

2022 ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED
SEPTEMBER 30, 2022



MUSTANG SPECIAL UTILITY DISTRICT

NORTH EAST DENTON COUNTY, TEXAS



**MUSTANG SPECIAL UTILITY DISTRICT
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2022**

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INTRODUCTORY SECTION



February 24, 2023

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

Dear Board of Directors:

The Annual Comprehensive Financial Report (ACFR) of the Mustang Special Utility District ("District"), for the year ended September 30, 2022, 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, 2022. The independent auditor's report is located in the beginning of the financial section of the ACFR.

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 auditor's 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 the northeast corner of 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 policies 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 functional department.

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 20% and is expected to maintain the same pace for the near future. This translates to over 3,000 new connections per year. The District expects to continue adding commercial customers along the U.S. Highway 380 corridor, as well as along the Dallas North Tollway north of Highway 380, in conjunction with new residential development.

MAJOR INITIATIVES COMPLETED

The District consolidated and took over the area of the former Marilee Special Utility District, adding approximately 2,850 connections. This added service area into portions of Collin and Grayson Counties.

The District accepted a number of new phases of completed residential and commercial development infrastructure leading to an increase of over 3,000 new connections in our legacy area.

The District continued focus on emergency resiliency by purchasing additional facility generators and retrofitting all facilities with winter-hardening upgrades.

The District continued to increase financial and future capital project reserves.

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 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.

Independent Audit

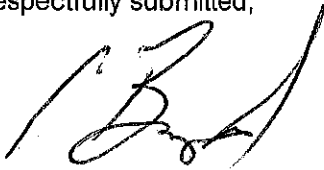
The Mustang Special Utility District has engaged the firm of Mike Ward Accounting & Financial Consulting, PLLC, to perform the annual audit and their opinion has been included in this report. It should be noted that the auditors included all funds in their audit, performed their audit in accordance with 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, 2022, 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,

A handwritten signature in black ink, appearing to read 'C. Boyd', written in a cursive style.

CHRIS BOYD
GENERAL MANAGER

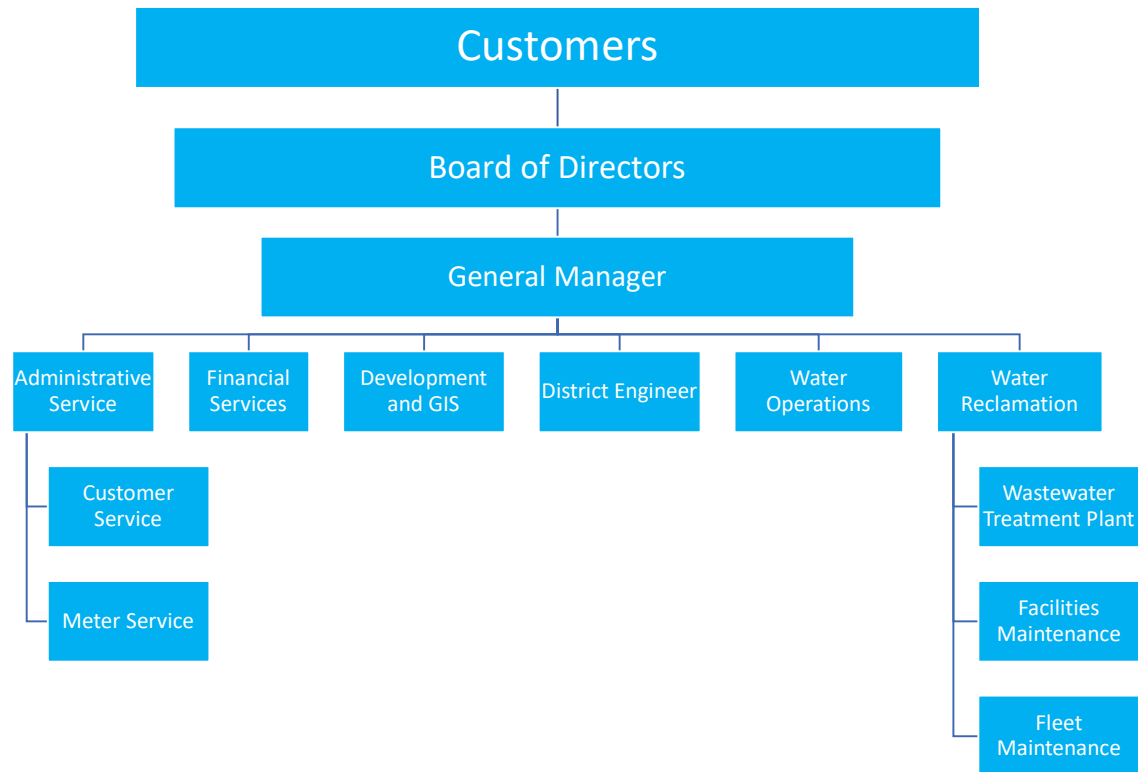
**MUSTANG SPECIAL UTILITY DISTRICT
BOARD OF DIRECTORS
AS OF SEPTEMBER 30, 2022**

| | |
|-----------------|------------------------------|
| Michael Walker | President |
| Marc Hodak | Vice President |
| Matt Gauntt | Secretary |
| Michael Skelton | Director |
| Kim Lehere | Director |
| Ken Mitchell | Director |
| Kathryn Langley | Director |
| Michael Bolton | Director |
| Jeff Stafford | Director, Investment Officer |

Mustang Special Utility District

2022-2023 Organization Chart

85 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:

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of Mustang Special Utility District as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the district's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the TCDRS-Changes in Net Pension Liability and Related Ratios, and Schedule of Employer Contributions, be presented to supplement that basis financial statements. Such information is the responsibility of management and, 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 the 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 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.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Budgetary Comparison Schedule is presented for purposes of additional analysis and are not a required part of the basis financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

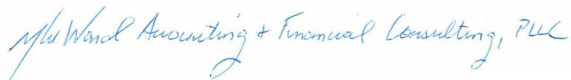
Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical sections but does not include the basic financial statements and my auditor's report thereon. My opinions on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 27, 2023, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's 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 District's internal control over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Mike Ward Accounting & Financial Consulting, PLLC". The signature is written in a cursive, flowing style.

Mike Ward Accounting & Financial Consulting, PLLC

Point, Texas

February 27, 2023

MUSTANG SPECIAL UTILITY DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2022

Within this section of the Mustang Special Utility District's ("District") annual comprehensive financial report, management provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2022. 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 \$273,882,394 (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 \$76,145,585, or 28%, of total net position. Restricted net position of \$28,785,440, or 11% of total net position, is restricted for debt service.
- The District's total net position increased by \$57,548,219. A significant portion of this increase is attributable to capital contributions.
- Net investment in capital assets totaled \$168,951,369, or 62% 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, plus any unspent debt proceeds. Detailed information can be found in the Notes to the Financial Statements, Note E - 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, 2022**

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. 87, "Leases." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2022. 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 Statement will take effect for the financial statements starting with the fiscal year that ends December 31, 2021. 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. 91, "Conduit Debt Obligations." The requirements of this Statement will take effect for the financial statements starting with the fiscal year that ends December 31, 2022. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, (3) note disclosures.

Statement No. 93, "Replacement of Interbank Offered Rates." The objective of this Statement is to address financial reporting implications that result from the replacement of the LIBOR. The removal of the LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021.

Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements." The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPP'S). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Early application is encouraged.

Statement No. 96, "Subscription-Based Information Technology Arrangements." This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

Statement No. 98, "The Annual Comprehensive Financial Report." This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements for this Statement are effective for fiscal years ending after December 15, 2021. Early application is encouraged.

**MUSTANG SPECIAL UTILITY DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2022**

| | Net Position | |
|----------------------------------------|-----------------------|-----------------------|
| | 2022 | 2021 |
| Current and other assets | \$ 101,521,067 | \$ 88,309,282 |
| Noncurrent assets | 620,486 | - |
| Capital assets | 254,103,622 | 212,977,130 |
| Total assets | 356,245,175 | 301,286,412 |
| Deferred outflows of resources-pension | 575,180 | 560,501 |
| Long-term liabilities | 69,006,842 | 74,542,926 |
| Current liabilities | 13,325,815 | 10,818,211 |
| Total liabilities | 82,332,657 | 85,361,137 |
| Deferred inflows of resources-pension | 605,304 | 151,601 |
| Net investment in capital assets | 168,951,369 | 127,287,468 |
| Restricted | 28,785,440 | 29,522,282 |
| Unrestricted | 76,145,585 | 59,524,425 |
| Total net position | \$ 273,882,394 | \$ 216,334,175 |

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 \$273,882,394 as of September 30, 2022. The District's net position increased by \$57,548,219 for the fiscal year ended September 30, 2022. A significant amount of this increase is attributable to capital contributions.

Net investment in capital assets:

The largest portion of total net position, \$168,951,369, or 62%, 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, plus any remaining unspent debt proceeds. 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 \$28,785,440, or 11%, of total net position represents resources that are subject to external restrictions on their use, or by enabling legislation.

Unrestricted net position:

Unrestricted net position of \$76,145,585, or 28%, 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, 2022**

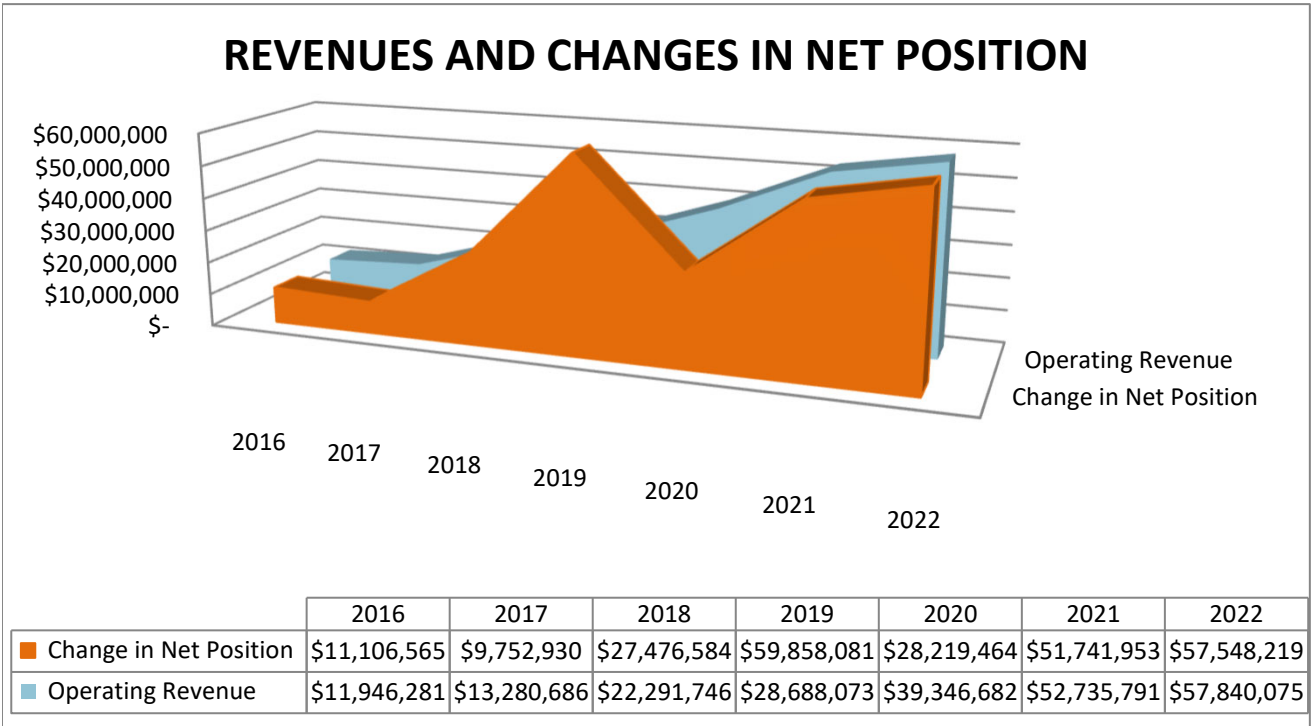
Changes in Net Position

| | Business-type Activities | | Total Percentage Change Favorable/ (Unfavorable) |
|----------------------------------------------------|-------------------------------------|-----------------------|---------------------------------------------------------------------|
| | 2022 | 2021 | |
| REVENUES | | | |
| Program Revenues: | | | |
| Charges for sales and services: | | | |
| Water/wastewater sales | \$ 36,265,691 | \$ 24,057,470 | 50.75% |
| Customer charges/fees | 21,050,261 | 26,315,808 | -20.01% |
| Operating contracts | 231,490 | 2,090,383 | -88.93% |
| General Revenues: | | | |
| Miscellaneous revenue | 292,633 | 272,130 | 7.53% |
| Investment income | 540,671 | 230,752 | 134.31% |
| Gain on disposal of capital assets | 33,175 | 56,151 | 100.00% |
| Donation of federal surplus | 226,595 | 319,443 | 100.00% |
| Total revenues | 58,640,516 | 53,342,137 | 9.93% |
| EXPENSES | | | |
| Operating expenses | 40,719,151 | 31,786,822 | -28.10% |
| Interest expense | 2,166,682 | 1,997,304 | -8.48% |
| Bond issuance costs | - | 192,858 | 100.00% |
| Total expenses | 42,885,833 | 33,976,984 | -26.22% |
| Change in net position before contributions | 15,754,683 | 19,365,153 | -18.64% |
| Capital contributions | 41,793,536 | 32,376,800 | 29.08% |
| Change in net position | 57,548,219 | 51,741,953 | 11.22% |
| Net position - beginning of year | 216,334,175 | 164,592,222 | -31.44% |
| Net position - end of year | \$ 273,882,394 | \$ 216,334,175 | 26.60% |

