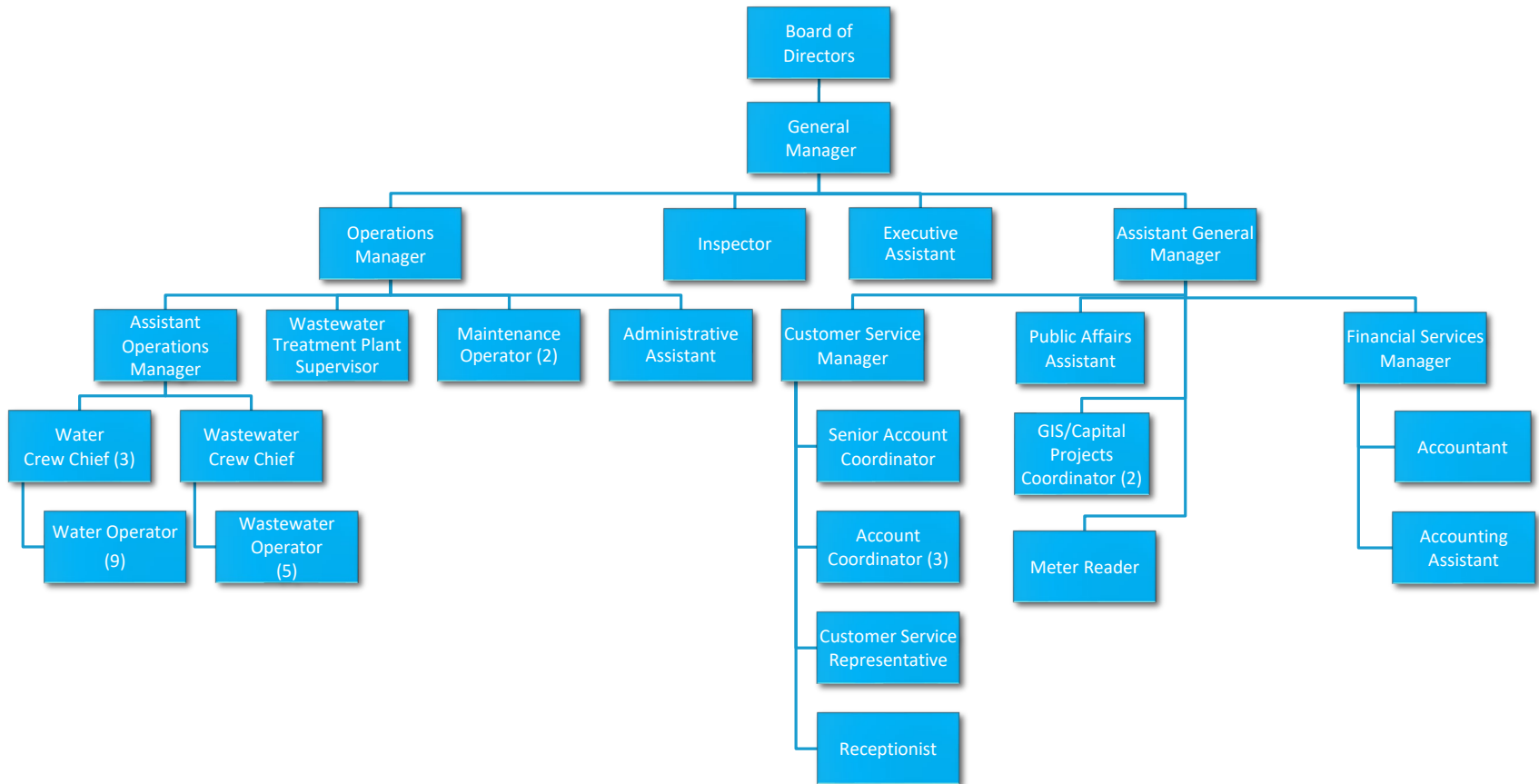
**MUSTANG SPECIAL UTILITY DISTRICT
BOARD OF DIRECTORS
AS OF SEPTEMBER 30, 2019**

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

Mustang Special Utility District

2018-2019 Organization Chart

42 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

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, 2019, 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 an opinion 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 controls 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.

Opinion

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, 2019, 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 statements in an appropriate operational, 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 an opinion 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 February 17, 2020 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

February 17, 2020

Point, Texas

MUSTANG SPECIAL UTILITY DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2019

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, 2019. Financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The assets, and deferred outflows, of the District exceeded its liabilities, and deferred inflows, at the close of the fiscal year by \$136,025,558 (net position). The portion of net position that can be used to meet the District's obligations to customers and creditors, unrestricted net position, is \$17,501,194, or 13%, of total net position. Restricted net position of \$1,555,355, or 1% of total net position, is restricted for debt service.
- The District's total net position increased by \$59,858,081. The majority of this increase is attributable to capital contributions.
- Net investment in capital assets totaled \$116,969,009, or 86% 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, 2019**

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 is included within the Supplemental Schedule section of this report.

New Pronouncements:

Statement No. 84, "Fiduciary Activities." The requirements of this Statement will take effect for financial statements with the fiscal year that ends December 31, 2019. This Statement establishes standards of accounting and financial reporting for fiduciary activities.'

Statement No. 87, "Leases." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2020. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

Statement No. 89. "Accounting for Interest Cost Incurred before the End of a Construction Period, "The requirements of this Statement will take effect for the financial statements starting with the fiscal year that ends December 31, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the costs of borrowing for a reporting period and (2) to simplify accounting for interest costs incurred before the end of a construction period.

Statement No. 90, Majority Equity Interest . " The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The primary objectives of this Statement are improved consistency in the measurement and comparability of the financial statement presentation of majority equity interest in legally separate organizations, and to improve the relevance of financial statement information for certain component units.

**MUSTANG SPECIAL UTILITY DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2019**

	Net Position	
	2019	2018
Current and other assets	\$ 33,614,940	\$ 21,801,768
Noncurrent assets	1,753,838	3,722,907
Capital assets	151,526,444	84,816,197
Total assets	186,895,222	110,340,872
Deferred outflows of resources-pension	365,028	280,260
Long-term liabilities	43,530,518	29,170,544
Current liabilities	7,613,641	5,239,868
Total liabilities	51,144,159	34,410,412
Deferred inflows of resources-pension	90,533	43,243
Net investment in capital assets	116,969,009	35,097,537
Restricted	1,555,355	2,001,074
Unrestricted	17,501,194	39,068,866
Total net position	\$ 136,025,558	\$ 76,167,477

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 \$136,025,558 as of September 30, 2019. The District's net position increased by \$59,858,081 for the fiscal year ended September 30, 2019. The majority of this increase is attributable to capital contributions.

Net investment in capital assets:

The largest portion of total net position, \$116,969,009, or 86%, 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 \$1,555,355, or 1%, 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 \$17,501,194, or 13%, 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, 2019**

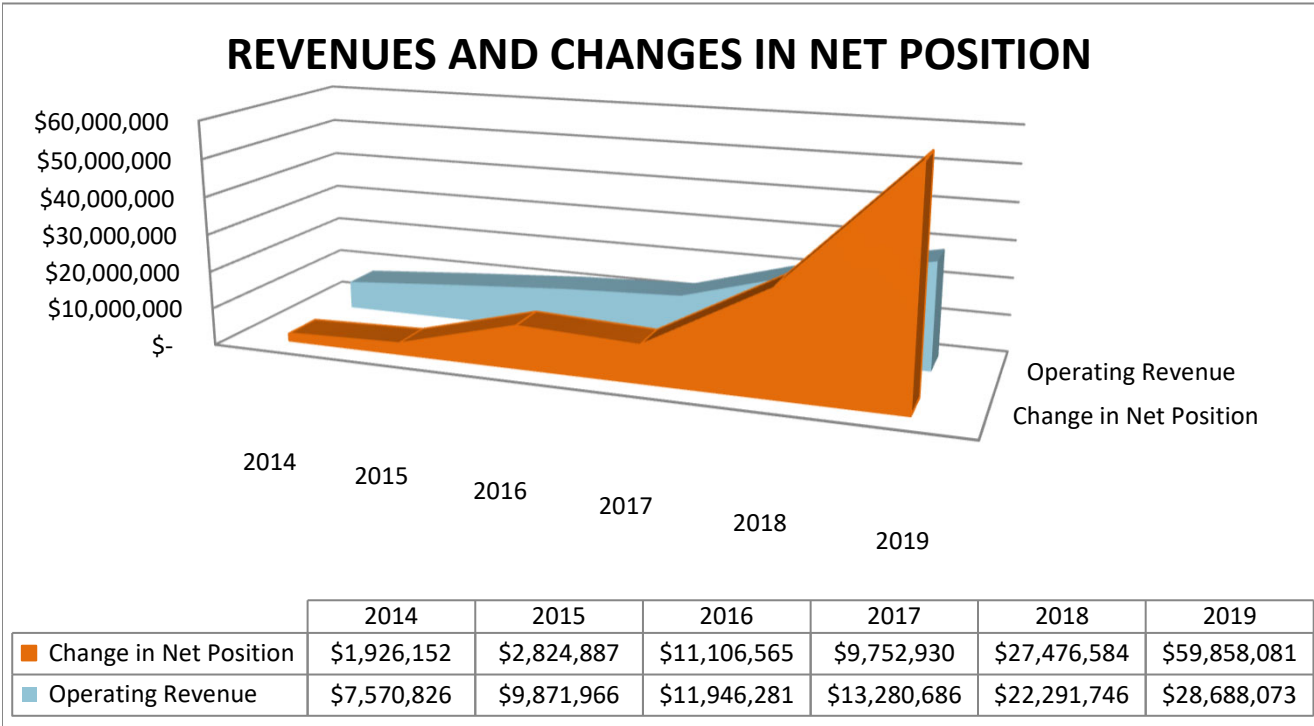
Changes in Net Position

	Business-type Activities		Total Percentage Change Favorable/ (Unfavorable)
	2019	2018	
REVENUES			
Program Revenues:			
Charges for sales and services:			
Water/wastewater sales	\$ 12,952,158	\$ 10,608,709	22.09%
Customer charges/fees	11,857,954	9,221,988	28.58%
Operating contracts	3,776,050	2,409,426	56.72%
General Revenues:			
Miscellaneous revenue	101,911	51,623	97.41%
Investment income	613,637	215,852	184.29%
Total revenues	29,301,710	22,507,598	30.19%
EXPENSES			
Operating expenses	17,147,835	13,776,237	-24.47%
Interest expense	1,575,401	1,028,941	-53.11%
Bond issuance costs	189,827	140,258	100.00%
Total expenses	18,913,063	14,945,436	-26.55%
Change in net position before contributions	10,388,647	7,562,162	37.38%
Capital contributions	49,469,434	19,914,422	148.41%
Change in net position	59,858,081	27,476,584	117.85%
Net position - beginning of year	76,167,477	48,690,893	-56.43%
Net position - end of year	\$ 136,025,558	\$ 76,167,477	78.59%

