



Mustang

SECOND TO NONE!

Mustang Special Utility District
2025 Annual Comprehensive Financial Report
Fiscal Year ended September 30, 2025

MUSTANG SPECIAL UTILITY DISTRICT

of Denton County, Texas

THE ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2025

General Manager
Chris Boyd



**MUSTANG SPECIAL UTILITY DISTRICT
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2025**

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INTRODUCTORY SECTION



February 23, 2026

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

Dear Board of Directors and Citizens:

The Annual Comprehensive Financial Report (ACFR) of the Mustang Special Utility District ("District"), for the year ended September 30, 2025, 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, 2025. 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 proudly serves a growing region in North Central Texas, spanning three counties—Denton, Collin, and Grayson.

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

ECONOMIC CONDITIONS AND OUTLOOK

Mustang has continued to experience strong growth due to the demand in the housing market. Residential developers continue to develop new subdivisions as sales have remained solid throughout FY2025. Commercial and retail development is continuing at a steady pace. The District anticipates that Mustang's customer base will maintain a 6-10% growth per year for the next few years.

MAJOR INITIATIVES COMPLETED

The District recently completed construction of a new \$7.5M well and pump facility at our Gunter Satellite Office. This new facility significantly enhances our capacity to deliver reliable water service to the growing community.

The District has completed construction of a replacement well at our legacy Plant 5 location. The \$4.6 million well strengthens our infrastructure capacity and ensures reliable water service for the growing community.

The District executed service agreements for approximately 5,000 additional homes in new master-planned communities in FY2025.

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, 2025, and the changes in financial position and cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

ACKNOWLEDGEMENTS

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

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

Respectfully submitted,

CHRIS BOYD
GENERAL MANAGER

**MUSTANG SPECIAL UTILITY DISTRICT
BOARD OF DIRECTORS
AS OF SEPTEMBER 30, 2025**

Michael Walker	President
Matt Gauntt	Vice President
Kim Lehere	Secretary
Michael Skelton	Director
Mark Millar	Director
Ken Mitchell	Director
Angela Zarallo	Director
Michael Bolton	Director
Jeff Stafford	Director, Investment Officer

ORGANIZATION STRUCTURE FY 25-26



BOARD OF DIRECTORS

GENERAL MANAGER

DIRECTOR OF WORKFORCE OPERATIONS	DIRECTOR OF CUSTOMER SUPPORT	DIRECTOR OF FINANCE	DIRECTOR OF OPERATIONS	DIRECTOR OF ENGINEERING & DEVELOPMENT	DIRECTOR OF REGULATORY COMPLIANCE
Human Resources	Customer Relations	Accounting	Water Operations	Development	Water Testing
Safety/Training	Utility Billing		Water Reclamation Operations	GIS	Cross-Connection Control
Risk Management	Meter Services	Budget		Fleet & Facilities	Engineering
Communications	Public Relations		Project Management		Inspection
				Construction	

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, 2025, 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, 2025, 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 the basic 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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 20, 2026, 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,

Mike Ward Accounting & Financial Consulting, PLLC

Mike Ward Accounting & Financial Consulting, PLLC
Point, Texas
February 20, 2026

MUSTANG SPECIAL UTILITY DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025

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, 2025. 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 \$510,865,470 (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 \$99,550,040, or 19%, of total net position. Restricted net position of \$15,403,841, or 3% of total net position, is restricted for debt service, escrowed funds, and District repairs.
- The District's total net position increased by \$93,159,160. A significant portion of this increase is attributable to capital contributions.
- Net investment in capital assets totaled \$395,911,589, or 77% 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, deferred outflows, liabilities, and net position. Net position is the difference between assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources. 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 the reasons behind that position.

**MUSTANG SPECIAL UTILITY DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025**

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. 101, "Compensated Absences." The Objective of this Statement is to better meet the needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements for this Statement are effective for fiscal years ending after December 31, 2024.

Statement No. 102, "Certain Risk Disclosures." The Objective of this Statement is to provide users of governmental financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements for this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

Statement No. 103, "Financial Reporting Model Improvements." The Objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements for this Statement are effective for fiscal years beginning after June 15, 2025.

Statement No. 104, "Disclosure of Certain Capital Assets." This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed by major class of underlying asset in the capital assets note disclosures.

**MUSTANG SPECIAL UTILITY DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025**

	Net Position	
	2025	2024
Current and other assets	\$ 167,474,063	\$ 145,388,421
Noncurrent assets	17,175,434	17,619,108
Capital assets	450,263,784	376,116,016
Total assets	634,913,281	539,123,545
Deferred outflows of resources-pension	1,097,948	1,268,323
Long-term liabilities	104,483,863	98,010,493
Current liabilities	20,279,496	24,301,917
Total liabilities	124,763,359	122,312,410
Deferred inflows of resources-pension	382,400	373,148
Net investment in capital assets	395,911,589	316,455,356
Restricted net position	15,403,841	17,212,210
Unrestricted net position	99,550,040	84,038,744
Total net position	\$ 510,865,470	\$ 417,706,310

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 \$510,865,470 as of September 30, 2025. The District's net position increased by \$93,159,160 for the fiscal year ended September 30, 2025. A significant amount of this increase is attributable to capital contributions.