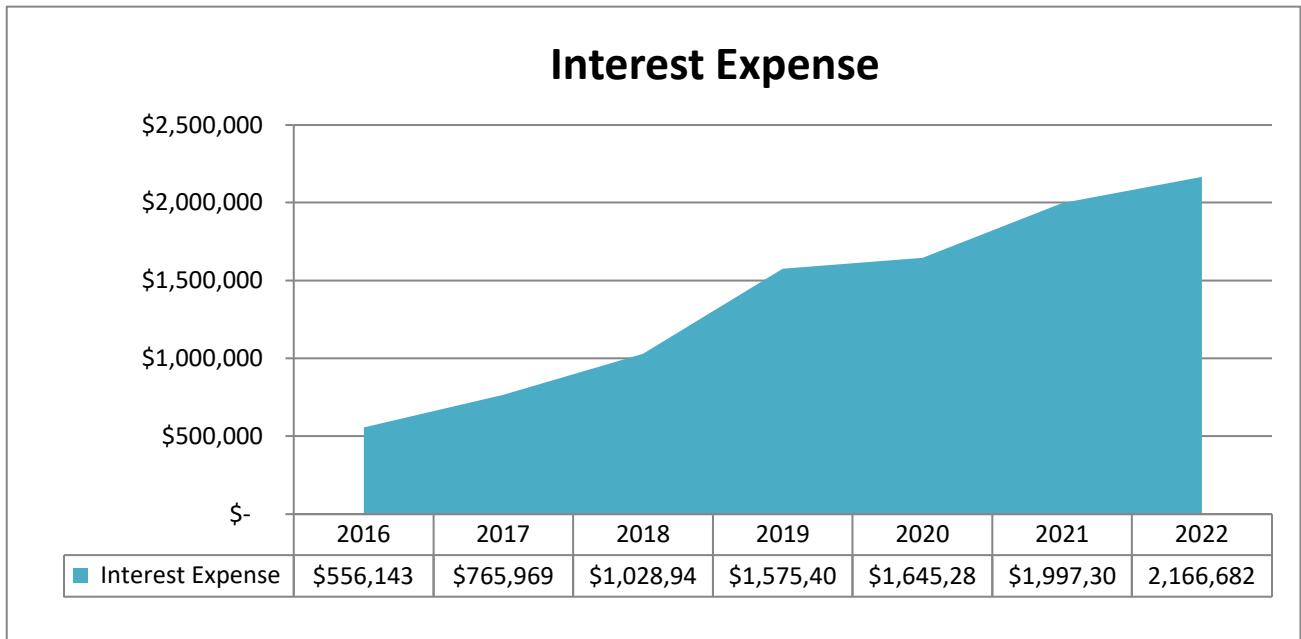
The District as a whole is primarily reliant on charges for services. Activities were 99% supported by charges for services and 1% of revenues were derived from other sources.

**MUSTANG SPECIAL UTILITY DISTRICT
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)
 CHART OF REVENUES AND CHANGE IN NET POSITION
 FOR THE YEARS ENDED SEPTEMBER 30, 2016 - 2022**

REVENUES AND CHANGES IN NET POSITION



CHANGE IN INTEREST EXPENSE



**MUSTANG SPECIAL UTILITY DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS(continued)
SEPTEMBER 30, 2022**

Capital Assets

The District's investment in capital assets as of September 30, 2022 totals \$254,103,622, net of accumulated depreciation. This investment in capital assets includes land, buildings, water distribution systems, wastewater removal systems, wastewater treatment 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 \$41,126,492 or 19%, from the prior fiscal year.

**Capital Assets
as of September 30, 2022
(Net of Accumulated Depreciation)**

| | Business-type Activities | | Total Percentage Change Increase/ (Decrease) |
|----------------------------|-------------------------------------|-----------------------|-----------------------------------------------------------------|
| | 2022 | 2021 | |
| Land and improvements | \$ 2,840,474 | \$ 1,488,076 | - |
| Construction in progress | 23,961,047 | 8,941,868 | 167.96% |
| Water/wastewater system | 172,343,681 | 145,611,837 | 18.36% |
| Buildings and improvements | 3,073,734 | 3,223,112 | -4.63% |
| Equipment | 1,954,813 | 864,411 | 126.14% |
| Vehicles | 352,697 | 820,782 | -57.03% |
| Intangible assets | 49,577,176 | 52,027,044 | -4.71% |
| Total | \$ 254,103,622 | \$ 212,977,130 | 19.31% |

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

Long-Term Obligations

As of September 30, 2022, the District has a total long-term debt outstanding of \$72,281,621. During the fiscal year, total debt decreased by \$620,587.

**Outstanding Debt
as of September 30, 2022**

| | Business-type Activities | | Total Percentage Change Increase/ (Decrease) |
|---------------|-------------------------------------|----------------------|-----------------------------------------------------------------|
| | 2022 | 2021 | |
| Bonds payable | \$ 67,296,746 | \$ 67,493,917 | -0.29% |
| Note payable | 4,984,875 | 5,408,291 | -7.83% |
| Total | \$ 72,281,621 | \$ 72,902,208 | -0.85% |

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, 2022**

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 20%, 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 for providing service to their customers.

The 2022 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, 2022**

| | <u>Proprietary Fund</u> |
|-----------------------------------------------------------------|-----------------------------|
| ASSETS | |
| Current assets: | |
| Cash, cash equivalents, and investments | \$ 67,471,603 |
| Receivables, net of allowance for uncollectibles | 502,577 |
| Inventory | 266,061 |
| Prepays | 11,520 |
| Restricted cash, cash equivalents, and investments | 32,371,065 |
| Utility bills collected for other governments | 898,241 |
| Total current assets | <u>101,521,067</u> |
| Non-current assets: | |
| Net pension asset | 620,486 |
| Capital assets: | |
| Non-depreciable capital assets | 26,801,523 |
| Depreciable capital assets, net | 177,724,923 |
| Intangible assets: | |
| Organizational costs, net of accumulated amortization | 46,201 |
| Present service capacity, net of accumulated amortization | 49,530,975 |
| Total capital and intangible assets, net of accum. depreciation | <u>254,103,622</u> |
| Total non-current assets | <u>254,724,108</u> |
| Total Assets | <u>356,245,175</u> |
| DEFERRED OUTFLOW OF RESOURCES | |
| Deferred outflow of resources-pension | <u>575,180</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | 4,976,919 |
| Current portion of compensated absences | 128,868 |
| Payable from restricted assets: | |
| Accrued interest payable | 281,335 |
| Customer deposits | 3,765,673 |
| Current portion of notes payable | 657,779 |
| Current portion of bonds payable | 2,617,000 |
| Utility bills collected for other governments | 898,241 |
| Total current liabilities | <u>13,325,815</u> |
| Noncurrent liabilities: | |
| Note payable | 4,327,096 |
| Bonds payable, net of premium | 64,679,746 |
| Total noncurrent liabilities | <u>69,006,842</u> |
| Total Liabilities | <u>82,332,657</u> |
| DEFERRED INFLOW OF RESOURCES | |
| Deferred inflow of resources-pension | <u>605,304</u> |
| NET POSITION | |
| Net investment in capital assets | 168,951,369 |
| Restricted for: | |
| Debt servicing | 11,519,785 |
| Escrowed funds | 3,497,922 |
| District repairs | 13,767,733 |
| Unrestricted | 76,145,585 |
| Total Net Position | <u>\$ 273,882,394</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, 2022**

| | Proprietary Fund |
|------------------------------------------------|------------------------------|
| OPERATING REVENUES | |
| Charges for Sales and Services: | |
| Water/wastewater sales | \$ 36,265,691 |
| Customer charges/fees | 21,050,261 |
| Operating contracts | 231,490 |
| Miscellaneous income | 292,633 |
| Total operating revenues | <u>57,840,075</u> |
| OPERATING EXPENSES | |
| Operation and Maintenance: | |
| Personnel costs and benefits | 5,833,605 |
| Water/wastewater systems | 17,747,669 |
| Other operating costs | 2,178,812 |
| Professional and legal fees | 1,173,851 |
| Insurance | 186,316 |
| Depreciation and amortization | 13,598,899 |
| Total operating expenses | <u>40,719,152</u> |
| Operating income (loss) | <u>17,120,923</u> |
| NON-OPERATING REVENUES (EXPENSES) | |
| Investment income | 540,671 |
| Donation of federal surplus | 226,595 |
| Gain on sale of assets | 33,175 |
| Interest expense | (2,166,682) |
| Total non-operating revenues (expenses) | <u>(1,366,241)</u> |
| Net income (loss) before contributions | 15,754,682 |
| CAPITAL CONTRIBUTIONS | |
| Developer contributions | 22,895,346 |
| Consolidation contribution | 18,898,191 |
| Total capital contributions | <u>41,793,537</u> |
| Change in net position | 57,548,219 |
| Net position - beginning of year | 216,334,175 |
| Net position - end of year | <u><u>\$ 273,882,394</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, 2022**

| | Proprietary Fund |
|--------------------------------------------------------------------------------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers | \$ 59,737,073 |
| Cash received from other sources | 292,633 |
| Utility bills collected for other governments | 7,836,723 |
| Utility bills passed on to other governments | (7,835,658) |
| Cash paid to employees | (6,079,065) |
| Cash paid to suppliers | (24,719,358) |
| Net cash provided by (used for) operating activities | <u>29,232,348</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Acquisition and construction of capital assets | (53,287,964) |
| Gain on sale of assets | 33,175 |
| Interest paid on note and bonds payable | (2,166,682) |
| Principal paid on debt | (1,831,416) |
| CCN | |
| Developer contributions | 22,895,346 |
| Consolidation contribution | 18,898,191 |
| Net cash provided by (used for) capital and related financing activities | <u>(15,459,350)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest income | 540,671 |
| Net cash provided by investing activities | <u>540,671</u> |
| Net increase (decrease) in cash and cash equivalents | 14,313,669 |
| Cash and cash equivalents at beginning of year | <u>85,528,999</u> |
| Cash and cash equivalents at end of year | <u>\$ 99,842,668</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Operating income (loss) | \$ 17,120,923 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation and amortization | 13,598,899 |
| Changes in assets and liabilities: | |
| (Increase) decrease in assets: | |
| Receivables | 1,188,520 |
| Prepaid items | 95,109 |
| Increase (decrease) in liabilities: | |
| Accounts payable | (220,823) |
| Escrow payable | (3,320,136) |
| Customer deposits | 1,002,181 |
| Pension liability | (245,460) |
| Total adjustments | <u>12,111,425</u> |
| Net cash provided (used) by operating activities | <u>\$ 29,232,348</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, 2022**

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, 2022.

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, 2022, 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.

Fiduciary funds account for amounts held on behalf of others by the District in a trustee or custodial capacity. All of the District's fiduciary activities are reported in the District's financial statements according to GASB 84, Fiduciary Activities.

The District has one fiduciary fund which is used to account for assets held by the District in an custodial capacity for the client districts. This fiduciary fund records only assets and liabilities, and uses the economic resources measurement focus.

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.

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.

**MUSTANG SPECIAL UTILITY DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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, Cash Equivalents, and Investments

Cash and cash equivalents include cash on hand, demand deposits, and marketable securities that are purchased with a maturity of ninety days or less.

Investments in local government investment pools are recorded at amortized cost or net asset value (NAV). All other investments are recorded at fair value based on market prices.

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 parts held for use in the water and wastewater systems.

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, various bond covenants, and certain escrow agreements.

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 recommended 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 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.