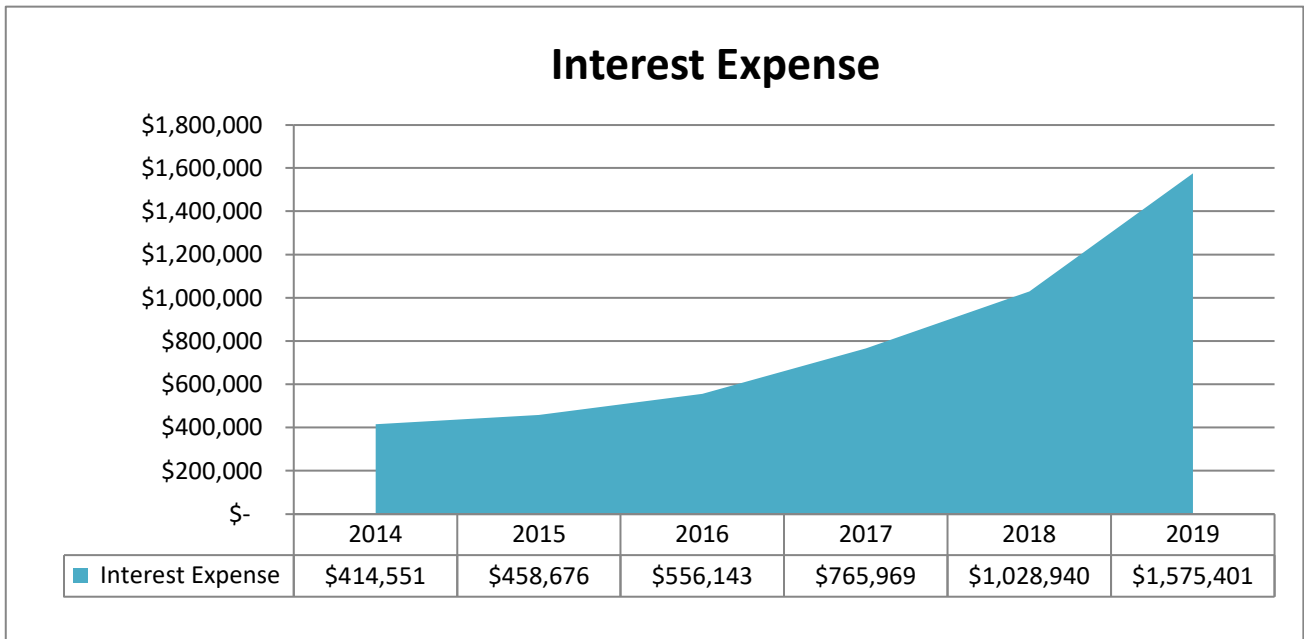
The District as a whole is primarily reliant on charges for services. Activities were 98% supported by charges for services and 2% of revenues were derived from other sources.

**MUSTANG SPECIAL UTILITY DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
CHART OF REVENUES AND CHANGE IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2014 - 2019**

REVENUES AND CHANGES IN NET POSITION



CHANGE IN INTEREST EXPENSE



**MUSTANG SPECIAL UTILITY DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2019**

Capital Assets

The District's investment in capital assets as of September 30, 2019 totals \$151,526,444, net of accumulated depreciation. This investment in capital assets includes land, buildings, water distribution systems, furniture and fixtures, vehicles, and intangible assets, i.e., rights to provide service to water customers.

The total net increase in capital assets for the current fiscal year was \$66,710,247 or 79%, from the prior fiscal year.

**Capital Assets
as of September 30, 2019
(Net of Accumulated Depreciation)**

	Business-type Activities		Total Percentage Change Increase/ (Decrease)
	2019	2018	
Land and improvements	\$ 1,488,076	\$ 1,488,076	-
Construction in progress	11,111,958	18,501,988	-39.94%
Water distribution system	99,451,467	40,967,407	142.76%
Buildings and improvements	3,029,638	862,634	251.21%
Equipment	167,567	676,595	-75.23%
Vehicles	588,225	110,085	434.34%
Intangible assets	35,689,513	22,209,412	60.70%
Total	\$ 151,526,444	\$ 84,816,197	78.65%

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

Long-Term Obligations

As of September 30, 2019, the District has a total long-term debt outstanding of \$44,739,679. During the fiscal year, total debt increased by \$15,797,828.

**Outstanding Debt
as of September 30, 2019**

	Business-type Activities		Total Percentage Change Increase/ (Decrease)
	2019	2018	
Bonds payable	\$ 38,621,812	\$ 23,125,000	67.01%
Note payable	6,117,867	5,816,851	5.17%
Total	\$ 44,739,679	\$ 28,941,851	54.58%

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, 2019**

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 of a climate, 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 2020 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, 2019**

	<u>Proprietary Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 19,409,077
Receivables, net of allowance for uncollectibles	3,163,424
Inventory	270,412
Prepays	5,127
Restricted cash and cash equivalents	10,766,900
Total current assets	<u>33,614,940</u>
Non-current assets:	
Bond receivables	1,750,336
Net pension asset	3,502
Capital assets:	
Non-depreciable capital assets	12,600,036
Depreciable capital assets, net	103,236,894
Intangible assets:	
Organizational costs, net of accumulated amortization	59,481
Present service capacity, net of accumulated amortization	35,630,033
Total capital and intangible assets, net of accum. depreciation	<u>151,526,444</u>
Total non-current assets	<u>153,280,282</u>
Total Assets	<u>186,895,222</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred outflow of resources-pension	<u>365,028</u>
LIABILITIES	
Current liabilities:	
Accounts payable	4,099,017
Current portion of note payable	439,355
Payable from restricted assets:	
Accrued interest payable	268,200
Customer deposits	1,691,069
Current portion of bonds payable	1,116,000
Total current liabilities	<u>7,613,641</u>
Noncurrent liabilities:	
Escrow payable from restricted assets	292,975
Compensated absences	53,219
Note payable	5,678,512
Bonds payable, net of premium	37,505,812
Total noncurrent liabilities	<u>43,530,518</u>
Total Liabilities	<u>51,144,159</u>
DEFERRED INFLOW OF RESOURCES	
Deferred inflow of resources-pension	<u>90,533</u>
NET POSITION	
Net investment in capital assets	116,969,009
Restricted for:	
Debt servicing	1,555,355
Unrestricted	17,501,194
Total Net Position	<u>\$ 136,025,558</u>

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

**MUSTANG SPECIAL UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Proprietary Fund
OPERATING REVENUES	
Charges for Sales and Services:	
Water/wastewater sales	\$ 12,952,158
Customer charges/fees	11,857,954
Operating contracts	3,776,050
Miscellaneous income	101,911
Total operating revenues	<u>28,688,073</u>
OPERATING EXPENSES	
Operation and Maintenance:	
Personnel costs and benefits	2,539,914
Water distribution system	8,200,434
Other operating costs	788,426
Professional and legal fees	316,648
Insurance	557,370
Depreciation and amortization	4,745,043
Total operating expenses	<u>17,147,835</u>
Operating income (loss)	<u>11,540,238</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	613,637
Bond issuance costs	(189,827)
Interest expense	(1,575,401)
Total non-operating revenues (expenses)	<u>(1,151,591)</u>
Net income (loss) before contributions	10,388,647
CAPITAL CONTRIBUTIONS	
Developer contributions	49,469,434
Total capital contributions	<u>49,469,434</u>
Change in net position	59,858,081
Net position - beginning of year	76,167,477
Net position - end of year	<u><u>\$ 136,025,558</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, 2019**

	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 29,301,483
Cash received from other sources	2,041,881
Cash paid to employees	(2,492,766)
Cash paid to suppliers	(9,750,682)
Net cash provided by (used for) operating activities	<u>19,099,916</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(57,589,095)
Interest paid on note and bonds payable	(1,575,401)
Bond issuance costs	(189,827)
Proceeds from debt issuance	19,773,813
Principal paid on debt	(4,052,420)
CCN	(13,866,196)
Developer contributions	49,469,434
Net cash provided by (used for) capital and related financing activities	<u>(8,029,692)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	613,637
Net cash provided by investing activities	<u>613,637</u>
Net increase (decrease) in cash and cash equivalents	11,683,861
Cash and cash equivalents at beginning of year	<u>18,492,116</u>
Cash and cash equivalents at end of year	<u>\$ 30,175,977</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	<u>\$ 11,540,238</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	4,745,043
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Receivables	(57,855)
Prepaid items	(5,043)
Bond receivables	1,939,970
Inventory	(66,413)
Increase (decrease) in liabilities:	
Accounts payable	5,221
Accrued expenses	55,525
Escrow payable	178,431
Customer deposits	773,176
Pension liability	(8,377)
Total adjustments	<u>7,559,678</u>
Net cash provided (used) by operating activities	<u>\$ 19,099,916</u>

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

**MUSTANG SPECIAL UTILITY DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2019**

	Agency Funds Total
	<u> </u>
ASSETS	
Cash and cash equivalents - restricted	\$ 614,803
Accounts receivable	734,900
Total assets	<u>\$ 1,349,703</u>
LIABILITIES	
Accounts payable	1,349,703
Total liabilities	<u>\$ 1,349,703</u>
NET POSITION	
Restricted	-
Unrestricted	-
Total net position	<u>\$ -</u>

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

**MUSTANG SPECIAL UTILITY DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Balance September 30, 2018	Additions	Deductions	Balance September 30, 2019
ASSETS				
Cash and cash equivalents-restricted	\$ 967,447	\$ 3,235,000	\$ (3,587,644)	\$ 614,803
Accounts receivable	911,181	3,385,000	(3,561,281)	734,900
Total Assets	<u>1,878,628</u>	<u>6,620,000</u>	<u>(7,148,925)</u>	<u>1,349,703</u>
 LIABILITIES				
Accounts payable	1,878,628	6,620,000	(7,148,925)	1,349,703
Total Liabilities	<u>\$ 1,878,628</u>	<u>\$ 6,620,000</u>	<u>\$ (7,148,925)</u>	<u>\$ 1,349,703</u>
 Change in net position	-	-	-	-
 Net position - beginning of period	-	-	-	-
Net position - end of period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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, 2019.