Net investment in capital assets:

The largest portion of total net position, \$395,911,589, or 78%, 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 funds 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 \$15,403,841, or 3%, 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 \$99,550,040, or 19%, 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, 2025**

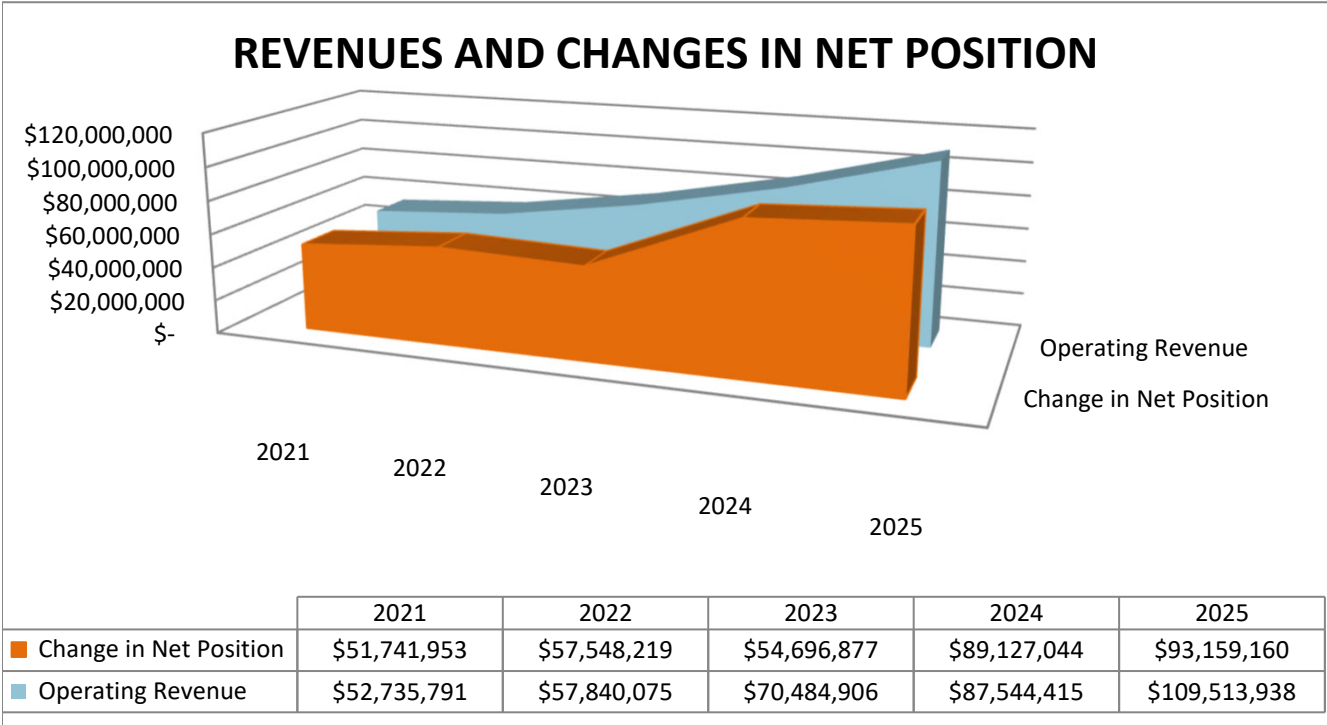
Changes in Net Position

	Business-type Activities		Total Percentage Change Favorable/ (Unfavorable)
	2025	2024	
REVENUES			
Program Revenues:			
Charges for sales and services:			
Water/wastewater sales	\$ 60,005,785	\$ 52,200,139	14.95%
Customer charges/fees	38,756,880	32,093,015	20.76%
Operating contracts	3,266,221	2,474,294	32.01%
General Revenues:			
Miscellaneous revenue	7,485,052	776,967	863.37%
Investment income	4,778,099	4,856,241	-1.61%
Gain on disposal of capital assets	75,111	785,309	-90.44%
Transfer of CCN	-	18,000,000	-100.00%
Donation of federal surplus	37,251	-	100.00%
Total revenues	114,404,399	111,185,965	2.89%
EXPENSES			
Operating expenses	75,389,700	64,592,841	-16.72%
Interest expense	3,292,194	2,983,345	-10.35%
Bond issuance costs	-	189,085	100.00%
Total expenses	78,681,894	67,765,271	-16.11%
Change in net position before contributions	35,722,505	43,420,694	-17.73%
Capital contributions	57,436,655	45,706,350	25.66%
Change in net position	93,159,160	89,127,044	4.52%
Net position - beginning of year	417,706,310	328,579,266	-27.12%
Net position - end of year	\$ 510,865,470	\$ 417,706,310	22.30%