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 / Wastewater 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 District's 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. Sick leave is paid out if two weeks of notice is given, the employee is eligible for retirement, and the employee has worked for the District for 10 years. 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, 2020. 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 TCERS and additions to and/or deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by TCERS. For this purpose, benefit payments (including refunds of employee contributions), are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

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

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, 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.

m. Deferred Outflows/Inflows of Resources

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

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

n. Net Position of Flow Assumption

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

**MUSTANG SPECIAL UTILITY DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022**

o. Comparative Data

Comparative total data for the current year to the budget has 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

a. Cash Deposits

State statutes and District investment policy require that all deposits in financial institutions be fully collateralized by (1) U.S. Government obligations, or its agencies and instrumentalities, excluding mortgage-backed securities, or (2) direct obligations of Texas or its agencies and instrumentalities, or (3) direct obligations of counties, cities, and other political subdivisions of the State of Texas with a remaining maturity of 20 years or less. All deposits of the District that exceeded the federal depository insurance coverage level of \$250,000 per account were covered by collateral held by TIB, The Independent Bankers Bank, NA, in the District's name under a joint safekeeping agreement with Independent Financial. The market value of the collateral at fiscal year-end was \$42,217,568.

As of September 30, 2022, the carrying amount of the District's deposits was \$39,384,783 and the respective bank balances totaled \$40,460,097. The District's cash on hand totaled \$2,180 in petty cash.

State statutes, District bond ordinances, and District investment policy authorize the District's investments. The District is authorized to invest in the following: U.S. Government obligations and its agencies or instrumentalities, excluding mortgage-backed securities; direct obligations of the State of Texas or its agencies and instrumentalities; obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized rating firm no less than A or its equivalent rating; bonds issued, assumed or guaranteed by the State of Israel; interest-bearing banking deposits that are invested through a broker/depository institution that has its main/branch office in the State of Texas and meets certain other requirements; Certificates of Deposit which are fully FDIC insured or collateralized from a depository institution doing business in the State of Texas and under the terms of a written depository agreement with that bank, not to exceed five years to stated maturity; separate CD's issued by depositories wherever located, bundled together into a single investment with the full amount of principle and interest of each CD federally insured, purchased through a selected depository institution with its main office or branch in Texas, which shall act as the custodian for the various certificates on behalf of the District; No-load Money Market Mutual Funds that are registered with and regulated by the Securities and Exchange Commission, comply with SEC Rule 2a-7, and are rated AAA or its equivalent by at least one nationally recognized rating Texas; and Local Government Investment Pools defined to meet the requirements of Public Investment Act, functioning as a money market mutual fund making its portfolio to market daily, and to the extent reasonably possible, stabilizing at a constant \$1 net asset value, when rounded to two decimal places, continuously rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service.

For additional information, contact the District for a complete copy of the Investment Policy.

The District's deposit and investment balances as of September 30, 2022 were as follows:

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

| Investments | Carrying Value | WAM (days) | Credit Risk |
|---------------------------------|------------------------------|-------------------|----------------------|
| Deposits (including petty cash) | \$ 37,111,782 | 0.37 | Fully collateralized |
| Government Pools: | | | |
| TexSTAR | 20,333,271 | 0.20 | AAAm |
| LOGIC | 39,563,434 | 0.39 | AAAm |
| Texpool | 1,040,680 | 0.01 | AAAm |
| TexPool Prime | 418,741 | - | AAAm |
| Certificates of Deposit | 2,273,001 | 6.38 | FDIC insured |
| Total Portfolio | <u>\$ 100,740,909</u> | | |

Portfolio WAM (days) 7.35

b. Fair Value

Following the criteria for GASB Statement No. 79, Certain External Investment Pools and Pool Participants, TexPool and TexPool Prime use amortized cost and LOGIC and TexSTAR use NAV (net asset value) to value portfolio assets. The pools are exempt from fair value disclosure. TexPool and TexPool Prime invest in a high-quality portfolio of debt securities, and LOGIC and TexSTAR invest in high-quality portfolio of short-term investments. The District has no unfunded commitments to these pools and may redeem investments at any time.

Following the criteria for GASB Statement No. 72, Fair Value Measurement and Application, the District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

Certificates of Deposit are valued using Level 2 inputs that are based on independent venter services of Pershing LLC.

c. Restricted Cash and Investments

Certain cash and investment balances are restricted by various legal and contractual obligations and are set aside for the repayment of deposits to utility customer, various bond covenants, and certain escrow agreements. Below are the restricted cash and investment accounts:

| | |
|-----------------------------------------------------------|-----------------------------|
| Debt Service, including interest and sinking funds | \$ 11,519,785 |
| Capital Project, required by bond covenants | 13,715,556 |
| Escrowed Funds | 3,497,922 |
| Repair & Replacement accounts, required by bond covenants | 52,179 |
| Customer Deposits | 3,585,623 |
| Total Restricted Cash and Investments | <u>\$ 32,371,065</u> |

d. Interest Rate Risk & Credit Risk

In compliance with the District's Investment Policy, as of September 30, 2022, the District minimized the interest rate risk in the portfolio, related to current market events, by limiting the weighted average maturity of the portfolio to a maximum of 270 days and the weighted average maturity of any one security to three years; structuring the investment portfolio so that securities matured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the secondary market prior to maturity; monitoring credit ratings of portfolio positions to assure compliance with rating requirements imposed by the Public Funds Investment Act; and investing operating funds in local government investment pools or deposit accounts.

In compliance with the District's Investment Policy, as of September 30, 2022, the District minimized concentration of credit risk by limiting investments in specific local governmental pools to no more than 75 percent of the investment portfolio and limiting deposits and investments in any one entity to no more than 50 percent of the investment portfolio. As of September 30, 2022, 62% of the City's total investments are in LOGIC (39%), TexSTAR (20%), TexPool (1%), and Certificates of Deposit (2%).

f. Custodial Credit Risk - Deposits and Investments

In compliance with the District's Investment Policy and state law, as of September 30, 2022, the District minimized custodial credit risk by requiring all deposits with financial institutions to be collateralized to the extent not protected by FDIC insurance by placing qualified securities pledged by the depository in the District's name and held by the depository's agent, (currently TIB, The Independent Bankers Bank, (NA) and by requiring that all purchased securities be held in safekeeping by a District account in a third party financial institution, currently Pershing LLC.

D. RECEIVABLES

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

| Receivables: | 2022 |
|-----------------------------|--------------------------|
| Fees & Services - Mustang | \$ 596,658 |
| Notes Receivable | 239,999 |
| Accrued Interest Receivable | 824 |
| Allowance for uncollectible | (334,904) |
| Net Receivables | <u>\$ 502,577</u> |

MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

E. CAPITAL ASSETS

Capital asset activity for the period ended September 30, 2022 is as follows:

| | <u>Beginning Balances</u> | <u>Transfer</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balances</u> |
|-----------------------------------------------------|---------------------------|----------------------|----------------------|---------------------|------------------------|
| Business-type Activities | | | | | |
| Capital assets, not being depreciated | | | | | |
| Land | \$ 1,488,076 | \$ 172,171 | \$ 1,180,227 | \$ - | \$ 2,840,474 |
| Construction in Progress | 8,941,868 | - | 15,382,301 | (363,122) | 23,961,047 |
| Total capital assets, not being depreciated | 10,429,944 | 172,171 | 16,562,528 | (363,122) | 26,801,521 |
| Capital assets, being depreciated | | | | | |
| Water Distribution System | 181,651,688 | 21,676,988 | 22,663,558 | (488,431) | 225,503,803 |
| Buildings and Improvements | 4,405,088 | 195,903 | 2,800 | (13,137) | 4,590,654 |
| Master Studies | 137,977 | - | - | - | 137,977 |
| Equipment | 1,667,464 | 356,103 | 748,710 | (89,747) | 2,682,530 |
| Vehicles | 1,963,063 | 186,951 | 583,882 | - | 2,733,896 |
| Intangible Assets | 64,587,318 | 849,200 | - | - | 65,436,518 |
| Total assets being depreciated | 254,412,598 | 23,265,145 | 23,998,950 | (591,315) | 301,085,378 |
| Less accumulated depreciation for: | | | | | |
| Water Distribution System | (36,039,853) | (7,780,685) | (9,339,584) | - | (53,160,122) |
| Buildings and Improvements | (1,181,976) | (106,175) | (228,769) | - | (1,516,920) |
| Master Studies | (55,941) | - | (27,173) | - | (83,114) |
| Equipment | (1,066,423) | (47,280) | (286,921) | 618,044 | (782,580) |
| Vehicles | (1,179,153) | (166,624) | (417,378) | (618,044) | (2,381,199) |
| Intangible Assets | (12,560,274) | - | (3,299,068) | - | (15,859,342) |
| Total accumulated depreciation | (52,083,620) | (8,100,764) | (13,598,893) | - | (73,783,277) |
| Total capital assets, being depreciated, net | 202,328,978 | 15,164,381 | 10,400,057 | (591,315) | 227,302,101 |
| Business-type activities capital assets, net | \$ 212,758,922 | \$ 15,336,552 | \$ 26,962,585 | \$ (954,437) | \$ 254,103,622 |

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.

| | <u>Beginning Balance</u> | <u>Total Prior Years Amortization</u> | <u>Current Year Additions</u> | <u>Current Year Amortization Expense</u> | <u>Ending Balance</u> |
|--------------------------|--------------------------|---------------------------------------|-------------------------------|------------------------------------------|-----------------------|
| Organizational Costs | \$ 129,316 | \$ (78,456) | \$ - | \$ (4,660) | \$ 46,200 |
| Present Service Capacity | 64,457,998 | (12,481,813) | 849,199 | (3,294,408) | 49,530,976 |
| | \$ 64,587,314 | \$ (12,560,269) | \$ 849,199 | \$ (3,299,068) | \$ 49,577,176 |

G. LONG-TERM DEBT OBLIGATIONS

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2022 is as follows:

| Business-type Activities | <u>Beginning Balance</u> | <u>Increase</u> | <u>Decrease</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|-----------------------------------------------------|--------------------------|---------------------|-----------------------|-----------------------|----------------------------|
| Bonds payable: | | | | | |
| Revenue bonds | \$ 65,863,448 | \$ 1,257,800 | \$ (1,408,000) | \$ 65,713,248 | \$ 2,617,000 |
| Plus deferred amounts: | | | | | |
| Bond premium | 1,630,469 | - | (46,971) | 1,583,498 | - |
| Total bonds payable | 67,493,917 | 1,257,800 | (1,454,971) | 67,296,746 | 2,617,000 |
| Notes payable | 5,408,291 | - | (423,416) | 4,984,875 | 657,779 |
| Compensated absences | 128,868 | 103,094 | (103,094) | 128,868 | 128,868 |
| Business-type activity Long-term liabilities | \$ 73,031,076 | \$ 1,360,894 | \$ (1,981,481) | \$ 72,410,489 | \$ 3,403,647 |

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

| Revenue Bonds | Interest Rate Payable | Amounts Original Issue | Amounts Outstanding September 30, 2021 | Issued/ Assumed | Retired | Amounts Outstanding September 30, 2022 | Due Within One Year |
|----------------------------|-----------------------|------------------------|----------------------------------------|---------------------|-----------------------|----------------------------------------|---------------------|
| Series 2014 | 3% to 6% | 1,505,000 | 1,300,000 | - | (55,000) | 1,245,000 | 55,000 |
| Series 2016 | 2.875% | 2,442,000 | 2,262,000 | - | (35,000) | 2,227,000 | 36,000 |
| Series 2016A | 2.750% | 11,700,000 | 9,481,448 | - | (195,000) | 9,286,448 | 200,000 |
| Series 2017 | 3.00% | 4,055,000 | 2,460,000 | - | (350,000) | 2,110,000 | 365,000 |
| Series 2017B | .18% to 2.37% | 3,555,000 | 3,160,000 | - | (100,000) | 3,060,000 | 100,000 |
| Series 2018A | 4% to 5% | 16,265,000 | 15,150,000 | - | (415,000) | 14,735,000 | 435,000 |
| Series 2018B | 5.22% | 1,000,000 | 990,000 | - | (10,000) | 980,000 | 10,000 |
| Series 2020 | 2.00% | 31,135,000 | 31,060,000 | - | (60,000) | 31,000,000 | 1,200,000 |
| Series 2012 | 1.47% | 1,435,000 | - | 820,000 | (155,000) | 665,000 | 160,000 |
| Series 2010 | 2.80% | 849,200 | - | 437,800 | (33,000) | 404,800 | 56,000 |
| Subtotal | | 73,941,200 | 65,863,448 | 1,257,800 | (1,408,000) | 65,713,248 | 2,617,000 |
| Add deferred amounts: | | | | | | | |
| Bond Premium/Discount | | 830,037 | 745,788 | 884,682 | (46,972) | 1,583,498 | - |
| Total bonds payable | | \$ 74,771,237 | \$ 66,609,236 | \$ 2,142,482 | \$ (1,454,972) | \$ 67,296,746 | \$ 2,617,000 |

Bonded debt service requirements are as follows:

| Year Ended September 30 | Principal | Interest | Total Requirements |
|-------------------------|----------------------|----------------------|----------------------|
| 2023 | 2,617,000 | 1,881,649 | \$ 4,498,649 |
| 2024 | 2,674,200 | 1,809,230 | 4,483,430 |
| 2025 | 2,723,400 | 1,733,912 | 4,457,312 |
| 2026 | 2,826,600 | 1,657,288 | 4,483,888 |
| 2027 | 2,495,800 | 1,559,246 | 4,055,046 |
| 2028 to 2032 | 13,114,800 | 6,623,924 | 19,738,724 |
| 2033 to 2037 | 14,032,000 | 4,706,251 | 18,738,251 |
| 2038 to 2042 | 13,153,000 | 2,729,496 | 15,882,496 |
| 2043 to 2047 | 6,895,000 | 1,208,054 | 8,103,054 |
| 2048 to 2052 | 4,549,448 | 450,952 | 5,000,400 |
| 2053 to 2057 | 572,000 | 74,365 | 646,365 |
| 2058 | 60,000 | 3,132 | 63,132 |
| Totals | \$ 65,713,248 | \$ 24,437,499 | \$ 90,150,747 |

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. This bond was defeased with the issuance of Series 2020 Revenue 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.