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 all 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, 2019, 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 organizations 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 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 in a trustee or fiduciary capacity. All of the District's fiduciary activities are reported in a separate Statement of Agency Assets and Liabilities. The activities of these funds are excluded from the District's financial statements because the District cannot use them to finance its operations. The District is responsible for ensuring that the assets reported are used for their intended purpose. The following is a description of the fiduciary fund of the District:

The District has one fiduciary fund which is used to account for assets held by the District in an agency capacity for the client districts. This fiduciary fund records only assets and liabilities and therefore has no measurement focus.

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

3. Measurement Focus, Basis of Accounting

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

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
3. Measurement Focus, Basis of Accounting (Continued)**

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 financial activities are included within its statement of net position.

The proprietary funds are financed and operated in a manner similar to a 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 a single 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 activities are made up of 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 within the financial statements to avoid the obscuring of significant components by aggregation.

e. Budget

Prior to the start of the fiscal year, the governing board of the District 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, improvements, and intangible assets, 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, or estimated historical costs, if historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value, rather than fair value. The District considers the assets as received when all requirements have been met by the developer, including providing the District with proof of value. 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.

**MUSTANG SPECIAL UTILITY DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

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 amortized 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 details 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 Districts 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. See Note F for detail of amortization expense.

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.

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 to be 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, 2018. 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 represent the net position available for future operations or distributions.

**MUSTANG SPECIAL UTILITY DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

m. Deferred Outflows/Inflows of Resources

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

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

n. Net Position of Flow Assumption

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

o. Comparative Data

Comparative total data for the current year to the budget have been presented in the supplementary section of the financial statements in order to provide an understanding of budget to actual performance. 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 fiscal year 2019.

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Cash Deposits

At September 30, 2019, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$30,175,977 and the bank balance/fair market value was \$30,663,396.

Restricted Cash	2019
Debt Service, including interest and sinking funds required	\$ 3,374,934
Capital Projects	5,835,613
Escrow Funds	292,984
Repairs & Replacements	72,137
Customer Deposits	1,191,232
Total Restricted Cash	<u>\$ 10,766,900</u>

Investments

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

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

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

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 AAAM by Standard and Poor's

Interest Rate Risk

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

Concentration of Credit Risk

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

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.

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

C. CASH AND INVESTMENTS (Continued)

The District invests in LOGIC, TexStar, and TexPool 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, 2019 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.

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

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	2.2030%	n/a	\$ 1,191,231
System Growth Fund	n/a	2.2030%	n/a	6,965,886
Developers Escrow Account	n/a	2.2030%	n/a	117,374
Tower Lease Fund	n/a	2.2030%	n/a	31,007
2009 Debt Reserve	n/a	2.2030%	n/a	7,427
2014 Debt Reserve	n/a	2.2030%	n/a	19,653
2016 Repairs & Replacement	n/a	2.2030%	n/a	41,130
2016 Debt Reserve	n/a	2.2030%	n/a	47,806
2016A Debt Reserve	n/a	2.2030%	n/a	183,700
2017 Debt Reserves	n/a	2.2030%	n/a	24,964
2017B Debt Reserves	n/a	2.2030%	n/a	166,954
2018 Debt Reserve	n/a	2.2030%	n/a	1,112,470
2018B Debt Reserve	n/a	2.2030%	n/a	65,618
Escrow FWSD 10	n/a	2.2030%	n/a	175,609
Financial Northeastern Companies:				
General Fund:				
Metabank Sioux Falls SD	59101LHJ9	1.8000%	6/11/2020	244,983
Bank of America, NA	06051VL20	1.7500%	9/4/2020	167,918
Cathay Bank Los Angeles, CA	149159NR2	1.7500%	9/10/2020	167,918
Luther Burbank SVGS Santa Rosa, CA	550551EB7	2.0900%	10/8/2019	150,006
Three RIVS Fed CR UN FT Wayne, Ind	88563LAG2	2.7900%	11/14/2019	215,234
Comerica Bank Dallas, Texas	200339EQ8	2.4400%	11/22/2019	246,187
American First CR UN Brea, CA	02616AAA7	2.4900%	2/28/2020	108,285
Keesler Federal CR UN	49254FAK2	2.7800%	2/28/2020	249,961
First FNDRN Bank, Irvine, Ca.	32026URB4	1.8000%	3/13/2020	99,977
Bank United National Assn Miami, FI	066519JV2	2.4300%	5/29/2020	151,622
Dreyfus Govt Cash	n/a	2.3000%	9/30/2019	821
Reserve Fund:				
Morgan Stanley Bank, NA	61747MJ85	2.2900%	2/10/2020	100,158
Citizens Deposit Bank, Arlington, KY	17453FCA8	2.1900%	8/17/2020	100,349
Wells Fargo Bank, Sioux Falls, SD	949763NM4	2.5200%	2/16/2021	101,020
Goldman Sachs Bank, USA, New York, NY	38149MFM0	1.8000%	9/7/2021	100,000
Morgan Stanley Bank, NA	61690UEV8	2.7300%	2/28/2022	102,344
Goldman Sachs Bank, USA, New York, NY	38149MFP3	1.8000%	9/6/2022	99,968
Independent Bank-NOW Account:				
General Operating	n/a	1.4000%	n/a	5,025,082
System Growth	n/a	1.4000%	n/a	1,034,393
2016 Construction	n/a	1.4000%	n/a	96,567
Savannah #10	n/a	1.4000%	n/a	298,894
FWSD #10 Arrowbrooke	n/a	1.4000%	n/a	25,432
Payments	n/a	1.4000%	n/a	478
Capital Projects	n/a	1.4000%	n/a	124,219
TexPool Accounts:				
General Operating	n/a	2.1371%	n/a	1,023,567
General Operating Prime	n/a	2.2503%	n/a	410,116

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

C. CASH AND INVESTMENTS (Continued)

TexStar Accounts:

Series 2009 Revenue Bonds Interest & Sinking	n/a	2.1054%	n/a	21,050
Series 2014 Revenue Bond Interest & Sinking	n/a	2.1054%	n/a	23,363
Series 2016 Revenue Bond Interest & Sinking	n/a	2.1054%	n/a	133,329
Series 2016A Revenue Bond Interest & Sinking	n/a	2.1054%	n/a	489,378
2017 Interest & Sinking	n/a	2.1054%	n/a	83,073
2017 Construction	n/a	2.1054%	n/a	1,004,024
2017B Bond Interest & Sinking	n/a	2.1054%	n/a	19,780
2017B Construction	n/a	2.1054%	n/a	2,596,293
UTRWD Interest & Sinking	n/a	2.1054%	n/a	108,347
2018 Bond Construction	n/a	2.1054%	n/a	4,831,589
2018 Bond Interest & Sinking	n/a	2.1054%	n/a	257,205
2018B Bond Interest & Sinking	n/a	2.1054%	n/a	10,817

Other:

Petty Cash	n/a	n/a	n/a	1,400
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Total

\$ 30,175,976

D. RECEIVABLES

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

Receivables:	2019
Fees & Services - Mustang	\$ 2,668,898
Notes Receivable	\$ 500,000
Allowance for uncollectible	(5,474)
Net Receivables	\$ 3,163,424

E. CAPITAL ASSETS

Capital asset activity for the period ended September 30, 2019 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	18,501,988	-	(13,831,667)	6,441,637	-	11,111,958
Total capital assets, not being depreciated	19,990,064	-	(13,831,667)	6,441,637	-	12,600,034
Capital assets, being depreciated						
Water Distribution System	58,853,352	-	11,570,537	49,442,847	1,397,907	121,264,643
Buildings and Improvements	1,546,314	-	2,253,955	-	-	3,800,269
Master Studies	160,602	-	7,175	-	-	167,777
Equipment	1,489,119	-	-	69,627	(488,485)	1,070,261
Vehicles	661,002	-	-	551,881	75,439	1,288,322
Intangible Assets	29,697,847	-	-	13,797,077	-	43,494,924
Total assets being depreciated	92,408,236	-	13,831,667	63,861,432	984,861	171,086,196
Less accumulated depreciation for:						
Water Distribution System	(17,904,281)	-	-	(3,759,867)	(149,028)	(21,813,176)
Buildings and Improvements	(698,918)	-	-	(77,070)	(1,496)	(777,484)
Master Studies	(143,868)	-	-	(17,056)	-	(160,924)
Equipment	(812,522)	-	-	(90,169)	(3)	(902,694)
Vehicles	(534,081)	-	-	(149,180)	(16,836)	(700,097)
Intangible Assets	(7,488,435)	-	-	(316,976)	-	(7,805,411)
Total accumulated depreciation	(27,582,105)	-	-	(4,410,318)	(167,363)	(32,159,786)
Total capital assets, being depreciated, net	64,826,131	-	13,831,667	59,451,114	817,498	138,926,410
Business-type activities capital assets, net	\$ 84,816,195	\$ -	\$ -	\$ 65,892,751	\$ 817,498	\$ 151,526,444

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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	\$ 64,653	\$ -	\$ -	\$ (5,172)	\$ 59,481
Present Service Capacity	22,144,759	-	13,796,677	(311,404)	35,630,032
	\$ 22,209,412	\$ -	\$ 13,796,677	\$ (316,576)	\$ 35,689,513

G. LONG-TERM DEBT OBLIGATIONS

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2019 is as follows:

Business-type Activities	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 23,125,000	\$ 17,265,000	\$ (2,562,552)	\$ 37,827,448	\$ 1,116,000
Plus deferred amounts:					
Bond premium	76,436	753,136	(35,208)	794,364	-
Total bonds payable	23,201,436	18,018,136	(2,597,760)	38,621,812	1,116,000
Notes payable	5,816,851	1,755,677	(1,454,660)	6,117,868	439,355
Compensated absences	37,713	69,181	(53,678)	53,216	-
Business-type activity Long-term liabilities	\$ 29,056,000	\$ 19,842,994	\$ (4,106,098)	\$ 44,792,896	\$ 1,555,355

Revenue Bonds	Interest Rate Payable	Amounts				Amounts Outstanding September 30, 2019	Due Within One Year
		Amounts Original Issue	Outstanding September 30, 2018	Issued	Retired		
Series 2009	3% to 6%	\$ 1,220,000	\$ 890,000	-	\$ (50,000)	\$ 840,000	\$ 55,000
Series 2014	3% to 6%	1,505,000	1,455,000	-	(50,000)	1,405,000	50,000
Series 2016	2.875%	2,442,000	2,359,000	-	(31,000)	2,328,000	32,000
Series 2016A	2.750%	11,700,000	11,526,000	-	(1,671,552)	9,854,448	184,000
Series 2017	3.00%	4,055,000	3,445,000	-	(320,000)	3,125,000	325,000
Series 2017B	.18% to 2.37%	3,555,000	3,450,000	-	(95,000)	3,355,000	95,000
Series 2018A	4% to 5%	16,265,000	-	16,265,000	(345,000)	15,920,000	375,000
Series 2018B	5.22%	1,000,000	-	1,000,000	-	1,000,000	-
Subtotal		41,742,000	23,125,000	17,265,000	(2,562,552)	37,827,448	1,116,000
Add deferred amounts:							
Bond Premium/Discount		136,901	76,436	753,136	(35,208)	794,364	-
Total bonds payable		\$ 41,878,901	\$ 23,201,436	\$ 18,018,136	\$ (2,597,760)	\$ 38,621,812	\$ 1,116,000

Bonded debt service requirements are as follows:

Year Ended September 30	Principal	Interest	Total Requirements
2020	1,116,000	1,426,746	\$ 2,542,746
2021	1,178,000	1,382,943	2,560,943
2022	1,220,000	1,336,336	2,556,336
2023	1,261,000	1,289,375	2,550,375
2024	1,298,000	1,239,288	2,537,288
2025 - 2029	6,471,000	5,419,857	11,890,857
2030 - 2034	6,310,000	4,141,764	10,451,764
2035 - 2039	6,921,000	2,925,911	9,846,911
2040 - 2044	6,692,000	1,654,158	8,346,158
2045 - 2049	3,028,000	835,159	3,863,159
2050 - 2054	2,004,448	384,501	2,388,949
2055 - 2058	328,000	32,220	360,220
Totals	\$ 37,827,448	\$ 22,068,258	\$ 59,895,706

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

G. LONG-TERM DEBT OBLIGATIONS (Continued)

A brief discussion of each bond issuance is as 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 water supply system into the existing 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.