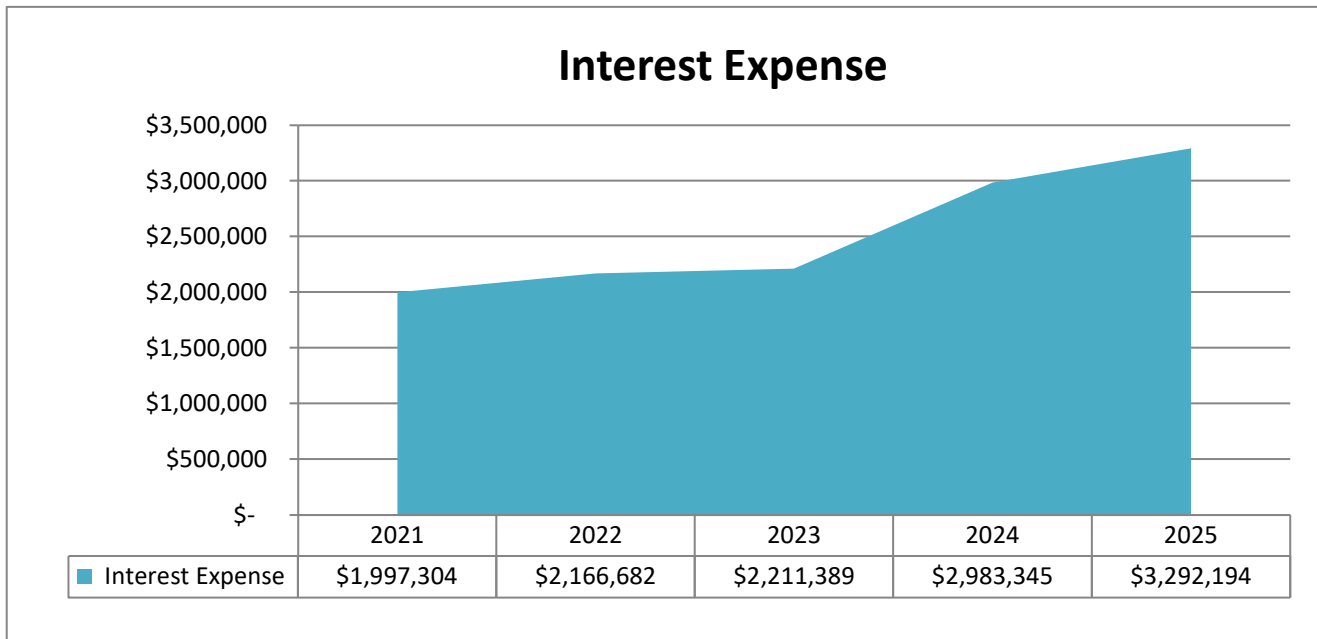
The District as a whole is primarily reliant on charges for services. Activities were 89% supported by charges for services and 11% of revenues were derived from other sources.

**MUSTANG SPECIAL UTILITY DISTRICT
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)
 CHART OF REVENUES AND CHANGE IN NET POSITION
 FOR THE YEARS ENDED SEPTEMBER 30, 2021 - 2025**

REVENUES AND CHANGES IN NET POSITION



CHANGE IN INTEREST EXPENSE



**MUSTANG SPECIAL UTILITY DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS(continued)
SEPTEMBER 30, 2025**

Capital Assets

The District's investment in capital assets as of September 30, 2025 totals \$450,263,784, 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 \$74,147,768 or 20%, from the prior fiscal year.

**Capital Assets
as of September 30, 2025
(Net of Accumulated Depreciation)**

	Business-type Activities		Total Percentage Change Increase/ (Decrease)
	2025	2024	
Land and improvements	\$ 2,873,275	\$ 2,873,275	-
Construction in progress	50,506,565	22,660,103	122.89%
Water/wastewater system	327,440,622	278,462,091	17.59%
Buildings and improvements	21,997,267	22,973,348	-4.25%
Furniture and equipment	688,662	988,124	-30.31%
Equipment	3,561,233	3,030,757	17.50%
Vehicles	3,586,953	2,196,454	63.31%
Intangible assets	39,609,207	42,931,864	-7.74%
Total	\$ 450,263,784	\$ 376,116,016	19.71%

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, 2025, the District has a total long-term debt outstanding of \$98,354,507. During the fiscal year, total debt decreased by \$3,433,996.