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

\$16,265,000 Series 2018A Revenue Bonds issued for the purpose of purchasing, constructing, acquiring, owning, operating, repairing, improving or extending any 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. Funding is administered by Lone Oak Bank under a United States Department of Agriculture Water and Environmental Programs Guaranteed Loan Program.

\$31,135,000 Series 2020 Revenue Bonds issued for the purpose of refunding the outstanding Mustang Special Utility District Revenue Bonds, Series 2009; and finance properties, facilities, plants, improvements, equipment, and interests in land needed for the water and wastewater new subdivisions; and fund the 2020 debt reserve.

\$1,435,000 Series 2012 Revenue Bonds issued by Marilee Special Utility District to complete system upgrades. This debt obligation was assumed by Mustang Special Utility District during the 2022 fiscal year as part of a Marilee Special Utility District consolidation with Mustang Special Utility District.

\$849,200 Series 2010 Revenue Bonds issued by Marilee Special Utility District to complete system upgrades. This debt obligation was assumed by Mustang Special Utility District during the 2022 fiscal year as part of a Marilee Special Utility District consolidation with Mustang Special Utility District.

Notes Payable

In fiscal year 1999, The District executed an agreement with Upper Trinity Regional Water District to provide for construction of a jointly owned pump station and water lines. The agreement requires semi-annual interest and principal payments. Principal maturing in the next twelve months has been classified as current liabilities.

In Fiscal Year 2015, 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 Fiscal Year 2016.

In Fiscal Year 2018, 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 Fiscal Year 2019, the District executed an agreement with the Denton County Fresh Water Supply District 10 for the acquisition of wastewater capacity. The agreement required the District to repay \$1,755,677 for amounts reimbursed to developers over ten years.

| Note Payable | Interest Rate Payable | Amounts Original Issue | Amounts | Issued/ Refunded | Retired | Amounts | Due Within One Year |
|----------------|-----------------------|------------------------|--------------------------------|------------------|---------------------|--------------------------------|---------------------|
| | | | Outstanding September 30, 2021 | | | Outstanding September 30, 2022 | |
| UTRW District | 6.00% | \$ 2,202,850 | \$ 1,140,524 | \$ - | \$ (191,089) | \$ 949,435 | \$ 221,343 |
| Little Elm | 0.00% | 1,000,000 | 400,000 | - | - | 400,000 | 200,000 |
| City of Aubrey | 8.44% | 2,794,820 | 2,638,793 | - | (56,760) | 2,582,033 | 175,568 |
| Savannah | 0.00% | 1,755,677 | 1,228,974 | - | (175,567) | 1,053,407 | 60,868 |
| TOTAL | | \$ 7,753,347 | \$ 5,408,291 | \$ - | \$ (423,416) | \$ 4,984,875 | \$ 657,779 |

Note payable debt service requirements are as follows:

| Year Ending September 30: | Total Requirements | | |
|---------------------------|---------------------|---------------------|---------------------|
| | Principal | Interest | Requirements |
| 2023 | 657,779 | 266,317 | 924,096 |
| 2024 | 573,107 | 251,435 | 824,542 |
| 2025 | 590,077 | 235,764 | 825,841 |
| 2026 | 504,767 | 219,204 | 723,971 |
| 2027 | 258,801 | 194,525 | 453,326 |
| 2028 to 2032 | 700,764 | 854,536 | 1,555,300 |
| 2033 to 2037 | 772,475 | 591,730 | 1,364,205 |
| 2038 to 2042 | 735,973 | 221,602 | 957,575 |
| 2043 to 2045 | 191,132 | 30,326 | 221,458 |
| Totals | \$ 4,984,875 | \$ 2,865,439 | \$ 7,850,314 |

**MUSTANG SPECIAL UTILITY DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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, 2022, the District's related obligation totaled \$3,765,673.

I. PENSION PLAN

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 annual comprehensive financial report ("ACFR") on a calendar year basis. The ACFR 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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|---------------------------------------------------------------|-------------------|
| Inactive employees entitled to but not yet receiving benefits | 49 |
| Active employees | 55 |
| Total | <u>104</u> |

The District's net pension liability ("NPL") was measured as of December 31, 2021, 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, 2021 actuarial valuation was determined using the following actuarial assumptions:

| | |
|-----------------------------|-------|
| Real rate of return | 5.00% |
| Inflation | 2.50% |
| Long-term investment return | 7.50% |

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 3.00% (made up of 2.50% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.7% per year for a career employee.

Employer-specific economic assumptions:

| | |
|----------------------|------|
| Growth in membership | 0.0% |
| Payroll growth | 0.0% |

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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 2022 information for a 10 year time horizon.

Note that the valuation assumption for the long-term expected return is re-assessed in detail at a minimum of every four years, and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the correct assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment.

| Asset Class | Benchmark | Target Allocation | Geometric Real Rate of Return (Expected Minus Inflation) |
|------------------------------------|---------------------------------------------------------------------|--------------------------|-----------------------------------------------------------------|
| US Equities | Dow Jones U.S. Total Stock Market Index | 11.50% | 3.80% |
| Private Equity | Cambridge Associates Global Private Equity & Venture Capital Index | 25.00% | 6.80% |
| Global Equities | MSCI World (net) Index | 2.50% | 4.10% |
| International Equities - Developed | MSCI World Ex USA (net) Index | 5.00% | 3.80% |
| International Equities - Emerging | MSCI Emerging Markets (net) Index | 6.00% | 4.30% |
| Investment Grade Bonds | Bloomberg Barclays U.S. Aggregate Bond Index | 3.00% | -0.85% |
| Strategic Credit | FTSE High-Yield Cash-Play Capped Index | 9.00% | 1.77% |
| Direct Lending | S&P/LSTA Leveraged Loan Index | 16.00% | 6.25% |
| Distressed Debt | Cambridge Associates Distressed Securities Index | 4.00% | 4.50% |
| REIT Equities | 67% FTSE NAREIT All Equity REIT's + 33% S&P Global REIT (net) Index | 2.00% | 3.10% |
| Master Limited Partnerships (MLPs) | Alerian MLP Index | 2.00% | 3.85% |
| Private Real Estate Partnerships | Cambridge Associates Real Estate Index | 6.00% | 5.10% |
| Hedge Funds | Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index | 6.00% | 1.55% |
| Cash Equivalents | 90-Day U.S. Treasury | 2.00% | -1.05% |

Discount rate

The discount rate used to measure the TPL was 7.60%. 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 periods 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, 2020 | \$ 2,763,049 | \$ 2,699,051 | \$ 63,998 |
| Changes for the year: | | | |
| Service cost | 420,182 | - | 420,182 |
| Interest on total pension liability | 239,046 | - | 239,046 |
| Effect on plan changes | - | - | - |
| Effect of economic/demographic gains or losses | (210,095) | - | (210,095) |
| Effect of assumptions changes or inputs | 687 | - | 687 |
| Refund of contributions | (77,188) | (77,188) | - |
| Benefit payments | - | - | - |
| Administrative expenses | - | (2,032) | 2,032 |
| Member contributions | - | 246,605 | (246,605) |
| Net investment income | - | 639,654 | (639,654) |
| Employer contributions | - | 237,797 | (237,797) |
| Other | - | 12,280 | (12,280) |
| Balances as of December 31, 2021 | \$ 3,135,681 | \$ 3,756,167 | \$ (620,486) |

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Sensitivity analysis

The following presents the net pension liability of the District, calculated using the discount rate of 7.60%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.60%) or 1% point higher (8.60%) than the current rate:

| | 1% Decrease 6.60% | Current Discount Rate 7.60% | 1% Increase 8.60% |
|----------------------------------------|------------------------------|--------------------------------------------|------------------------------|
| Total pension liability | \$ 3,727,223 | \$ 3,135,681 | \$ 2,660,079 |
| Fiduciary net position | 3,756,167 | 3,756,167 | 3,756,167 |
| Net pension liability / (asset) | <u>\$ (28,944)</u> | <u>\$ (620,486)</u> | <u>\$ (1,096,088)</u> |

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

| Pension expense / (income) | January 1, 2021 to December 31, 2021 |
|-------------------------------------------------------|-------------------------------------------------|
| Service Cost | \$ 420,182 |
| Interest on total pension liability | 239,046 |
| Effect on plan changes | - |
| Administrative expenses | 2,032 |
| Member contributions | (246,605) |
| Expected investment return net of investment expenses | (220,701) |
| Recognition of deferred inflows/outflows or resources | |
| Recognition of economic/demographic gains or losses | (6,440) |
| Recognition of assumption changes or inputs | 29,367 |
| Recognition of investment gains or losses | (94,990) |
| Other | (12,280) |
| Pension expense / (income) | <u>\$ 109,611</u> |

As of December 31, 2021, the deferred inflows and outflows of resources are as follows:

| | Deferred Inflows of Resources | Deferred Outflows of Resources |
|------------------------------------------------------|----------------------------------------------|-----------------------------------------------|
| Differences between expected and actual experience | \$ 201,943 | \$ 100,855 |
| Changes of assumptions | - | 170,618 |
| Net difference between projected and actual earnings | 374,071 | - |
| Contributions made subsequent to measurement date | N/A | 274,417 |

Deferred outflows of resources of \$157,143 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: | |
|--------------------------------|-------------------------|
| 2022 | \$ (77,811) |
| 2023 | (115,981) |
| 2024 | (92,240) |
| 2025 | (91,854) |
| 2026 | 42,086 |
| ** Thereafter | 31,259 |
| Total | <u>(304,541)</u> |

** 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, 2022**

J. HEALTH CARE COVERAGE

During the year ended September 30, 2022, the employees of the District were covered by a health insurance plan. The District contributed an average of \$1,310 for health and \$31 for dental per month per employee for the year ended September 30, 2022. 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 District Management as of February 27, 2023.

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, 2022 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. 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 Fiscal Year 2018, an agreement was reached for the terms of conveyance of Denton County Freshwater Supply District No. 10 to Mustang Special Utility District. In April 2019, the Public Utility Commission (PUC) approved the transfer of CCN, turning the retail customers of District 10 into the retail customers of Mustang Special Utility District.

Beginning Fiscal Year 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.

N. COMMITMENTS AND CONTINGENCIES

The District has the following active construction projects as of September 30, 2022. Commitments for these projects in progress are composed of the following:

| | Total Contracts | Remaining Commitment |
|-----------------------------|-----------------------------|---------------------------------|
| Administration Building | \$ 16,500,000 | \$ 16,000,000 |
| Gunter Branch Building | 4,100,000 | 4,000,000 |
| TXDOT 380 Relocates | 715,442 | 166,700 |
| Hathaway to Silverado WTM | 2,365,227 | 2,300,000 |
| Mobberly WTM | 2,614,750 | 207,400 |
| Houlihan SGT, PS, EST, Well | 3,055,225 | 2,746,500 |
| Well 3 GST | 690,148 | 638,800 |
| Sandbrook WWTP Expansion | 13,040,714 | 9,632,530 |
| Total | <u>\$ 43,081,506</u> | <u>\$ 35,691,930</u> |

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

O. RELATED PARTY TRANSACTIONS

The District has not identified any related party transactions occurring during the fiscal year ending September 30, 2022.