\$16,265,000 Series 2018A Revenue Bonds issued for the purpose of purchasing, constructing, acquiring, owning, operating, repairing, improving or extending and Issuer properties, facilities, plants, improvements, equipment, appliances and interest in land relating to the System; and paying for certain other costs related to the issuance of the Bonds.

\$1,000,000 Series 2018B Revenue Bonds issued for the purpose of providing financing for the buy-in capacity for wastewater.

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

G. LONG-TERM DEBT OBLIGATIONS (continued)

Notes 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

In FY19, the District executed an agreement with the Denton County Fresh Water Supply District 10 for the purchase of wastewater capacity. The agreement requires the District to repay \$1,755,677 for amounts reimbursed to developers.

Note Payable	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding			Amounts Outstanding September 30, 2019	Due Within One Year
			September 30, 2018	Issued	Retired		
UTRW District	6.00%	\$ 2,202,850	\$ 1,377,345	\$ -	\$ (179,307)	\$ 1,198,038	\$ 115,216
Little Elm	0.00%	1,000,000	700,000	-	(100,000)	600,000	100,000
Sandbrock	5.00%	955,000	955,000	-	(955,000)	-	-
City of Aubrey	8.44%	2,794,820	2,784,506	-	(44,785)	2,739,721	48,571
Savannah	0.00%	1,755,677	-	1,755,677	(175,568)	1,580,109	175,568
TOTAL		\$ 8,708,347	\$ 5,816,851	\$ 1,755,677	\$ (1,454,660)	\$ 6,117,868	\$ 439,355

Note payable debt service requirements are as follows:

Year Ending September 30:	Total Requirements		
	Principal	Interest	Requirements
2020	439,355	303,144	742,499
2021	449,928	292,100	742,028
2022	461,110	280,327	741,437
2023	471,996	267,770	739,766
2024	485,193	254,458	739,651
2025 - 2029	1,771,512	1,027,022	2,798,534
2030 - 2034	613,395	761,422	1,374,817
2035 - 2039	901,618	454,619	1,356,237
2040 - 2045	523,761	114,908	638,669
Totals	\$ 6,117,868	\$ 3,755,770	\$ 9,873,638

**MUSTANG SPECIAL UTILITY DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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, 2019, the District's related obligation totaled \$1,691,069.

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, 2018 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	21
Active employees	<u>36</u>
Total	<u><u>57</u></u>

The District's net pension liability ("NPL") was measured as of December 31, 2018, 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, 2018 actuarial valuation was determined using the following actuarial assumptions:

Real rate of return	5.25%
Inflation	2.75%
Long-term investment return	8.00%

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
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

I. PENSION PLAN

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 2019 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	10.50%	5.40%
Private Equity	18.00%	8.40%
Global Equities	2.50%	5.70%
International Equities - Developed	10.00%	5.40%
International Equities - Emerging	7.00%	5.90%
Investment Grade Bonds	3.00%	1.60%
Strategic Credit	12.00%	4.39%
Direct Lending	11.00%	7.95%
Distressed Debt	2.00%	7.20%
REIT Equities	2.00%	4.15%
Master Limited Partnerships (MLPs)	3.00%	5.35%
Private Real Estate Partnerships	6.00%	6.30%
Hedge Funds	13.00%	3.90%

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, 2017	\$ 1,385,184	\$ 1,417,785	\$ (32,601)
Changes for the year:			
Service cost	194,856		194,856
Interest on total pension liability	125,239		125,239
Effect on plan changes	-		-
Effect of economic/demographic gains or losses	(66,179)		(66,179)
Effect of assumptions changes or inputs	-		-
Refund of contributions	(69,093)	(69,093)	-
Benefit payments	-	-	-
Administrative expenses	-	(1,264)	1,264
Member contributions	-	125,346	(125,346)
Net investment income	-	(24,447)	24,447
Employer contributions	-	119,795	(119,795)
Other	-	5,387	(5,387)
Balances as of December 31, 2018	\$ 1,570,007	\$ 1,573,509	\$ (3,502)

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

I. PENSION PLAN

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	1% Increase
	7.10%	Discount Rate	9.10%
		8.10%	
Total pension liability	\$ 1,854,934	\$ 1,570,007	\$ 1,337,221
Fiduciary net position	1,573,509	1,573,509	1,573,509
Net pension liability / (asset)	\$ 281,425	\$ (3,502)	\$ (236,288)

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

Pension expense / (income)	January 1, 2018 to December 31, 2018
Service Cost	\$ 194,855
Interest on total pension liability	125,239
Effect on plan changes	-
Administrative expenses	1,264
Member contributions	(125,346)
Expected investment return net of investment expenses	(121,995)
Recognition of deferred inflows/outflows or resources	
Recognition of economic/demographic gains or losses	21,630
Recognition of assumption changes or inputs	1,091
Recognition of investment gains or losses	36,881
Other	(5,387)
Pension expense / (income)	\$ 128,232

As of December 31, 2018, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 61,014	\$ 120,020
Changes of assumptions	-	4,506
Net difference between projected and actual earnings	29,519	134,249
Contributions made subsequent to measurement date	N/A	106,253

Deferred outflows of resources of \$106,253 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:		
2019	\$	57,322
2020		44,111
2021		42,168
2022		36,420
2023		(1,752)
** Thereafter		(10,027)

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

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

J. HEALTH CARE COVERAGE

During the year ended September 30, 2019, the employees of the District were covered by a health insurance plan. The District contributed an average of \$1,258 for health and \$31 for dental per month per employee for the year ended September 30, 2019. 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, of the 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 February 17, 2020.

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, 2019 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 - Completed April 2019
- 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 districts 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 would become the retail customers of Mustang Special Utility District. Approval was granted in April 2019.

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, 2019**

N. COMMITMENTS AND CONTINGENCIES

The District has the following active construction projects as of September 30, 2019. Commitments for these projects in progress are composed of the following:

	Total Contracts	Remaining Commitment
FM 428/Houlihan Water Treatment Plant	\$ 2,335,809	\$ 1,097,134
Sandbrock 24" Water Line Phase 2	736,641	208,111
Total	<u>\$ 3,072,450</u>	<u>\$ 1,305,245</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 2019 was \$4,794. The future minimum lease payment for this lease are as follows

Year Ending September 30	Total
2020	2,397
Total	<u>\$ 2,397</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 or 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, 2019 up through February 17, 2020, the date the financial statements were available to be issued, and noted that there were no material events requiring disclosure.



REQUIRED SUPPLEMENTARY INFORMATION

**MUSTANG SPECIAL UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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

	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Total Pension Liability					
Service cost	\$ 194,855	\$ 172,832	\$ 109,691	\$ 89,543	\$ 57,029
Interest on total pension liability	125,240	101,221	70,554	55,071	34,762
Effect of plan changes	-	-	80,477	11,568	34,742
Effect of assumption changes or inputs	(66,179)	560	-	8,170	-
Effect of economic/demographic (gains) or losses		51,600	60,456	(6,215)	124,732
Benefit payments/refunds of contributions	(69,093)	(35,001)	(9,835)	(3,570)	(14,462)
Net change in total pension liability	<u>184,823</u>	<u>291,212</u>	<u>311,343</u>	<u>154,567</u>	<u>236,803</u>
Total pension liability, beginning	<u>1,385,184</u>	<u>1,093,972</u>	<u>782,629</u>	<u>628,062</u>	<u>391,258</u>
Total pension liability, ending	<u>\$ 1,570,007</u>	<u>\$ 1,385,184</u>	<u>\$ 1,093,972</u>	<u>\$ 782,629</u>	<u>\$ 628,061</u>
Fiduciary Net Position					
Employer contributions	\$ 119,795	\$ 309,253	\$ 75,194	\$ 43,002	\$ 79,412
Member contributions	125,346	104,651	60,252	53,088	44,875
Investment income net of investment expenses	(24,447)	137,118	53,108	(11,040)	32,743
Benefit payments/refunds of contributions	(69,093)	(35,001)	(9,835)	(3,570)	(14,462)
Administrative expenses	(1,264)	(943)	(577)	(487)	(432)
Other	5,387	5,069	10,402	(58)	(31)
Net change in fiduciary net position	<u>155,724</u>	<u>520,147</u>	<u>188,544</u>	<u>80,935</u>	<u>142,105</u>
Fiduciary net position, beginning	<u>1,417,785</u>	<u>897,638</u>	<u>709,094</u>	<u>628,159</u>	<u>486,054</u>
Fiduciary net position, ending	<u>\$ 1,573,509</u>	<u>\$ 1,417,785</u>	<u>\$ 897,638</u>	<u>\$ 709,094</u>	<u>\$ 628,159</u>
Net pension liability/(asset)	<u>\$ (3,502)</u>	<u>\$ (32,601)</u>	<u>\$ 196,334</u>	<u>\$ 73,535</u>	<u>\$ (97)</u>
Fiduciary net position as a % of total pension liability	100.22%	102.35%	82.05%	90.60%	100.02%
Pensionable covered payroll	\$ 1,790,651	\$ 1,495,019	\$ 1,205,045	\$ 1,061,765	\$ 897,495
Net pension liability as a % of covered payroll	-0.20%	-2.18%	16.29%	6.93%	-0.01%

See accompanying notes to these financial statements for more detail.