P. SUBSEQUENT EVENTS

The District has evaluated all events or transactions that occurred after September 30, 2022 up through February 27, 2023, the date the financial statements were available to be issued, and noted no material events requiring disclosure:



REQUIRED SUPPLEMENTARY INFORMATION

**MUSTANG SPECIAL UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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

| | 12/31/2021 | 12/31/2020 | 12/31/2019 | 12/31/2018 | 12/31/2017 | 12/31/2016 | 12/31/2015 | 12/31/2014 |
|---------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| Total Pension Liability | | | | | | | | |
| Service cost | \$ 420,182 | \$ 328,663 | \$ 238,564 | \$ 194,855 | \$ 172,832 | \$ 109,691 | \$ 89,543 | \$ 57,029 |
| Interest on total pension liability | 239,046 | 189,179 | 145,596 | 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 | 687 | 225,113 | - | (66,179) | 560 | - | 8,170 | - |
| Effect of economic/demographic (gains) or losses | (210,095) | 24,959 | 86,644 | | 51,600 | 60,456 | (6,215) | 124,732 |
| Benefit payments/refunds of contributions | (77,188) | (23,051) | (22,625) | (69,093) | (35,001) | (9,835) | (3,570) | (14,462) |
| Net change in total pension liability | 372,632 | 744,863 | 448,179 | 184,823 | 291,212 | 311,343 | 154,567 | 236,803 |
| Total pension liability, beginning | 2,763,049 | 2,018,186 | 1,570,007 | 1,385,184 | 1,093,972 | 782,629 | 628,062 | 391,258 |
| Total pension liability, ending | \$ 3,135,681 | \$ 2,763,049 | \$ 2,018,186 | \$ 1,570,007 | \$ 1,385,184 | \$ 1,093,972 | \$ 782,629 | \$ 628,061 |
| Fiduciary Net Position | | | | | | | | |
| Employer contributions | \$ 237,797 | \$ 172,005 | \$ 151,810 | \$ 119,795 | \$ 309,253 | \$ 75,194 | \$ 43,002 | \$ 79,412 |
| Member contributions | 246,605 | 188,425 | 162,991 | 125,346 | 104,651 | 60,252 | 53,088 | 44,875 |
| Investment income net of investment expenses | 639,654 | 220,987 | 258,105 | (24,447) | 137,118 | 53,108 | (11,040) | 32,743 |
| Benefit payments/refunds of contributions | (77,187) | (23,051) | (22,625) | (69,093) | (35,001) | (9,835) | (3,570) | (14,462) |
| Administrative expenses | (2,032) | (1,975) | (1,625) | (1,264) | (943) | (577) | (487) | (432) |
| Other | 12,279 | 10,195 | 10,300 | 5,387 | 5,069 | 10,402 | (58) | (31) |
| Net change in fiduciary net position | 1,057,116 | 566,586 | 558,956 | 155,724 | 520,147 | 188,544 | 80,935 | 142,105 |
| Fiduciary net position, beginning | 2,699,051 | 2,132,465 | 1,573,509 | 1,417,785 | 897,638 | 709,094 | 628,159 | 486,054 |
| Fiduciary net position, ending | \$ 3,756,167 | \$ 2,699,051 | \$ 2,132,465 | \$ 1,573,509 | \$ 1,417,785 | \$ 897,638 | \$ 709,094 | \$ 628,159 |
| Net pension liability/(asset) | \$ (620,486) | \$ 63,998 | \$ (114,279) | \$ (3,502) | \$ (32,601) | \$ 196,334 | \$ 73,535 | \$ (97) |
| Fiduciary net position as a % of total pension liability | 119.79% | 97.68% | 105.66% | 100.22% | 102.35% | 82.05% | 90.60% | 100.02% |
| Pensionable covered payroll | \$ 3,522,925 | \$ 2,691,781 | \$ 2,328,443 | \$ 1,790,651 | \$ 1,495,019 | \$ 1,205,045 | \$ 1,061,765 | \$ 897,495 |
| Net pension liability as a % of covered payroll | -17.61% | 2.38% | -4.91% | -0.20% | -2.18% | 16.29% | 6.93% | -0.01% |

See accompanying notes to these financial statements for more detail.

Note: This schedule is intended to present information for ten years. However, previous years' information is not available

**MUSTANG SPECIAL UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

SCHEDULE OF EMPLOYER CONTRIBUTIONS (1)

| Fiscal | | | | | |
|---------------|--------------|-----------------|--------------|-----------------|-------------------------------|
| Year Ending | Actuarially | Actual Employer | Contribution | Pensionable | Actual Contribution as a % of |
| September 30, | Determined | Contribution | Deficiency | Covered Payroll | Covered Payroll |
| | Contribution | | (Excess) | | |
| 2011 | \$ 21,208 | \$ 21,208 | - | \$ 702,798 | 3.0% |
| 2012 | 20,975 | 20,975 | - | 723,548 | 2.9% |
| 2013 | 22,212 | 22,212 | - | 746,990 | 3.0% |
| 2014 | 23,534 | 23,534 | - | 841,014 | 2.8% |
| 2015 | 40,028 | 95,028 | (55,000) | 1,081,417 | 8.8% |
| 2016 | 65,594 | 65,594 | - | 1,143,762 | 5.7% |
| 2017 | 117,733 | 117,733 | - | 1,410,240 | 8.3% |
| 2018 | 125,967 | 300,967 | (175,000) | 1,742,645 | 17.3% |
| 2019 | 136,185 | 136,185 | - | 2,076,796 | 6.6% |
| 2020 | 165,487 | 165,487 | - | 2,575,351 | 6.4% |
| 2021 | 209,246 | 209,246 | - | 3,143,990 | 6.7% |
| 2022 | 355,743 | 355,743 | - | 4,247,149 | 8.4% |

(1) Actuarially determined contribution rates are calculated as of December 31st each year and become effective in January, 12 months and one day later.

(2) Payroll is calculated based on contributions as reported to TCDRS.

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 | 00.0 years (based on contribution rate calculated in 12/31/2021 valuation) |
| Asset Valuation Method | 5-year smoothed market |
| Inflation | 2.50% |
| Salary Increases | Varies by age and service. 4.7% average over career including inflation |
| Investment Rate of Return | 7.50%, net of administrative and 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 | 135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010. |
| 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. 2019: New inflation, mortality and other 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. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule. 2021: 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, 2022**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|------------------------------------------------|-------------------------|-----------------------|-----------------------|-------------------------------------------------------------------|
| | Original | Final | | |
| OPERATING REVENUES | | | | |
| Charges for Sales and Services: | | | | |
| Water/wastewater sales | \$ 31,532,755 | \$ 31,532,755 | \$ 36,265,691 | \$ 4,732,936 |
| Customer charges/fees | 28,155,000 | 28,155,000 | 21,050,261 | (7,104,739) |
| Operating contracts | 2,507,305 | 2,507,305 | 231,490 | (2,275,815) |
| Other revenues | 11,000 | 11,000 | 292,633 | 281,633 |
| Total operating revenues | 62,206,060 | 62,206,060 | 57,840,075 | (4,365,985) |
| OPERATING EXPENSES | | | | |
| Operation and Maintenance: | | | | |
| Personnel costs and benefits | 6,807,035 | 6,807,035 | 5,833,605 | 973,430 |
| Water / Wastewater systems | 14,761,450 | 14,761,450 | 17,747,669 | (2,986,219) |
| Other operating costs | 3,400,200 | 3,400,200 | 2,178,812 | 1,221,388 |
| Professional and legal fees | 490,000 | 490,000 | 1,173,851 | (683,851) |
| Insurance | 142,720 | 142,720 | 186,316 | (43,596) |
| Depreciation and amortization | - | - | 13,598,899 | (13,598,899) |
| Total operating expenses | 25,601,405 | 25,601,405 | 40,719,152 | (15,117,747) |
| Operating income (loss) | 36,604,655 | 36,604,655 | 17,120,923 | (19,483,732) |
| NON-OPERATING REVENUES (EXPENSES): | | | | |
| Investment income | 216,000 | 216,000 | 540,671 | 324,671 |
| Donation of federal surplus | - | - | 226,595 | 226,595 |
| Gain (loss) on sale of assets | - | - | 33,175 | 33,175 |
| Interest expense | (2,114,935) | (2,114,935) | (2,166,683) | (51,748) |
| Bond issuance costs | - | - | - | - |
| Total non-operating revenues (expenses) | (1,898,935) | (1,898,935) | (1,366,242) | 532,693 |
| Net income (loss) before contributions | 34,705,720 | 34,705,720 | 15,754,681 | (18,951,039) |
| CAPITAL CONTRIBUTIONS | | | | |
| Developer contributions | - | - | 22,895,346 | 22,895,346 |
| Consolidation contribution | - | - | 18,898,191 | 18,898,191 |
| Total capital contributions | - | - | 41,793,537 | 41,793,537 |
| Change in net position | 34,705,720 | 34,705,720 | 57,548,218 | 22,842,498 |
| Net position - beginning of year | 216,334,175 | 216,334,175 | 216,334,176 | |
| Prior period adjustments | - | - | - | |
| Net position - end of year | \$ 251,039,895 | \$ 251,039,895 | \$ 273,882,394 | |

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

STATISTICAL SECTION
(UNAUDITED)

STATISTICAL SECTION (UNAUDITED)

This part of the Mustang Special Utility District's Annual Comprehensive 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.

| <u>Contents</u> | 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 Annual Comprehensive 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 | | | |
|---------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2012 | 2013 | 2014 | 2015 |
| Business-type activities: | | | | |
| Net investment in capital assets | \$ 12,278,776 | \$ 12,794,662 | \$ 11,596,343 | \$ 11,760,356 |
| Restricted | 1,172,171 | 731,648 | 844,616 | 844,616 |
| Unrestricted | 7,666,480 | 9,104,769 | 12,116,272 | 15,226,426 |
| Total business-type activities net position | <u>\$ 21,117,427</u> | <u>\$ 22,631,079</u> | <u>\$ 24,557,231</u> | <u>\$ 27,831,398</u> |

| | FISCAL YEAR | | | |
|---------------------------------------------|----------------------|----------------------|----------------------|-----------------------|
| | 2016 | 2017 | 2018 | 2019 |
| Business-type activities: | | | | |
| Net investment in capital assets | \$ 6,560,934 | \$ 20,149,900 | \$ 35,097,537 | \$ 116,969,009 |
| Restricted | 759,940 | 759,940 | 2,001,074 | 1,555,355 |
| Unrestricted | 31,617,089 | 27,781,053 | 39,068,866 | 17,501,194 |
| Total business-type activities net position | <u>\$ 38,937,963</u> | <u>\$ 48,690,893</u> | <u>\$ 76,167,477</u> | <u>\$ 136,025,558</u> |

| | FISCAL YEAR | | |
|---------------------------------------------|-----------------------|-----------------------|-----------------------|
| | 2020 | 2021 | 2022 |
| Business-type activities: | | | |
| Net investment in capital assets | \$ 132,044,721 | \$ 127,287,468 | \$ 168,951,369 |
| Restricted | 4,933,480 | 29,522,282 | 28,785,440 |
| Unrestricted | 27,614,021 | 59,524,425 | 76,145,585 |
| Total business-type activities net position | <u>\$ 164,592,222</u> | <u>\$ 216,334,175</u> | <u>\$ 273,882,394</u> |