Note: Years 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, 2019**

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
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%
2018	119,795	119,795	-	1,790,651	6.7%

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 12/31/2018 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 150%. 2016: 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. 2018: No changes in plan provisions were reflected in the Schedule.

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



SUPPLEMENTAL SCHEDULES

**MUSTANG SPECIAL UTILITY DISTRICT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for Sales and Services:				
Water/wastewater sales	\$ 11,650,000	\$ 11,650,000	\$ 12,952,158	\$ 1,302,158
Customer charges/fees	9,033,350	9,033,350	11,857,954	2,824,604
Operating contracts	4,593,200	4,593,200	3,776,050	(817,150)
Other revenues	16,500	16,500	101,911	85,411
Total operating revenues	25,293,050	25,293,050	28,688,073	3,395,023
OPERATING EXPENSES				
Operation and Maintenance:				
Personnel costs and benefits	2,645,255	2,645,255	2,539,914	105,341
Water distribution system	9,118,535	9,118,535	8,200,434	918,101
Other operating costs	671,870	671,870	788,426	(116,556)
Professional and legal fees	475,000	475,000	316,648	158,352
Insurance	813,070	813,070	557,370	255,700
Depreciation and amortization	-	-	4,745,043	(4,745,043)
Total operating expenses	13,723,730	13,723,730	17,147,835	(3,424,105)
Operating income (loss)	11,569,320	11,569,320	11,540,238	(29,082)
NON-OPERATING REVENUES (EXPENSES):				
Investment income	150,000	150,000	613,637	463,637
Interest expense	(1,282,400)	(1,282,400)	(1,575,401)	(293,001)
Bond issuance costs	(189,830)	(189,830)	(189,827)	3
Total non-operating revenues (expenses)	(1,322,230)	(1,322,230)	(1,151,591)	170,639
Net income (loss) before contributions	10,247,090	10,247,090	10,388,647	141,557
CAPITAL CONTRIBUTIONS				
Developer contributions	-	-	49,469,434	49,469,434
Total capital contributions	-	-	49,469,434	49,469,434
Change in net position	10,247,090	10,247,090	59,858,081	49,610,991
Net position - beginning of year	76,167,477	76,167,477	76,167,477	
Net position - end of year	\$ 86,414,567	\$ 86,414,567	\$ 136,025,558	

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

**MUSTANG SPECIAL UTILITY DISTRICT
 COMBINING STATEMENT OF AGENCY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 SEPTEMBER 30, 2019**

	Freshwater District Providence	Freshwater District Savannah	Freshwater District Total
ASSETS			
Cash and cash equivalents - restricted	\$ 614,803	\$ -	\$ 614,803
Accounts Receivable	734,900	-	734,900
Total assets	1,349,703	-	1,349,703
LIABILITIES			
Accounts Payable	1,349,703	-	1,349,703
Total liabilities	\$ 1,349,703	\$ -	\$ 1,349,703
NET POSITION			
Restricted	-	-	-
Unrestricted	-	-	-
Total net position	\$ -	\$ -	\$ -

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

**MUSTANG SPECIAL UTILITY DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Balance September 30, 2018	Additions	Deductions	Balance September 30, 2019
ASSETS				
Cash and cash Equivalents-restricted - Providence	\$ 625,429	\$ 3,235,000	\$ (3,245,626)	\$ 614,803
Cash and cash Equivalents-restricted - Savannah	342,018	-	(342,018)	-
Accounts Receivable - Providence	616,639	3,385,000	(3,266,739)	734,900
Accounts Receivable - Savannah	294,542	-	(294,542)	-
Total Assets	<u>1,878,628</u>	<u>6,620,000</u>	<u>(7,148,925)</u>	<u>1,349,703</u>
LIABILITIES				
Accounts payable - Providence	1,242,068	6,620,000	(6,512,365)	1,349,703
Accounts payable - Savannah	636,500	-	(636,500)	-
Total Liabilities	<u>\$ 1,878,568</u>	<u>\$ 6,620,000</u>	<u>\$ (7,148,865)</u>	<u>\$ 1,349,703</u>
Change in net position	-	-	-	-
Net position - beginning of period	-	-	-	-
Net position - end of period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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)
LAST TEN FISCAL YEARS
(Accrual basis of accounting)**

Table 1

	FISCAL YEAR			
	2010	2011	2012	2013
Business-type activities:				
Net investment in capital assets	\$ 10,656,424	\$ 11,048,665	\$ 12,278,776	\$ 12,794,662
Restricted	-	424,472	1,172,171	731,648
Unrestricted	10,131,634	8,988,200	7,666,480	9,104,769
Total business-type activities net position	<u>\$ 20,788,058</u>	<u>\$ 20,461,337</u>	<u>\$ 21,117,427</u>	<u>\$ 22,631,079</u>

	FISCAL YEAR			
	2014	2015	2016	2017
Business-type activities:				
Net investment in capital assets	\$ 11,596,343	\$ 11,760,356	\$ 6,560,934	\$ 20,149,900
Restricted	844,616	844,616	759,940	759,940
Unrestricted	12,116,272	15,226,426	31,617,089	27,781,053
Total business-type activities net position	<u>\$ 24,557,231</u>	<u>\$ 27,831,398</u>	<u>\$ 38,937,963</u>	<u>\$ 48,690,893</u>

	FISCAL YEAR	
	2018	2019
Business-type activities:		
Net investment in capital assets	\$ 35,097,537	\$116,969,009
Restricted	2,001,074	1,555,355
Unrestricted	39,068,866	17,501,194
Total business-type activities net position	<u>\$ 76,167,477</u>	<u>\$136,025,558</u>

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

Table 2

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
OPERATING REVENUES										
Charges for Sales and Services:										
Water/Wastewater Sales	\$ 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	\$ 12,952,158
Customer Charges/Fees	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	11,857,954
Operating Contracts				1,314,930	1,284,628	1,642,664	1,535,456	2,166,540	2,409,426	3,776,050
Miscellaneous	23,101	65,976	28,463	23,814	21,966	158,075	16,606	63,383	51,623	101,911
Total Operating Revenues	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	28,688,073
OPERATING EXPENSES										
Personnel Costs and Benefits	756,843	812,689	890,137	949,557	1,011,663	1,259,770	1,355,214	1,614,456	2,128,832	2,539,914
Water Distribution System	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	8,200,434
Other Operating Costs	214,036	348,478	295,052	314,873	337,385	359,429	440,374	495,296	598,139	788,426
Professional and Legal Fees	109,688	176,207	242,445	203,318	293,274	442,132	431,786	447,757	421,043	316,648
Insurance	150,700	179,694	170,611	189,881	203,675	319,454	363,093	368,134	547,740	557,370
Depreciation & Amortization	1,541,071	1,538,059	1,638,405	1,669,119	1,797,019	2,320,919	3,595,922	3,067,136	4,050,728	4,745,043
Total Operating Expenses	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	17,147,835
Operating Income (Loss)	(536,591)	40,679	(210,613)	879,402	1,388,301	2,150,009	1,695,377	2,442,253	8,515,507	11,540,238
NON-OPERATING REVENUES (EXPENSES):										
Investment Income	26,714	22,772	13,405	6,661	5,990	8,437	59,298	118,408	215,852	613,637
Sale of Fixed Assets	-	9,435	4,039	-	-	26,787	425,618	94,558	-	-
Bad Debt Expense	(61,970)	-	-	-	-	-	-	-	-	-
Interest Expense	(585,126)	(455,938)	(418,298)	(429,309)	(414,551)	(458,676)	(556,143)	(765,969)	(1,028,940)	(1,575,401)
Bond Issuance Costs	-	-	-	-	(62,163)	-	-	-	(140,257)	(189,827)
Transfer to CCN	-	-	-	-	-	-	1,668,838	375,000	-	-
Total Non-Operating Revenues (Expenses)	(620,382)	(423,731)	(400,854)	(422,648)	(470,724)	(423,452)	1,597,611	(178,003)	(953,345)	(1,151,591)
Change in Net Position Before Capital Contributions	(1,156,973)	(383,052)	(611,467)	456,754	917,577	1,726,557	3,292,988	2,264,250	7,562,162	10,388,647
CAPITAL CONTRIBUTIONS										
Developer Contributions	(165,994)	5,000	5,000	1,056,901	1,008,575	1,098,330	7,813,577	7,488,680	19,914,422	49,469,434
Total Capital Contributions	(165,994)	5,000	5,000	1,056,901	1,008,575	1,098,330	7,813,577	7,488,680	19,914,422	49,469,434
Change in Net Position	(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	59,858,081
Net position - Beginning of year	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	76,167,477
Prior Period Adjustments	(118,378)	51,331	1,262,553	-	-	449,281	-	-	-	-
Net Position - Adjusted Beginning of year	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	76,167,477
Net Position - End of year	\$ 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	\$ 136,025,558

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

Table 3

Fiscal Year Ended Sept. 30	Water	Wastewater	Other*	Total
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
2019	8,613,110	4,339,048	16,349,552	29,301,710

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

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

Table 4

Fiscal Year	Water Rate/ Thousand Gallons	Wastewater Monthly Revenue/Customer
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
2019	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, 2019**

Table 5

Customer	Water Revenue Received	Percentage of Total Water Revenue
Western Rim Property Services	\$ 456,093	5.30%
Centennial Luxe, LP	366,913	4.26%
AptCon, LLC	64,481	0.75%
3B&L Investments, LLC	54,124	0.63%
Denton ISD (Navo MS)	52,379	0.61%
WinnRidge HOA	41,642	0.48%
Wildridge Community Association	37,062	0.43%
Cross Oak Ranch HOA	29,752	0.35%
OPLE Prairie Oaks Development	19,146	0.22%
Walmart	24,386	0.28%
Total attributable to ten largest payers:	<u>\$ 1,145,978</u>	<u>13.31%</u>
Total Water Revenue	<u>\$ 8,613,110</u>	<u>100.00%</u>

Source: Mustang Special Utility District

Note: Due to software changes, data for nine years prior is not available.

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

Table 6

Fiscal Year	Bonds Payable	Note Payable	Total Indebtedness	Total Customers	Debt Per Customer
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
2019	38,621,812	6,117,867	44,739,679	11,803	3,791

Source: Mustang Special Utility District

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

Table 7

Fiscal Year	Total Revenues (1)	Total Expenses (2)	Net Revenues Available for Debt Service	Bond Debt Service Requirements (3)	Coverage
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
2019	29,301,710	12,402,792	16,898,918	2,542,746	6.65

- (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 for next fiscal year.

**MUSTANG SPECIAL UTILITY DISTRICT
NUMBER OF CUSTOMERS BY SERVICE
LAST TEN FISCAL YEARS**

Table 8

<u>Fiscal Year</u>	<u>Water</u>	<u>Wastewater</u>
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
2019	11,803	8,443

Source: Mustang Special Utility District

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

Table 9

Fiscal Year	Estimated Population Denton County	Personal Income Denton County (in Thousands)	Per Capita Income Denton County	Median Age Denton County	Unemployment Rate Denton County
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	836,210	44,416,866	53,116	not available	3.1%
2019	not available	not available	not available	not available	2.8%

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
 LAST TEN FISCAL YEARS**

Table 10

Fiscal Year	Administrative	Water	Wastewater	Treatment Plant	Total
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
2019	17	19	5	1	42

Source: Mustang Special Utility District

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

Table 11

Function	FISCAL YEAR				
	2010	2011	2012	2013	2014
Water/Wastewater					
Land	\$ 469,255	\$ 469,255	\$ 469,255	\$ 469,255	\$ 469,255
Waterwells & Distribution System	18,948,454	18,958,203	19,787,935	19,874,873	19,623,300
Buildings and Structures	1,115,991	1,061,552	1,007,113	952,674	898,237
Vehicles & Equipment	113,368	145,384	115,293	169,160	332,088
Intangible Assets	-	-	-	-	-
Total Water/Wastewater	20,647,068	20,634,394	21,379,596	21,465,962	21,322,880

Function	FISCAL YEAR				
	2015	2016	2017	2018	2019
Water/Wastewater					
Land	\$ 486,546	\$ 486,546	\$ 1,488,076	\$ 1,488,076	\$ 1,488,076
Construction in Progress	-	-	-	18,501,988	11,111,958
Waterwells & Distribution System	19,805,430	27,660,913	40,487,230	40,949,071	99,451,467
Buildings and Structures	843,690	915,359	954,049	862,634	3,029,638
Vehicles & Equipment	897,364	913,233	899,339	786,680	755,792
Intangible Assets	-	-	15,480,246	22,209,412	35,689,513
Total Water/Wastewater	22,033,030	29,976,051	59,308,940	84,816,197	151,526,444

Notes: Balances presented are net of accumulated depreciation.



SUPPLEMENTAL INFORMATION
REQUIRED BY
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
(UNAUDITED)

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

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Mustang Special Utility District
TSI-1. Services and Rates
Fiscal Year Ending September 30, 2019

1. Services Provided by the District during the Fiscal Year:

- | | | |
|---|---|-------------------------------------|
| <input checked="" type="checkbox"/> Retail Water | <input 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 |
- Participates in joint venture, regional system, and/or wastewater service
 (other than emergency interconnect)
- Other (specify): _____

2. Retail Rates for a 5/8" meter

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum Use	Usage Levels
Water	\$ 28.10	\$ -	N	\$ 2.75	0 - 3,000
				\$ 3.85	3,001 - 9,000
				\$ 4.80	9,001 - 15,000
				\$ 5.85	15,001 - 25,000
				\$ 8.95	25,001 - unlimited
Wastewater	\$ 51.60	\$ -	Y		0 - 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: Water \$64.25 Wastewater \$57.55

Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	-	-	x 1.0	-
<= 3/4"	12,685	11,420	x 1.0	11,420.0
1"	189	189	x 2.5	472.5
1 1/2"	36	36	x 5.0	180.0
2"	131	131	x 8.0	1,048.0
3"	4	4	x 15.0	60.0
4"	14	14	x 25.0	350.0
6"	4	4	x 50.0	200.0
8"	5	5		
Water Total	13,068	11,803		13,730.5
Wastewater	9,708	8,443	x 1.0	8,443.0

3. Total Water Consumption during the Fiscal Year

Gallons pumped into system: 1,496,636,427
Gallons billed to customers: 1,364,437,742
Water Accountability Ratio: 91.17%

4. The 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 with a city? Entirely Partly Not at all

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

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

ETJs in which the District is located: Krugerville, Aubrey, Cross Roads, Pilot Point,
Oak Point, Little Elm, Celina

Are Board members appointed by an office outside the District? Yes No

If Yes, by whom? N/A

**Mustang Special Utility District
TSI-2. Enterprise Fund Expenditures
Fiscal Year Ending September 30, 2019**

Personnel Expenditures (including benefits)*	<u>3,770,929</u>
Professional Fees:	
Auditing	20,000
Legal	<u>61,805</u>
Engineering	<u>220,458</u>
Financial Advisor/Other Advisor	<u>144,404</u>
Purchased Services for Resale:	
Bulk Water and Wastewater Service Purchases	<u>6,012,042</u>
Contracted Services:	
Bookkeeping	0
General Manager	<u>0</u>
Appraisal District	<u>0</u>
Tax Collector	<u>0</u>
Other Contracted Services	<u>14,385</u>
Utilities	<u>588,424</u>
Repairs and Maintenance	<u>551,308</u>
Administrative Expenditures:	
Directors Fees	0
Office Supplies	<u>32,916</u>
Insurance	<u>48,716</u>
Other Administrative Expenditures	<u>571,848</u>
Capital Outlay:	
Capitalized Assets	19,552,497
Expenditures not Capitalized	<u>2,103,915</u>
Tap Connection Expenditures	<u>1,402,364</u>
Solid Waste Disposal	<u>0</u>
Fire Fighting	<u>0</u>
Parks and Recreation	<u>0</u>
Other Expenditures	<u>1,860,942</u>
Total Expenditures	<u><u>36,956,953</u></u>

* Number of persons employed by the District:

Full Time	42
Part Time	0

Mustang Special Utility District
TSI-3. Temporary Investments
Fiscal Year Ending September 30, 2019

Proprietary Fund Type	Certificate Number	Interest Rate	Maturity Date	Year-End Balance
Enterprise Fund				
LOGIC Accounts:				
Customer Deposits	n/a	2.2461%	n/a	1,191,231
System Growth	n/a	2.2461%	n/a	6,965,886
Developer Escrow	n/a	2.2461%	n/a	117,374
Escrow - FWSD 10	n/a	2.2461%	n/a	175,609
Tower Lease Fund	n/a	2.2461%	n/a	31,007
2009 Debt Reserve	n/a	2.2461%	n/a	7,427
2014 Debt Reserve	n/a	2.2461%	n/a	19,653
2016 Debt Reserve	n/a	2.2461%	n/a	47,806
2016A Debt Reserve	n/a	2.2461%	n/a	183,700
2017 Debt Reserve	n/a	2.2461%	n/a	24,964
2017B Debt Reserve	n/a	2.2461%	n/a	166,954
2018 Debt Reserve	n/a	2.2461%	n/a	1,112,470
2018B Debt Reserve	n/a	2.2461%	n/a	65,618
2016 Repair & Replacement	n/a	2.2461%	n/a	41,130
TexSTAR Accounts:				
2009 Interest & Sinking	n/a	2.1065%	n/a	21,050
2014 Interest & Sinking	n/a	2.1065%	n/a	23,363
2016 Interest & Sinking	n/a	2.1065%	n/a	133,329
2016 A Interest & Sinking	n/a	2.1065%	n/a	489,378
2017 Interest & Sinking	n/a	2.1065%	n/a	83,073
2017B Interest & Sinking	n/a	2.1065%	n/a	19,780
2018 Interest & Sinking	n/a	2.1065%	n/a	257,205
2018B Interest & Sinking	n/a	2.1065%	n/a	10,817
2017 Construction	n/a	2.1065%	n/a	1,004,024
2017B Construction	n/a	2.1065%	n/a	2,596,293
2018 Construction	n/a	2.1065%	n/a	4,831,589
UTRWD Interest & Sinking	n/a	2.1065%	n/a	108,347
TexPool Accounts:				
General Operating	n/a	2.1635%	n/a	1,023,567
TexPool Prime Accounts:				
General Operating	n/a	2.2749%	n/a	410,117
Financial Northeastern Companies:				
Certificates of Deposit - General Fund:				
Luther Burbank Savings	550551EB7	2.1000%	10/8/2019	150,006
Three Rivers FCU	88563LAG2	2.8000%	11/14/2019	215,234
Comerica Bank	200339EQ8	2.4500%	11/22/2019	246,187
American First CU	02616AAA7	2.5000%	2/28/2020	108,285
Keesler FCU	49254FAK2	2.8000%	2/28/2020	249,961
First Foundation Bank	32026URB4	1.8000%	3/13/2020	99,977
BankUnited NA	066519JV2	2.4500%	5/29/2020	151,622
MetaBank	59101LHJ9	1.8000%	6/11/2020	244,983
Bank of America	06051VL20	1.7500%	9/4/2020	167,918
Cathay Bank	149159NR2	1.7500%	9/10/2020	167,918
Dreyfus Govt Cash	n/a	2.3000%	9/30/2019	821
Certificates of Deposit - Debt Reserves				
Morgan Stanley Bank NA	61747MJ85	2.3000%	2/10/2020	100,158
Citizens Deposit Bank of Arlington	17453FCA8	2.2000%	8/17/2020	100,349
Wells Fargo Bank, NA	949763NM4	2.5500%	2/16/2021	101,020
Goldman Sachs Bank	38149MFM0	1.8000%	9/7/2021	100,000
Morgan Stanley Bank NA	61690UEV8	2.8000%	2/28/2022	102,344
Goldman Sachs Bank	38149MFP3	1.8000%	9/6/2022	99,968
Independent Bank Accounts:				
Mustang General Operating	n/a	1.4000%	n/a	5,025,082
System Growth	n/a	1.4000%	n/a	1,034,393
Savannah #10	n/a	1.4000%	n/a	298,894
FWSD #10 Arrowbrooke	n/a	1.4000%	n/a	25,432
Payments	n/a	1.4000%	n/a	478
2016 Construction	n/a	1.4000%	n/a	96,567
Capital Projects Fund	n/a	1.4000%	n/a	124,216
Other:				
Petty Cash	n/a	n/a	n/a	1,400
Total				<u>\$ 30,175,976</u>

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

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2009 - by Years
Fiscal Year Ending September 30, 2019

Due During Fiscal Years Ending	Principal Due 09/01	Interest Due 03/01, 09/01	Total
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
	<u>\$840,000</u>	<u>\$319,255</u>	<u>\$1,159,255</u>

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2014 - by Years
Fiscal Year Ending September 30, 2019

Due During Fiscal Years Ending	Principal Due 09/01	Interest Due 03/01, 09/01	Total
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
	<u>\$ 1,405,000</u>	<u>\$ 624,444</u>	<u>\$ 2,029,444</u>