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

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|
| OPERATING REVENUES | | | | | | | | | | |
| Charges for sales and services: | | | | | | | | | | |
| Water/Wastewater Sales | \$ 3,993,442 | \$ 4,206,554 | \$ 4,233,713 | \$ 5,052,082 | \$ 6,438,808 | \$ 7,522,097 | \$ 10,608,709 | \$ 12,952,158 | \$ 17,145,129 | \$ 24,057,470 |
| Customer Charges/Fees | 1,398,781 | 1,224,635 | 2,030,519 | 3,019,145 | 3,955,411 | 3,528,666 | 9,221,988 | 11,857,954 | 17,457,720 | 26,315,808 |
| Operating Contracts | | 1,314,930 | 1,284,628 | 1,642,664 | 1,535,456 | 2,166,540 | 2,409,426 | 3,776,050 | 4,526,072 | 2,090,383 |
| Miscellaneous | 28,463 | 23,814 | 21,966 | 158,075 | 16,606 | 63,383 | 51,623 | 101,911 | 217,761 | 272,130 |
| Total Operating Revenues | 5,420,686 | 6,769,933 | 7,570,826 | 9,871,966 | 11,946,281 | 13,280,686 | 22,291,746 | 28,688,073 | 39,346,682 | 52,735,791 |
| OPERATING EXPENSES | | | | | | | | | | |
| Personnel Costs and Benefits | 890,137 | 949,557 | 1,011,663 | 1,259,770 | 1,355,214 | 1,614,456 | 2,128,832 | 2,539,914 | 3,765,423 | 4,639,357 |
| Water / Wastewater Systems | 2,394,649 | 2,563,783 | 2,539,509 | 3,020,253 | 4,064,515 | 4,845,654 | 6,029,757 | 8,200,434 | 10,465,651 | 14,491,449 |
| Other Operating Costs | 295,052 | 314,873 | 337,385 | 359,429 | 440,374 | 495,296 | 598,139 | 788,426 | 1,006,909 | 1,043,979 |
| Professional and Legal Fees | 242,445 | 203,318 | 293,274 | 442,132 | 431,786 | 447,757 | 421,043 | 316,648 | 406,740 | 369,021 |
| Insurance | 170,611 | 189,881 | 203,675 | 319,454 | 363,093 | 368,134 | 547,740 | 557,370 | 81,090 | 110,853 |
| Depreciation & Amortization | 1,638,405 | 1,669,119 | 1,797,019 | 2,320,919 | 3,595,922 | 3,067,136 | 4,050,728 | 4,745,043 | 9,100,388 | 11,132,163 |
| Total Operating Expenses | 5,631,299 | 5,890,531 | 6,182,525 | 7,721,957 | 10,250,904 | 10,838,433 | 13,776,239 | 17,147,835 | 24,826,201 | 31,786,822 |
| Operating Income (Loss) | (210,613) | 879,402 | 1,388,301 | 2,150,009 | 1,695,377 | 2,442,253 | 8,515,507 | 11,540,238 | 14,520,481 | 20,948,969 |
| NON-OPERATING REVENUES (EXPENSES): | | | | | | | | | | |
| Investment Income | 13,405 | 6,661 | 5,990 | 8,437 | 59,298 | 118,408 | 215,852 | 613,637 | 449,771 | 230,752 |
| Donation of federal surplus | - | - | - | - | - | - | - | - | - | 319,443 |
| Sale of Fixed Assets | 4,039 | - | - | 26,787 | 425,618 | 94,558 | - | - | - | 56,151 |
| Interest Expense | (418,298) | (429,309) | (414,551) | (458,676) | (556,143) | (765,969) | (1,028,940) | (1,575,482) | (1,645,283) | (1,997,304) |
| Bond Issuance Costs | - | - | (62,163) | - | - | - | (140,257) | (189,827) | - | (192,858) |
| Transfer of CCN | - | - | - | - | 1,668,838 | 375,000 | - | - | - | - |
| Total Non-Operating Revenues (Expenses) | (400,854) | (422,648) | (470,724) | (423,452) | 1,597,611 | (178,003) | (953,345) | (1,151,672) | (1,195,512) | (1,583,816) |
| Change in Net Position Before Capital Contributions | (611,467) | 456,754 | 917,577 | 1,726,557 | 3,292,988 | 2,264,250 | 7,562,162 | 10,388,566 | 13,324,969 | 19,365,153 |
| CAPITAL CONTRIBUTIONS | | | | | | | | | | |
| Developer Contributions | 5,000 | 1,056,901 | 1,008,575 | 1,098,330 | 7,813,577 | 7,488,680 | 19,914,422 | 49,469,515 | 14,894,495 | 32,376,800 |
| Total Capital Contributions | 5,000 | 1,056,901 | 1,008,575 | 1,098,330 | 7,813,577 | 7,488,680 | 19,914,422 | 49,469,515 | 14,894,495 | 32,376,800 |
| Change in Net Position | (606,467) | 1,513,655 | 1,926,152 | 2,824,887 | 11,106,565 | 9,752,930 | 27,476,584 | 59,858,081 | 28,219,464 | 51,741,953 |
| Net position - Beginning of year | 20,461,338 | 21,117,423 | 22,631,078 | 24,557,230 | 27,831,398 | 38,937,963 | 48,690,893 | 76,167,477 | 136,025,558 | 164,592,222 |
| Prior Period Adjustments | 1,262,553 | - | - | 449,281 | - | - | - | - | 347,200 | - |
| Net Position - Adjusted Beginning of year | 21,723,891 | 21,117,423 | 22,631,078 | 25,006,511 | 27,831,398 | 38,937,963 | 48,690,893 | 76,167,477 | 136,372,758 | 164,592,222 |
| Net Position - End of year | \$ 21,117,424 | \$ 22,631,078 | \$ 24,557,230 | \$ 27,831,398 | \$ 38,937,963 | \$ 48,690,893 | \$ 76,167,477 | \$ 136,025,558 | \$ 164,592,222 | \$ 216,334,175 |

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

Table 3

| Fiscal Year Ended Sept. 30 | Water | Wastewater | Other | Total |
|-------------------------------------------|--------------|-------------------|--------------|--------------|
| 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 | 16,311,795 | 29,263,953 |
| 2020 | 11,322,309 | 5,822,820 | 22,201,553 | 39,346,682 |
| 2021 | 14,677,382 | 9,380,088 | 28,678,321 | 52,735,791 |
| 2022 | 24,056,650 | 12,209,041 | 21,574,384 | 57,840,075 |

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

Table 4

| <u>Fiscal Year</u> | <u>Water Rate/ Thousand Gallons</u> | <u>Wastewater Monthly Revenue/Customer</u> |
|--------------------|-----------------------------------------|------------------------------------------------|
| 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 |
| 2020 | 3.61 | 57.55 |
| 2021 | 3.61 | 57.55 |
| 2022 | 3.65 | 58.13 |

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
CURRENT YEAR AND NINE YEARS AGO**

Table 5

| Customer | 2022 | | | 2013 | | |
|-------------------------------------------|------------------------|------|-----------------------------------|------------------------|------|-----------------------------------|
| | Water Revenue Received | Rank | Percentage of Total Water Revenue | Water Revenue Received | Rank | Percentage of Total Water Revenue |
| Centennial Luxe, LP | \$ 359,666 | 1 | 1.49% | | | |
| Mansions at Oak Point | 176,719 | 2 | 0.73% | | | |
| Villages 3Eighty | 138,320 | 3 | 0.57% | | | |
| IMO US West, LLC | 132,444 | 4 | 0.55% | | | |
| Park 3Eighty | 127,236 | 5 | 0.53% | | | |
| The Landing at Little Elm | 115,627 | 6 | 0.48% | | | |
| Wildridge Community Association Inc | 105,486 | 7 | 0.44% | | | |
| Prose Magnolia | 92,841 | 8 | 0.39% | | | |
| Enclave at Pecan Creek HOA | 75,585 | 9 | 0.31% | | | |
| Denton ISD - Navo Middle School | 61,264 | 10 | 0.25% | 48,673 | 2 | 1.43% |
| Midway Water | | | | 111,321 | 1 | 3.26% |
| Crossroads Crossing Ltd | | | | 30,461 | 3 | 0.89% |
| LDS Church | | | | 28,124 | 4 | 0.82% |
| Little Elm ISD | | | | 21,783 | 5 | 0.64% |
| Bruce Thomas | | | | 12,116 | 6 | 0.36% |
| Dennis Prince | | | | 9,914 | 7 | 0.29% |
| Sterling Ranch | | | | 9,520 | 8 | 0.28% |
| Little Elm ISD | | | | 9,451 | 9 | 0.28% |
| Total attributable to ten largest payers: | <u>\$ 1,385,188</u> | | <u>5.75%</u> | <u>\$ 281,363</u> | | <u>8.24%</u> |
| Total Water Revenue | <u>\$ 24,101,650</u> | | <u>100.00%</u> | <u>\$ 3,412,657</u> | | <u>100.00%</u> |

Source: Mustang Special Utility District

*excludes builders and hydrant meters

**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 |
|--------------------|----------------------|---------------------|---------------------------|------------------------|--------------------------|
| 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 |
| 2020 | 37,481,523 | 6,094,223 | 43,575,746 | 15,698 | 2,776 |
| 2021 | 67,493,917 | 5,408,291 | 72,902,208 | 20,147 | 3,619 |
| 2022 | 67,296,746 | 4,984,875 | 72,281,621 | 23,443 | 3,083 |

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 |
|--------------------|---------------------------|---------------------------|------------------------------------------------|-------------------------------------------|-----------------|
| 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 | 28,657,073 | 12,908,193 | 15,748,880 | 2,542,746 | 6.19 |
| 2020 | 39,796,453 | 15,725,813 | 24,070,640 | 2,560,943 | 9.40 |
| 2021 | 53,342,137 | 20,654,659 | 32,687,478 | 3,127,121 | 10.45 |
| 2022 | 58,640,516 | 27,120,253 | 31,520,263 | 4,498,649 | 7.01 |

(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 due 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> |
|------------------------|--------------|-------------------|
| 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 |
| 2020 | 15,698 | 12,416 |
| 2021 | 20,147 | 16,812 |
| 2022 | 23,443 | 18,754 |

Source: Mustang Special Utility District

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

Table 9

| <u>Fiscal Year</u> | <u>Estimated Population Denton County</u> | <u>Personal Income Denton County (in Thousands)</u> | <u>Per Capita Income Denton County</u> | <u>Median Age Denton County</u> | <u>Unemployment Rate Denton County</u> |
|--------------------|-------------------------------------------|-----------------------------------------------------|----------------------------------------|---------------------------------|----------------------------------------|
| 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 | 859,064 | 46,637,709 | 54,289 | 35.8 | 2.8% |
| 2020 | 915,673 | 48,969,595 | 55,479 | not available | 6.6% |
| 2021 | 933,220 | 51,418,075 | 55,097 | 36 | 3.9% |
| 2022 | not available | not available | not available | not available | 3.0% |

Sources:

Denton County, TX - Comprehensive Annual Financial Reports
 Texas Workforce Commission - LMI/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 |
|--------------------|-----------------------|--------------|-------------------|------------------------|--------------|
| 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 |
| 2020 | 17 | 21 | 6 | 1 | 45 |
| 2021 | 25 | 25 | 8 | 2 | 60 |
| 2022 | 29 | 36 | 10 | 4 | 79 |

Source: Mustang Special Utility District

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

Table 11

| Function | FISCAL YEAR | | | | |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 |
| Water/Wastewater | | | | | |
| Land | \$ 469,255 | \$ 469,255 | \$ 486,546 | \$ 486,546 | \$ 1,488,076 |
| Construction in Progress | - | - | - | - | - |
| Water / Wastewater Systems | 19,874,873 | 19,623,300 | 19,805,430 | 27,660,913 | 40,520,301 |
| Buildings and Structures | 952,674 | 898,237 | 843,690 | 915,359 | 904,138 |
| Vehicles & Equipment | 169,160 | 332,088 | 897,364 | 913,233 | 916,176 |
| Intangible Assets | | | - | - | 15,480,246 |
| Total Water/Wastewater | 21,465,962 | 21,322,880 | 22,033,030 | 29,976,051 | 59,308,937 |

| Function | FISCAL YEAR | | | | |
|-------------------------------|-------------------|--------------------|--------------------|--------------------|--------------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| Water/Wastewater | | | | | |
| Land | \$ 1,488,076 | \$ 1,488,076 | \$ 1,488,076 | \$ 1,488,076 | \$ 2,840,474 |
| Construction in Progress | - | 11,111,958 | 3,049,561 | 8,941,868 | 23,961,047 |
| Water / Wastewater Systems | 59,469,395 | 99,451,467 | 122,628,120 | 145,611,835 | 172,343,681 |
| Buildings and Structures | 862,634 | 3,029,638 | 3,378,157 | 3,223,112 | 3,073,734 |
| Vehicles & Equipment | 786,680 | 755,792 | 1,177,682 | 1,685,195 | 2,307,510 |
| Intangible Assets | 22,209,412 | 35,689,513 | 33,531,794 | 52,027,044 | 49,577,176 |
| Total Water/Wastewater | 84,816,197 | 151,526,444 | 165,253,390 | 212,977,130 | 254,103,622 |

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)**

INDEX

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| TSI-4 | Taxes Levied and Receivable (OMITTED AS NOT APPLICABLE) |
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Mustang Special Utility District
TSI-1. Services and Rates
Fiscal Year Ending September 30, 2022

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 | \$ 29.23 | \$ - | N | \$ 2.86 | 0 - 3,000 |
| | | | | \$ 4.01 | 3,001 - 9,000 |
| | | | | \$ 5.00 | 9,001 - 15,000 |
| | | | | \$ 6.09 | 15,001 - 25,000 |
| | | | | \$ 9.31 | 25,001 - unlimited |
| Wastewater | \$ 53.68 | \$ - | Y | | 0 - 8,000 |
| | \$ 59.87 | \$ - | Y | | 8,001 to unlimited |

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$66.87 Wastewater \$59.87

Water and Wastewater Retail Connections:

| Meter Size | Total Connections | Active Connections | ESFC Factor | Active ESFCs |
|-------------|-------------------|--------------------|-------------|--------------|
| Unmetered | 0 | 0 | x 1.0 | 0 |
| <= 3/4" | 26772 | 26241 | x 1.0 | 26241 |
| 1" | 258 | 256 | x 2.5 | 640 |
| 1 1/2" | 56 | 55 | x 5.0 | 275 |
| 2" | 167 | 167 | x 8.0 | 1336 |
| 3" | 7 | 7 | x 15.0 | 105 |
| 4" | 13 | 13 | x 25.0 | 325 |
| 6" | 5 | 5 | x 50.0 | 250 |
| 8" | 7 | 7 | x 80.0 | 560 |
| Water Total | 27285 | 26751 | | 29732 |
| Wastewater | 21555 | 21133 | x 1.0 | 21133 |

3. Total Water Consumption during the Fiscal Year

Gallons pumped into system: 2,737,264,640
Gallons billed to customers: 2,630,243,684
Water Accountability Ratio: 96.09%