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2016 - by Years
Fiscal Year Ending September 30, 2019

Due During Fiscal Years Ending	Principal Due 09/01	Interest Due 03/01, 09/01	Total
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
	<u>\$2,328,000</u>	<u>\$1,488,905</u>	<u>\$3,816,905</u>

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2016A - by Years
Fiscal Year Ending September 30, 2019

Due During Fiscal Years Ending	Principal Due 09/01	Interest Due 03/01, 09/01	Total
2020	\$184,000	\$312,043	\$496,043
2021	189,000	306,983	495,983
2022	195,000	301,785	496,785
2023	200,000	296,423	496,423
2024	206,000	290,923	496,923
2025	212,000	285,258	497,258
2026	218,000	279,428	497,428
2027	224,000	273,433	497,433
2028	231,000	267,273	498,273
2029	237,000	260,920	497,920
2030	244,000	254,403	498,403
2031	251,000	247,693	498,693
2032	258,000	240,790	498,790
2033	266,000	233,695	499,695
2034	273,000	226,380	499,380
2035	281,000	218,873	499,873
2036	289,000	211,145	500,145
2037	298,000	203,198	501,198
2038	306,000	195,003	501,003
2039	315,000	186,588	501,588
2040	324,000	177,925	501,925
2041	334,000	169,015	503,015
2042	343,000	159,830	502,830
2043	353,000	150,398	503,398
2044	363,000	140,690	503,690
2045	374,000	130,708	504,708
2046	384,000	120,423	504,423
2047	395,000	109,863	504,863
2048	407,000	99,000	506,000
2049	418,000	87,808	505,808
2050	430,000	76,313	506,313
2051	443,000	64,488	507,488
2052	271,000	52,305	323,305
2053	138,448	39,793	178,241
	<u>\$9,854,448</u>	<u>\$6,670,786</u>	<u>\$16,525,234</u>

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2017 - by Years
Fiscal Year Ending September 30, 2019

Due During Fiscal Years Ending	Principal Due 09/01	Interest Due 03/01, 09/01	Total
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
	<u>\$3,125,000</u>	<u>\$589,300</u>	<u>\$3,714,300</u>

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2017B - by Years
Fiscal Year Ending September 30, 2019

Due During Fiscal Years Ending	Principal Due 09/01	Interest Due 03/01, 09/01	Total
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
	<u>\$3,355,000</u>	<u>\$1,125,784</u>	<u>\$4,480,784</u>

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2018A - by Years
Fiscal Year Ending September 30, 2019

Due During Fiscal Years Ending	Principal Due 09/01	Interest Due 03/01, 09/01	Total
2020	\$375,000	\$712,863	\$1,087,863
2021	395,000	694,113	1,089,113
2022	415,000	674,363	1,089,363
2023	435,000	653,613	1,088,613
2024	455,000	631,863	1,086,863
2025	480,000	609,113	1,089,113
2026	505,000	585,113	1,090,113
2027	530,000	559,863	1,089,863
2028	555,000	533,363	1,088,363
2029	580,000	505,613	1,085,613
2030	610,000	476,613	1,086,613
2031	640,000	446,113	1,086,113
2032	675,000	414,113	1,089,113
2033	710,000	380,363	1,090,363
2034	745,000	344,863	1,089,863
2035	775,000	315,063	1,090,063
2036	765,000	284,063	1,049,063
2037	795,000	253,463	1,048,463
2038	825,000	221,663	1,046,663
2039	860,000	188,663	1,048,663
2040	895,000	154,263	1,049,263
2041	930,000	118,463	1,048,463
2042	965,000	81,263	1,046,263
2043	1,005,000	41,456	1,046,456
	<u>\$15,920,000</u>	<u>\$9,880,305</u>	<u>\$25,800,305</u>

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2018B - by Years
Fiscal Year Ending September 30, 2019

Due During Fiscal Years Ending	Principal Due 09/01	Interest Due 03/01, 09/01	Total
2020	\$0	\$52,200	\$52,200
2021	10,000	52,200	62,200
2022	10,000	51,678	61,678
2023	10,000	51,156	61,156
2024	10,000	50,634	60,634
2025	10,000	50,112	60,112
2026	10,000	49,590	59,590
2027	10,000	49,068	59,068
2028	15,000	48,546	63,546
2029	15,000	47,763	62,763
2030	15,000	46,980	61,980
2031	15,000	46,197	61,197
2032	15,000	45,414	60,414
2033	15,000	44,631	59,631
2034	15,000	43,848	58,848
2035	20,000	43,065	63,065
2036	20,000	42,021	62,021
2037	20,000	40,977	60,977
2038	20,000	39,933	59,933
2039	20,000	38,889	58,889
2040	25,000	37,845	62,845
2041	25,000	36,540	61,540
2042	25,000	35,235	60,235
2043	25,000	33,930	58,930
2044	30,000	32,625	62,625
2045	30,000	31,059	61,059
2046	30,000	29,493	59,493
2047	35,000	27,927	62,927
2048	35,000	26,100	61,100
2049	35,000	24,273	59,273
2050	40,000	22,446	62,446
2051	40,000	20,358	60,358
2052	45,000	18,270	63,270
2053	45,000	15,921	60,921
2054	45,000	13,572	58,572
2055	50,000	11,223	61,223
2056	50,000	8,613	58,613
2057	55,000	6,003	61,003
2058	60,000	3,132	63,132
	<u>\$1,000,000</u>	<u>\$1,369,467</u>	<u>\$2,369,467</u>

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
All Series - by Years
Fiscal Year Ending September 30, 2019

Due During Fiscal Years Ending	Principal Due 09/01	Interest Due 03/01, 09/01	Total
2020	\$1,116,000	\$1,426,745	\$2,542,745
2021	1,178,000	1,382,942	2,560,942
2022	1,220,000	1,336,335	2,556,335
2023	1,261,000	1,289,374	2,550,374
2024	1,298,000	1,239,287	2,537,287
2025	1,331,000	1,188,357	2,519,357
2026	1,393,000	1,135,558	2,528,558
2027	1,201,000	1,079,801	2,280,801
2028	1,254,000	1,032,892	2,286,892
2029	1,292,000	983,248	2,275,248
2030	1,350,000	931,826	2,281,826
2031	1,234,000	877,895	2,111,895
2032	1,193,000	826,611	2,019,611
2033	1,242,000	778,103	2,020,103
2034	1,291,000	727,328	2,018,328
2035	1,341,000	681,756	2,022,756
2036	1,346,000	634,283	1,980,283
2037	1,397,000	586,685	1,983,685
2038	1,448,000	537,237	1,985,237
2039	1,389,000	485,949	1,874,949
2040	1,445,000	437,116	1,882,116
2041	1,492,000	386,166	1,878,166
2042	1,544,000	333,443	1,877,443
2043	1,597,000	277,637	1,874,637
2044	614,000	219,793	833,793
2045	633,000	202,667	835,667
2046	651,000	185,020	836,020
2047	670,000	166,878	836,878
2048	530,000	148,071	678,071
2049	544,000	132,522	676,522
2050	564,000	116,584	680,584
2051	581,000	99,968	680,968
2052	417,000	82,880	499,880
2053	288,448	65,115	353,563
2054	154,000	19,955	173,955
2055	163,000	14,472	177,472
2056	50,000	8,613	58,613
2057	55,000	6,003	61,003
2058	60,000	3,132	63,132
	<u>\$37,827,448</u>	<u>\$22,068,245</u>	<u>\$59,895,693</u>

Mustang Special Utility District
TSI-6. Change in Long-Term Bonded Debt
Fiscal Year Ending September 30, 2019

	Series 2009	Series 2014	Series 2016	Series 2016A	Series 2017	Series 2017B	Series 2018A	Series 2018B	Total
Interest Rate	3.0% - 6.0%	3.0% - 6.0%	2.875%	2.750%	3.00%	.18% - 2.37%	4.0% - 5.0%	5.22%	
Dates 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	3/1; 9/1	3/1; 9/1	
Maturity Dates	2031	2038	2055	2053	2030	2047	2043	2058	
Beginning Bonds Outstanding	890,000	1,455,000	2,359,000	11,526,000	3,445,000	3,450,000	-	-	23,125,000
Bonds Sold During the Fiscal Year	-	-	-	-	-	-	16,265,000	1,000,000	17,265,000
Bonds Retired During the Fiscal Year	50,000	50,000	31,000	1,671,552	320,000	95,000	345,000	-	2,562,552
Ending Bonds Outstanding	840,000	1,405,000	2,328,000	9,854,448	3,125,000	3,355,000	15,920,000	1,000,000	37,827,448

Interest Paid During the Fiscal Year \$1,182,341

Paying Agen'ts 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
Series 2018A	UMB Bank, Dallas, TX
Series 2018B	UMB Bank, Dallas, TX

Bond Authority:	Refunding Bonds	Revenue Bonds
Amount Authorized	\$0	\$41,742,000
Amount Issued	\$0	\$39,992,390
Remaining to be Issued	\$0	\$1,749,610

Debt Service Fund cash and temporary investments balances as of September 30, 2019: \$1,037,995

Average Annual Debt Service Payment (Principal and Interest) for remaining term of all debt: \$1,575,097

Mustang Special Utility District
TSI-7. Comparative Schedule of Revenues and Expenses - Enterprise Fund - Five Years Ended
Fiscal Year Ending September 30, 2019

	Amounts					Percent of Fund Total Revenue				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
Operating Revenues										
Water/wastewater sales	12,952,158	10,608,709	7,522,097	6,438,808	5,193,037	45.15%	47.59%	56.64%	53.90%	52.60%
Customer charges/fees	11,857,954	9,221,988	3,528,666	3,955,411	3,019,145	41.33%	41.37%	26.57%	33.11%	30.58%
Operating contracts	3,776,050	2,409,426	2,166,540	1,535,456	1,642,664	13.16%	10.81%	16.31%	12.85%	16.64%
Miscellaneous revenue	101,911	51,623	63,383	16,606	17,120	0.36%	0.23%	0.48%	0.14%	0.17%
Total operating revenues	28,688,073	22,291,746	13,280,686	11,946,281	9,871,966	100.00%	100.00%	100.00%	100.00%	100.00%
Operating Expenses										
Personnel costs and benefits	2,539,914	2,128,832	1,614,456	1,355,214	1,259,770	8.85%	9.55%	12.16%	11.34%	12.76%
Water distribution system	8,200,434	6,029,757	4,845,654	4,064,515	3,020,253	28.58%	27.05%	36.49%	34.02%	30.59%
Other operating costs	788,426	598,139	495,296	440,374	359,429	2.75%	2.68%	3.73%	3.69%	3.64%
Professional and legal fees	316,648	421,043	447,757	431,786	442,132	1.10%	1.89%	3.37%	3.61%	4.48%
Insurance	557,370	547,740	368,134	363,093	319,454	1.94%	2.46%	2.77%	3.04%	3.24%
Amortization	1,368,713	1,381,080	627,157	1,329,016	668,915	4.77%	6.20%	4.72%	11.12%	6.78%
Depreciation	3,376,330	2,669,648	2,439,979	2,266,906	1,652,004	11.77%	11.98%	18.37%	18.98%	16.73%
Total operating expenses	17,147,835	13,776,239	10,838,433	10,250,904	7,721,957	59.77%	61.80%	81.61%	85.81%	78.22%
Operating Income(Loss)	11,540,238	8,515,507	2,442,253	1,695,377	2,150,009	40.23%	38.20%	18.39%	14.19%	21.78%
Non-Operating Revenues (Expenses)										
Investment income	613,637	215,852	118,408	59,298	8,437	2.14%	0.97%	0.89%	0.50%	0.09%
Gain (loss) on sale of assets	-	-	94,558	425,618	26,787	0.00%	0.00%	0.71%	3.56%	0.27%
Interest expense	(1,575,941)	(1,028,940)	(765,969)	(556,143)	(458,676)	-5.49%	-4.62%	-5.77%	-4.66%	-4.65%
Bond Issuance Costs	(189,287)	(140,257)	-	-	-	-0.66%	-0.63%	0.00%	0.00%	0.00%
Transfer of CCN	-	-	375,000	1,668,838	-	0.00%	0.00%	2.82%	13.97%	0.00%
Total non-operating	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
Total non-operating revenue (expense)	(1,151,591)	(953,345)	(178,003)	1,597,611	(423,452)	-4.01%	-4.28%	-1.34%	13.37%	-4.29%
Net income (loss) before contributions	10,388,647	7,562,162	2,264,250	3,292,988	1,726,557	36.21%	33.92%	17.05%	27.56%	17.49%
Capital Contributions										
Wastewater subscription - developer	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
Developer contributions	49,469,434	19,914,422	7,488,680	7,813,577	1,098,330	0.00%	0.00%	0.00%	0.00%	0.00%
Total capital contributions	49,469,434	19,914,422	7,488,680	7,813,577	1,098,330	0.00%	0.00%	0.00%	0.00%	0.00%
Change in net position	59,858,081	27,476,584	9,752,930	11,106,565	2,824,887	36.21%	33.92%	17.05%	27.56%	17.49%

Mustang Special Utility District
TSI-8. Board Members, Key Personnel, and Consultants
Fiscal Year Ending September 30, 2019

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 May 2017
(TWC Sections 36.054 and 49.054):
Limit on Fees of Office that a Director may receive during a fiscal year: zero
(Set by Board Resolution - TWC Section 49.060)

Names:	Term of Office	Date Hired	Fees of Office Paid	Expense Reimbursements	Title at Year End
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Board Members:

Dean Jameson	Elected	2018-2021	-	-	President
Marc Hodak	Elected	2017-2020	-	-	Vice-President
Kim Lehere	Elected	2017-2020	-	-	Secretary/Treasurer
Ken Mitchell	Elected	2017-2020	-	-	Director
Wade Veeder	Elected	2018-2021	-	-	Director
Kathryn Langley	Elected	2018-2021	-	-	Director
Michael Walker	Elected	2019-2022	-	-	Director
Matt Gaunt	Elected	2019-2022	-	-	Director
Michael Skelton	Elected	2019-2022	-	-	Director

Key Administrative Personnel:

Chris Boyd		2/21/2007	-	354	General Manager
Jennifer Bland		6/1/2017	-	-	Assistant General Manager
Patty Parks		6/8/2012	-	-	Financial Services Manager
Alyssa Bennett		2/4/2013	-	-	Customer Service Manager
Dustin Blank		9/4/2018	-	694	Water Operations Manager
Aldo Zamora		10/11/2004	-	-	Wastewater Operations Manager

Consultants:

Mike Ward Accounting		2018	20,000	-	Auditor
Steger Bizell		2009	719,303	-	Engineer
Specialized Public Finance Inc		2008	88,733	-	Financial Advisor
McCall, Parkhurst & Horton LLP		2008	55,671	-	Bond Attorney
Robert Harris		2014	48,800	-	Attorney
Jackson Walker LLP		2015	16,393	-	Attorney
The Hopkins Group		2017	4,967	-	HR Consultant

Mike Ward Accounting & Financial Consulting, PLLC

Mike Ward, CPA
266 RCR 1397
Point, Texas 75472

(903) 269-6211
mward@mikewardcpa.com

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

To the Board of Directors
Mustang Special Utility District:

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Mustang Special Utility District ("District"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued my report thereon dated February 17, 2020.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully Submitted,

Mike Ward Accounting + Financial Consulting, PLLC

Mike Ward Accounting & Financial Consulting, PLLC

February 17, 2020

Point, Texas

SINGLE AUDIT

Mike Ward Accounting & Financial Consulting, PLLC

Mike Ward, CPA
266 RCR 1397
Point, Texas 75472

(903) 269-6211
mward@mikewardcpa.com

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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's ("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, 2019. Mustang SUD's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

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 I 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 year ended September 30, 2019.

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. However, material weaknesses may exist that have not been identified.

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

February 17, 2020

Point, Texas

**Mustang Special Utility District
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019**

<u>Federal Agency Name and Federal Program Title</u>	<u>CFDA Number</u>	<u>Reference</u>	<u>Program Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Water and Waste Disposal Systems for Rural Communities Loans	10.760	Guaranteed Loan	\$ 1,000,000
Water and Waste Disposal Systems for Rural Communities Loans	10.760	n/a	85,000
Total U.S. Department of Agriculture			<u>\$ 1,085,000</u>
<u>U.S. Environmental Protection Agency</u>			
Passed-Through Texas Water Development Board Drinking Water State Revolving Fund	66.468	L1000637	\$ 407,970
Total U.S. Environmental Protection Agency			<u>\$ 407,970</u>
<u>U.S. General Services Administration</u>			
Passed-Through Texas Facilities Commission Federal Surplus Program	39.003	27508	\$ 332,664
Total U.S. General Services Administration			<u>\$ 332,664</u>
Total Expenditures of Federal Awards			<u>\$ 1,825,634</u>

**MUSTANG SPECIAL UTILITIES DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2019**

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 09/30/2019. 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 funds approved for release from the District's escrow account for reimbursement of actual capital expenses as they were incurred during the fiscal year ending 09/30/2019. Please see reconciliation of invoices submitted for expenses incurred vs. amount of funds received by the District.

Reconciliation:

Allowable Capital Expenditures submitted to USDA:	\$	85,000
Received after 9/30/2019		-
Additional funds disbursed to the District for principal and interest during construction:		-
Total Loan Proceeds received for capitalized expenditures during fiscal year ending 09/30/19 as noted in the SEFA:	<u>\$</u>	<u>85,000</u>

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 was guaranteed to receive the entire \$14,142,000 in loans from the USDA, therefore a loan receivable was recorded in the financial statements. During the 2019 fiscal year, the District received another guaranteed loan totaling \$1,000,000, and also refunded \$1,447,000 to the USDA, resulting in only \$13,695,000 in total loans guaranteed by the USDA.

CFDA Number	Program Name	Proceeds		Receivable from USDA as of 9/30/2019	Total Amount Guaranteed by USDA
		Received as of 10/01/2018 Including Interest	Proceeds Received as of 09/30/2019 Including Interest		
10.760	U.S. Department of Agriculture - Water and Waste Disposal Systems for Rural Communities Loans - Loan 1	\$ 11,811,000	\$ 11,896,000	\$ 799,000	\$ 12,695,000
10.760	U.S. Department of Agriculture - Water and Waste Disposal Systems for Rural Communities Loans - Loan 2	-	1,000,000	-	1,000,000
Total		\$ 11,811,000	\$ 12,896,000	\$ 799,000	\$ 13,695,000

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

CFDA Number	Program Name	Loan Balance as of 10/1/2018	Principal Paid (Funded)	Loan Balance as of 9/30/2019
10.760	U.S. Department of Agriculture - Water and Waste Disposal Systems for Rural Communities Loans - Loan 1	\$ 13,885,000	\$ 1,702,552	\$ 12,182,448
10.760	U.S. Department of Agriculture - Water and Waste Disposal Systems for Rural Communities Loans - Loan 2	\$ -	\$ (1,000,000)	\$ 1,000,000
Total		\$ 13,885,000	\$ 702,552	\$ 13,182,448

**MUSTANG SPECIAL UTILITIES DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2019**

**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 09/30/2019. 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 funds approved for release from the District's escrow account for reimbursement of actual capital expenses as they were incurred during the fiscal year ending 09/30/2019. Please see reconciliation of invoices submitted for expenses incurred vs. amount of funds received by the District.

Reconciliation:

Allowable Capital Expenditures submitted to TWDB:	\$	407,970
Received after 9/30/2019		-
Total Loan Proceeds received for capitalized expenditures during fiscal year ending 09/30/19, as noted in the SEFA:	\$	407,970

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 Escrowed Commitments from the EPA is as follows:

CFDA Number	Program Name	Proceeds Received as of 10/01/2018 Including Interest	Proceeds Received as of 09/30/2019 Including Interest	Remaining Escrowed Proceeds as of 9/30/2019	Total Amount Guaranteed by EPA
66.468	U.S. Environmental Protection Agency Passed-Through the Texas Water Development Board	\$2,195,694	\$ 2,603,664	\$ 951,336	\$ 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 10/1/2018	Principal Issued	Principal Paid	Loan Balance as of 9/30/2019
66.468	U.S. Environmental Protection Agency Passed-Through the Texas Water Development Board	\$ -	\$ 3,555,000	\$ 200,000	\$ 3,355,000

**MUSTANG SPECIAL UTILITIES DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2019**

**U.S. General Services Administration
Passed-Through Texas Facilities Commission
Federal Surplus Program**

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 09/30/2019. 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 market value of surplus equipment received during the fiscal year ending 09/30/2019 under the Federal Surplus Property (FSP) Program.

Reconciliation:

Non-monetary pass-through of federal assistance	\$	332,664
Received after 9/30/2019		-
Total non-monetary pass-through of federal assistance received during fiscal year ending 09/30/19, as noted in the SEFA:	\$	332,664

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

**MUSTANG SPECIAL UTILITY DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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

**MUSTANG SPECIAL UTILITY DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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, 2019**

Section III - Findings and Questioned Costs Related to Federal Awards

None

**MUSTANG SPECIAL UTILITY DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

None