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, 2022**

| | |
|-----------------------------------------------------|--------------------------|
| Personnel Expenditures (including benefits)* | <u>5,833,605</u> |
| Professional Fees: | |
| Auditing | <u>20,000</u> |
| Legal | <u>368,408</u> |
| Engineering | <u>522,145</u> |
| Other Advisor | <u>243,298</u> |
| Purchased Services for Resale: | |
| Bulk Water and Wastewater Service Purchases | <u>9,315,752</u> |
| Contracted Services: | |
| Bookkeeping | <u>0</u> |
| General Manager | <u>0</u> |
| Appraisal District | <u>0</u> |
| Tax Collector | <u>0</u> |
| Other Contracted Services | <u>20,000</u> |
| Utilities | <u>1,234,415</u> |
| Repairs and Maintenance | <u>3,121,515</u> |
| Administrative Expenditures: | |
| Directors Fees | <u>0</u> |
| Office Supplies | <u>110,539</u> |
| Insurance | <u>186,316</u> |
| Other Administrative Expenditures | <u></u> |
| Capital Outlay: | |
| Capitalized Assets | <u>15,106,923</u> |
| Expenditures not Capitalized | <u>0</u> |
| Tap Connection Expenditures | <u>3,243,112</u> |
| Solid Waste Disposal | <u>0</u> |
| Fire Fighting | <u>0</u> |
| Parks and Recreation | <u>0</u> |
| Other Expenditures | <u>2,901,148</u> |
| Total Expenditures | <u><u>42,227,176</u></u> |

**Mustang Special Utility District
 TSI-3. Temporary Investments
 Fiscal Year Ending September 30, 2022**

| Investments | Carrying Value | WAM (days) | Credit Risk |
|----------------------------------------|-----------------------|-------------------|----------------------|
| Deposits (including petty cash) | 37,111,782 | 0.37 | Fully collateralized |
| Government Pools: | | | |
| TexSTAR | 20,333,271 | 0.20 | AAAm |
| LOGIC | 39,563,434 | 0.39 | AAAm |
| Texpool | 1,040,680 | 0.01 | AAAm |
| Texpool Prime | 418,741 | 0.00 | AAAm |
| Certificates of Deposit | 2,273,001 | 6.38 | FDIC insured |
| Total Portfolio | 100,740,909 | | |
| Portfolio WAM (days) | | 7.35 | |

Note: Additional information can be provided by Mustang Special Utility District upon request.

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2014 - by Years
Fiscal Year Ending September 30, 2022

| Due During Fiscal Years Ending | Principal Due 09/01 | Interest Due 03/01, 09/01 | Total |
|-----------------------------------|------------------------|------------------------------|---------------------|
| 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>\$ 1,245,000</u> | <u>\$ 462,840</u> | <u>\$ 1,707,840</u> |

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2016 - by Years
Fiscal Year Ending September 30, 2022

| Due During Fiscal Years Ending | Principal Due 09/01 | Interest Due 03/01, 09/01 | Total |
|-----------------------------------|------------------------|------------------------------|--------------------|
| 2023 | \$ 36,000 | \$ 64,026 | \$ 100,026 |
| 2024 | 37,000 | 63,164 | 100,164 |
| 2025 | 39,000 | 61,928 | 100,928 |
| 2026 | 40,000 | 60,806 | 100,806 |
| 2027 | 42,000 | 59,656 | 101,656 |
| 2028 | 43,000 | 58,609 | 101,609 |
| 2029 | 45,000 | 57,213 | 102,213 |
| 2030 | 46,000 | 55,919 | 101,919 |
| 2031 | 48,000 | 54,596 | 102,596 |
| 2032 | 50,000 | 53,362 | 103,362 |
| 2033 | 51,000 | 51,779 | 102,779 |
| 2034 | 53,000 | 50,313 | 103,313 |
| 2035 | 55,000 | 48,789 | 103,789 |
| 2036 | 57,000 | 47,337 | 104,337 |
| 2037 | 59,000 | 45,569 | 104,569 |
| 2038 | 62,000 | 43,873 | 105,873 |
| 2039 | 64,000 | 42,090 | 106,090 |
| 2040 | 66,000 | 40,360 | 106,360 |
| 2041 | 68,000 | 38,353 | 106,353 |
| 2042 | 71,000 | 36,398 | 107,398 |
| 2043 | 74,000 | 34,356 | 108,356 |
| 2044 | 76,000 | 32,317 | 108,317 |
| 2045 | 79,000 | 30,044 | 109,044 |
| 2046 | 82,000 | 27,773 | 109,773 |
| 2047 | 85,000 | 25,415 | 110,415 |
| 2048 | 88,000 | 23,034 | 111,034 |
| 2049 | 91,000 | 20,441 | 111,441 |
| 2050 | 94,000 | 17,825 | 111,825 |
| 2051 | 98,000 | 15,123 | 113,123 |
| 2052 | 101,000 | 12,339 | 113,339 |
| 2053 | 105,000 | 9,401 | 114,401 |
| 2054 | 109,000 | 6,383 | 115,383 |
| 2055 | 113,000 | 3,249 | 116,249 |
| | <u>\$2,227,000</u> | <u>\$1,291,836</u> | <u>\$3,518,836</u> |

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2016A - by Years
Fiscal Year Ending September 30, 2022

| Due During Fiscal Years Ending | Principal Due 09/01 | Interest Due 03/01, 09/01 | Total |
|-----------------------------------|------------------------|------------------------------|--------------|
| 2023 | \$ 200,000 | \$ 255,377 | \$ 455,377 |
| 2024 | 206,000 | 250,562 | 456,562 |
| 2025 | 212,000 | 244,212 | 456,212 |
| 2026 | 218,000 | 238,382 | 456,382 |
| 2027 | 224,000 | 232,387 | 456,387 |
| 2028 | 231,000 | 226,847 | 457,847 |
| 2029 | 237,000 | 219,875 | 456,875 |
| 2030 | 244,000 | 213,357 | 457,357 |
| 2031 | 251,000 | 206,647 | 457,647 |
| 2032 | 258,000 | 200,292 | 458,292 |
| 2033 | 266,000 | 192,650 | 458,650 |
| 2034 | 273,000 | 185,335 | 458,335 |
| 2035 | 281,000 | 177,827 | 458,827 |
| 2036 | 289,000 | 170,566 | 459,566 |
| 2037 | 298,000 | 162,152 | 460,152 |
| 2038 | 306,000 | 153,957 | 459,957 |
| 2039 | 315,000 | 145,542 | 460,542 |
| 2040 | 324,000 | 137,255 | 461,255 |
| 2041 | 334,000 | 127,970 | 461,970 |
| 2042 | 343,000 | 118,785 | 461,785 |
| 2043 | 353,000 | 109,352 | 462,352 |
| 2044 | 363,000 | 99,918 | 462,918 |
| 2045 | 374,000 | 89,662 | 463,662 |
| 2046 | 384,000 | 79,377 | 463,377 |
| 2047 | 395,000 | 68,817 | 463,817 |
| 2048 | 407,000 | 58,114 | 465,114 |
| 2049 | 418,000 | 46,762 | 464,762 |
| 2050 | 430,000 | 35,267 | 465,267 |
| 2051 | 443,000 | 23,442 | 466,442 |
| 2052 | 409,448 | 11,291 | 420,739 |
| 2053 | | | - |
| 2054 | | | - |
| 2055 | | | - |
| | \$9,286,448 | \$4,481,983 | \$13,768,431 |

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2017 - by Years
Fiscal Year Ending September 30, 2022

| Due During Fiscal Years Ending | Principal Due 09/01 | Interest Due 03/01, 09/01 | Total |
|-----------------------------------|------------------------|------------------------------|--------------------|
| 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>\$2,110,000</u> | <u>\$272,800</u> | <u>\$2,382,800</u> |

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2017B - by Years
Fiscal Year Ending September 30, 2022

| Due During Fiscal Years Ending | Principal Due 09/01 | Interest Due 03/01, 09/01 | Total |
|-----------------------------------|------------------------|------------------------------|--------------------|
| 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>\$3,060,000</u> | <u>\$939,300</u> | <u>\$3,999,300</u> |

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2018A - by Years
Fiscal Year Ending September 30, 2022

| Due During Fiscal Years Ending | Principal Due 09/01 | Interest Due 03/01, 09/01 | Total |
|-----------------------------------|------------------------|------------------------------|--------------|
| 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 |
| | \$14,735,000 | \$7,798,966 | \$22,533,966 |
| | \$14,735,000 | \$7,798,966 | \$22,533,966 |

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2018B - by Years
Fiscal Year Ending September 30, 2022

| Due During Fiscal Years Ending | Principal Due 09/01 | Interest Due 03/01, 09/01 | Total |
|-----------------------------------|------------------------|------------------------------|--------------------|
| 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>\$980,000</u> | <u>\$1,213,389</u> | <u>\$2,193,389</u> |

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2020 - by Years
Fiscal Year Ending September 30, 2022

| Due During Fiscal Years Ending | Principal Due 09/01 | Interest Due 03/01, 09/01 | Total |
|-----------------------------------|------------------------|------------------------------|--------------|
| 2023 | \$ 1,200,000 | \$ 649,625 | \$ 1,849,625 |
| 2024 | 1,230,000 | 625,625 | 1,855,625 |
| 2025 | 1,245,000 | 601,025 | 1,846,025 |
| 2026 | 1,280,000 | 576,125 | 1,856,125 |
| 2027 | 1,320,000 | 537,725 | 1,857,725 |
| 2028 | 1,355,000 | 498,125 | 1,853,125 |
| 2029 | 1,385,000 | 471,025 | 1,856,025 |
| 2030 | 1,405,000 | 443,325 | 1,848,325 |
| 2031 | 1,430,000 | 415,225 | 1,845,225 |
| 2032 | 1,395,000 | 386,625 | 1,781,625 |
| 2033 | 1,425,000 | 358,725 | 1,783,725 |
| 2034 | 1,455,000 | 330,225 | 1,785,225 |
| 2035 | 1,485,000 | 301,125 | 1,786,125 |
| 2036 | 1,510,000 | 271,425 | 1,781,425 |
| 2037 | 1,540,000 | 241,225 | 1,781,225 |
| 2038 | 1,575,000 | 210,425 | 1,785,425 |
| 2039 | 1,605,000 | 178,925 | 1,783,925 |
| 2040 | 1,635,000 | 146,825 | 1,781,825 |
| 2041 | 505,000 | 114,125 | 619,125 |
| 2042 | 515,000 | 104,025 | 619,025 |
| 2043 | 525,000 | 93,725 | 618,725 |
| 2044 | 535,000 | 83,225 | 618,225 |
| 2045 | 545,000 | 72,525 | 617,525 |
| 2046 | 555,000 | 61,625 | 616,625 |
| 2047 | 570,000 | 49,831 | 619,831 |
| 2048 | 580,000 | 37,719 | 617,719 |
| 2049 | 595,000 | 25,394 | 620,394 |
| 2050 | 600,000 | 12,750 | 612,750 |
| | \$31,000,000 | \$7,898,294 | \$38,898,294 |
| | \$31,000,000 | \$7,898,294 | \$38,898,294 |

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2012 - by Years
Fiscal Year Ending September 30, 2022

| Due During Fiscal Years Ending | Principal Due 09/01 | Interest Due 03/01, 09/01 | Total |
|-----------------------------------|------------------------|------------------------------|------------------|
| 2023 | \$ 160,000 | \$ 9,845 | \$ 169,845 |
| 2024 | 165,000 | 8,720 | 173,720 |
| 2025 | 165,000 | 7,565 | 172,565 |
| 2026 | 175,000 | 6,380 | 181,380 |
| | <u>160,000</u> | <u>9,845</u> | <u>169,845</u> |
| | <u>\$665,000</u> | <u>\$32,510</u> | <u>\$697,510</u> |

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2010 - by Years
Fiscal Year Ending September 30, 2022

| Due During Fiscal Years Ending | Principal Due 09/01 | Interest Due 03/01, 09/01 | Total |
|-----------------------------------|------------------------|------------------------------|-----------|
| 2023 | \$ 56,000 | \$ 9,845 | \$ 65,845 |
| 2024 | 46,200 | 8,720 | 54,920 |
| 2025 | 47,400 | 7,565 | 54,965 |
| 2026 | 48,600 | 6,380 | 54,980 |
| 2027 | 49,800 | 5,165 | 54,965 |
| 2028 | 51,000 | 3,920 | 54,920 |
| 2029 | 52,200 | 2,645 | 54,845 |
| 2030 | 53,600 | 1,340 | 54,940 |
| | \$404,800 | \$45,580 | \$450,380 |
| | \$404,800 | \$45,580 | \$450,380 |

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
All Series - by Years
Fiscal Year Ending September 30, 2022

| Due During Fiscal Years Ending | Principal Due 09/01 | Interest Due 03/01, 09/01 | Total |
|-----------------------------------|------------------------|------------------------------|---------------------|
| 2023 | \$ 2,617,000 | \$ 1,881,649 | \$ 4,498,649 |
| 2024 | 2,674,200 | 1,809,229 | 4,483,429 |
| 2025 | 2,723,400 | 1,733,911 | 4,457,311 |
| 2026 | 2,826,600 | 1,657,288 | 4,483,888 |
| 2027 | 2,495,800 | 1,559,246 | 4,055,046 |
| 2028 | 2,580,000 | 1,476,247 | 4,056,247 |
| 2029 | 2,649,200 | 1,401,847 | 4,051,047 |
| 2030 | 2,723,600 | 1,325,821 | 4,049,421 |
| 2031 | 2,574,000 | 1,247,125 | 3,821,125 |
| 2032 | 2,588,000 | 1,172,884 | 3,760,884 |
| 2033 | 2,667,000 | 1,095,783 | 3,762,783 |
| 2034 | 2,746,000 | 1,016,507 | 3,762,507 |
| 2035 | 2,826,000 | 941,836 | 3,767,836 |
| 2036 | 2,856,000 | 865,258 | 3,721,258 |
| 2037 | 2,937,000 | 786,865 | 3,723,865 |
| 2038 | 3,023,000 | 706,617 | 3,729,617 |
| 2039 | 2,994,000 | 623,828 | 3,617,828 |
| 2040 | 3,080,000 | 543,381 | 3,623,381 |
| 2041 | 1,997,000 | 459,246 | 2,456,246 |
| 2042 | 2,059,000 | 396,423 | 2,455,423 |
| 2043 | 2,122,000 | 330,317 | 2,452,317 |
| 2044 | 1,149,000 | 262,334 | 1,411,334 |
| 2045 | 1,178,000 | 234,147 | 1,412,147 |
| 2046 | 1,206,000 | 205,599 | 1,411,599 |
| 2047 | 1,240,000 | 175,664 | 1,415,664 |
| 2048 | 1,110,000 | 144,967 | 1,254,967 |
| 2049 | 1,139,000 | 116,871 | 1,255,871 |
| 2050 | 1,164,000 | 88,288 | 1,252,288 |
| 2051 | 581,000 | 58,923 | 639,923 |
| 2052 | 555,448 | 41,899 | 597,347 |
| 2053 | 150,000 | 25,322 | 175,322 |
| 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>\$65,713,248</u> | <u>\$24,437,497</u> | <u>\$90,150,745</u> |

Mustang Special Utility District
TSI-6. Change in Long-Term Bonded Debt
Fiscal Year Ending September 30, 2022

| | Series 2014 | Series 2016 | Series 2016A | Series 2017 | Series 2017E | Series 2018A | Series 2018B | Series 2020 | Series 2012 | Series 2010 | Total |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|-------------------|----------------|-------------------|----------------|----------------|-------------------|
| Interest Rate | 3.0% - 6.0% | 2.88% | 2.75% | 3.00% | 18% - 2.37% | 4.0% - 5.0% | 5.22% | 2% - 2.125% | 1.47% | 2.80% | |
| 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 | 3/1; 9/1 | 3/1; 9/1 | |
| Maturity Dates | 2038 | 2055 | 2053 | 2030 | 2047 | 2043 | 2058 | 2050 | 2026 | 2030 | |
| Beginning Bonds Outstanding | 1,300,000 | 2,262,000 | 9,481,448 | 2,460,000 | 3,160,000 | 15,150,000 | 990,000 | 31,060,000 | 820,000 | 437,800 | 67,121,248 |
| Bonds Sold During the Fiscal Year | - | - | - | - | - | - | - | - | - | - | - |
| Bonds Retired During the Fiscal Year | 55,000 | 35,000 | 195,000 | 350,000 | 100,000 | 415,000 | 10,000 | 60,000 | 155,000 | 33,000 | 1,408,000 |
| Ending Bonds Outstanding | <u>1,245,000</u> | <u>2,227,000</u> | <u>9,286,448</u> | <u>2,110,000</u> | <u>3,060,000</u> | <u>14,735,000</u> | <u>980,000</u> | <u>31,000,000</u> | <u>665,000</u> | <u>404,800</u> | <u>65,713,248</u> |

Interest Paid During the Fiscal Year \$2,166,682

Paying Agents 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 |
| Series 2020 | UMB Bank, Dallas, TX |
| Series 2012 | Truist Government Finance |
| Series 2010 | Greater Texoma Utility Authority |

| Bond Authority: | Refunding Bonds | Revenue Bonds |
|------------------------|-----------------|---------------------|
| Amount Authorized | \$0 | \$75,161,000 |
| Amount Issued | <u>\$0</u> | <u>\$75,161,000</u> |
| Remaining to be Issued | <u>\$0</u> | <u>\$0</u> |

Debt Service Fund cash and temporary investments balances as of September 30, 2022: \$11,519,785
Average Annual Debt Service Payment (Principal and Interest) for remaining term of all debt: \$2,575,735

Mustang Special Utility District
TSI-7. Comparative Schedule of Revenues and Expenses - Enterprise Fund - Five Years Ended
Fiscal Year Ending September 30, 2021

| | Amounts | | | | | Percent of Fund Total Revenue | | | | |
|-----------------------------------------------|--------------------|--------------------|--------------------|-------------------|-------------------|--------------------------------------|----------------|----------------|----------------|----------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Operating Revenues | | | | | | | | | | |
| Water/wastewater sales | \$24,057,470 | \$ 17,145,129 | 12,952,158 | 10,608,709 | 7,522,097 | 45.62% | 43.57% | 45.15% | 47.59% | 56.64% |
| Customer charges/fees | 26,315,808 | 17,457,720 | 11,857,954 | 9,221,988 | 3,528,666 | 49.90% | 44.37% | 41.33% | 41.37% | 26.57% |
| Operating contracts | 2,090,383 | 4,526,072 | 3,776,050 | 2,409,426 | 2,166,540 | 3.96% | 11.50% | 13.16% | 10.81% | 16.31% |
| Miscellaneous revenue | 272,130 | 217,761 | 101,911 | 51,623 | 63,383 | 0.52% | 0.55% | 0.36% | 0.23% | 0.48% |
| Total operating revenues | 52,735,791 | 39,346,682 | 28,688,073 | 22,291,746 | 13,280,686 | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| Operating Expenses | | | | | | | | | | |
| Personnel costs and benefits | 4,639,357 | 3,765,423 | 2,539,914 | 2,128,832 | 1,614,456 | 8.80% | 9.57% | 8.85% | 9.55% | 12.16% |
| Water / Wastewater Systems | 14,491,449 | 10,465,651 | 8,200,434 | 6,029,757 | 4,845,654 | 27.48% | 26.60% | 28.58% | 27.05% | 36.49% |
| Other operating costs | 1,043,979 | 1,006,909 | 788,426 | 598,139 | 495,296 | 1.98% | 2.56% | 2.75% | 2.68% | 3.73% |
| Professional and legal fees | 369,021 | 406,740 | 316,648 | 421,043 | 447,757 | 0.70% | 1.03% | 1.10% | 1.89% | 3.37% |
| Insurance | 110,853 | 81,090 | 557,370 | 547,740 | 368,134 | 0.21% | 0.21% | 1.94% | 2.46% | 2.77% |
| Amortization | 2,597,143 | 2,157,720 | 1,368,713 | 1,381,080 | 627,157 | 4.92% | 5.48% | 4.77% | 6.20% | 4.72% |
| Depreciation | 8,535,020 | 6,942,668 | 3,376,330 | 2,669,648 | 2,439,979 | 16.18% | 17.64% | 11.77% | 11.98% | 18.37% |
| Total operating expenses | 31,786,822 | 24,826,201 | 17,147,835 | 13,776,239 | 10,838,433 | 60.28% | 63.10% | 59.77% | 61.80% | 81.61% |
| Operating Income(Loss) | 20,948,969 | 14,520,481 | 11,540,238 | 8,515,507 | 2,442,253 | 39.72% | 36.90% | 40.23% | 38.20% | 18.39% |
| Non-Operating Revenues (Expenses) | | | | | | | | | | |
| Investment income | 230,752 | 449,771 | 613,637 | 215,852 | 118,408 | 0.44% | 1.14% | 2.14% | 0.97% | 0.89% |
| Donation of federal surplus | 319,443 | - | - | - | - | 0.61% | 0.00% | 0.00% | 0.00% | 0.00% |
| Gain (loss) on sale of assets | 56,151 | - | - | - | 94,558 | 0.11% | 0.00% | 0.00% | 0.00% | 0.71% |
| Interest expense | (1,997,304) | (1,645,283) | (1,575,482) | (1,028,940) | (765,969) | -3.79% | -4.18% | -5.49% | -4.62% | -5.77% |
| Bond Issuance Costs | (192,858) | - | (189,827) | (140,257) | - | -0.37% | 0.00% | -0.66% | -0.63% | 0.00% |
| Transfer of CCN | - | - | - | - | 375,000 | 0.00% | 0.00% | 0.00% | 0.00% | 2.82% |
| Total non-operating revenue (expense) | (1,583,816) | (1,195,512) | (1,151,672) | (953,345) | (178,003) | -3.00% | -3.04% | -4.01% | -4.28% | -1.34% |
| Net income (loss) before contributions | 19,365,153 | 13,324,969 | 10,388,566 | 7,562,162 | 2,264,250 | 36.72% | 33.87% | 36.21% | 33.92% | 17.05% |
| Capital Contributions | | | | | | | | | | |
| Developer contributions | 32,376,800 | 14,894,495 | 49,469,434 | 19,914,422 | 7,488,680 | 61.39% | 37.85% | 172.44% | 89.34% | 56.39% |
| Total capital contributions | 32,376,800 | 14,894,495 | 49,469,434 | 19,914,422 | 7,488,680 | 61.39% | 37.85% | 172.44% | 89.34% | 56.39% |
| Change in net position | 51,741,953 | 28,219,464 | 59,858,000 | 27,476,584 | 9,752,930 | 98.12% | 71.72% | 208.65% | 123.26% | 73.44% |

Mustang Special Utility District
TSI-8. Board Members, Key Personnel, and Consultants
Fiscal Year Ending September 30, 2022

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 |
|---------------|----------------|------------|---------------------|------------------------|-------------------|
|---------------|----------------|------------|---------------------|------------------------|-------------------|

Board Members:

| | | | | | |
|-----------------|---------|-----------|---|-----|------------------------------|
| Michael Walker | Elected | 2019-2022 | - | - | President |
| Marc Hodak | Elected | 2020-2023 | - | - | Vice-President |
| Matt Gauntt | Elected | 2019-2022 | - | - | Secretary/Treasurer |
| Michael Skelton | Elected | 2019-2022 | - | - | Director |
| Kim Lehere | Elected | 2020-2023 | - | - | Director |
| Ken Mitchell | Elected | 2020-2023 | - | - | Director |
| Kathryn Langley | Elected | 2021-2024 | - | - | Director |
| Jeff Stafford | Elected | 2021-2024 | - | 275 | Director, Investment Officer |
| Michael Bolton | Elected | 2021-2024 | - | - | Director |

Key Administrative Personnel:

| | | | | |
|----------------|------------|---|-------|-------------------------------|
| Chris Boyd | 2/21/2007 | - | 2,615 | General Manager |
| Alyssa Bennett | 2/14/2013 | - | 141 | Customer Service Manager |
| Dustin Blank | 9/4/2018 | - | 394 | Water Operations Manager |
| Aldo Zamora | 10/11/2004 | - | - | Wastewater Operations Manager |
| Teresa Hayduk | 3/9/2020 | - | 203 | Financial Services Manager |

Consultants:

| | | | | |
|--------------------------------|------|---------|---|-------------------|
| Mike Ward Accounting | 2018 | 20,000 | - | Auditor |
| Steger Bizell | 2009 | 853,760 | - | Engineer |
| Dunaway | 21 | 423,077 | - | Engineer |
| Specialized Public Finance Inc | 2008 | 1,000 | - | Financial Advisor |
| Robert Harris | 2014 | 33,650 | - | Attorney |
| The Carlton Law Firm PLLC | 2021 | 308,098 | - | Attorney |
| Baker Moran Doggett Ma & Dobbs | 2021 | 22,094 | - | Attorney |
| James A. Wilson & Associates | 2021 | 5,748 | - | Attorney |
| Blumenfeld & Sweeny, LLP | 2019 | 3,640 | - | HR Attorney |

INTERNAL CONTROL

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, 2022, 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 27, 2023.

Report on 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.

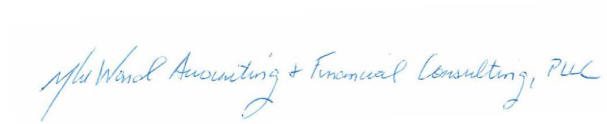
Report on Compliance and Other Matters

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,

A handwritten signature in blue ink that reads "Mike Ward Accounting & Financial Consulting, PLLC". The signature is written in a cursive style.

Mike Ward Accounting & Financial Consulting, PLLC

Point, Texas

February 27, 2023