**Outstanding Debt
as of September 30, 2025**

	Business-type Activities		Total Percentage Change Increase/ (Decrease)
	2025	2024	
Bonds payable	\$ 91,824,480	\$ 94,798,013	-3.14%
Note payable	6,530,027	6,990,490	-6.59%
Total	\$ 98,354,507	\$ 101,788,503	-3.37%

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, 2025**

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 7.5% to 10%, and is expected to continue. 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 2026 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, 2025**

	Proprietary Fund
ASSETS	
Current assets:	
Cash, cash equivalents, and investments	\$ 83,533,391
Receivables, net of allowance for uncollectibles	12,408,569
Inventory	2,722,408
Prepays	38,324
Restricted cash, cash equivalents, and investments	63,662,704
Cash held for utility bills collected for other governments	5,108,667
Total current assets	167,474,063
Non-current assets:	
Note receivable	16,176,273
Net pension asset	999,161
Capital assets:	
Non-depreciable capital assets	53,379,840
Depreciable capital assets, net	357,274,737
Intangible assets:	
Organizational costs, net of accumulated amortization	129,316
Present service capacity, net of accumulated amortization	39,479,891
Total capital and intangible assets, net of accum. depreciation	450,263,784
Total non-current assets	467,439,218
Total Assets	634,913,281
DEFERRED OUTFLOW OF RESOURCES	
Deferred outflow of resources-pension	1,097,948
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 2,289,131
Current portion of compensated absences	163,114
Payable from restricted assets:	
Accrued interest payable	281,335
Customer deposits	9,523,100
Current portion of notes payable	918,217
Current portion of bonds payable	3,082,333
Utility bills collected for other governments	4,022,266
Total current liabilities	20,279,496
Noncurrent liabilities:	
Compensated absences	69,906
Developer construction deposit escrow	10,060,000
Note payable	5,611,810
Bonds payable, net of premium	88,742,147
Total noncurrent liabilities	104,483,863
Total Liabilities	124,763,359
DEFERRED INFLOW OF RESOURCES	
Deferred inflow of resources-pension	382,400
NET POSITION	
Net investment in capital assets	395,911,589
Restricted net position:	
Debt servicing	13,551,538
Escrowed funds	792,680
Net pension asset	999,161
District repairs	60,462
Unrestricted net position	99,550,040
Total Net Position	\$ 510,865,470

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, 2025**

	Proprietary Fund
OPERATING REVENUES	
Charges for Sales and Services:	
Water/wastewater sales	\$ 60,005,785
Customer charges/fees	38,756,880
Operating contracts	3,266,221
Miscellaneous income	7,485,052
Total operating revenues	<u>109,513,938</u>
OPERATING EXPENSES	
Operation and Maintenance:	
Personnel costs and benefits	13,995,749
Water/wastewater systems	29,110,151
Other operating costs	6,472,285
Professional and legal fees	1,963,174
Insurance	462,050
Depreciation and amortization	23,386,291
Total operating expenses	<u>75,389,700</u>
Operating income (loss)	<u>34,124,238</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	4,778,099
Donation of federal surplus	37,251
Gain on sale of assets	75,111
Interest expense	(3,292,194)
Total non-operating revenues (expenses)	<u>1,598,267</u>
Net income (loss) before contributions	35,722,505
CAPITAL CONTRIBUTIONS	
Developer contributions	57,436,655
Total capital contributions	<u>57,436,655</u>
Change in net position	93,159,160
Net position - beginning of year	417,706,310
Net position - end of year	<u><u>\$ 510,865,470</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, 2025**

	Proprietary Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 98,404,569
Cash received from other sources	9,485,056
Utility bills collected for other governments	
Utility bills passed on to other governments	
Cash paid to employees	(14,372,448)
Cash paid to suppliers	(30,718,494)
Net cash provided by (used for) operating activities	<u>62,798,683</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Net Cash Flows From Noncapital Financial Activities	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(97,534,062)
Gain on sale of assets	75,111
Interest paid on note and bonds payable	(3,292,194)
Principal paid on debt	(3,433,996)
Developer contributions	57,473,906
Net cash provided by (used for) capital and related financing activities	<u>(46,711,235)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	4,778,099
Net cash provided by investing activities	<u>4,778,099</u>
Net increase (decrease) in cash and cash equivalents	20,865,547
Cash and cash equivalents at beginning of year	131,439,215
Cash and cash equivalents at end of year	<u>\$ 152,304,762</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 34,124,238
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	23,386,291
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Receivables	(867,642)
Prepaid items	275,385
Inventory	372,162
Increase (decrease) in liabilities:	
Accounts payable	6,641,623
Customer deposits	(756,675)
Pension liability	(376,699)
Total adjustments	<u>28,674,445</u>
Net cash provided (used) by operating activities	<u>\$ 62,798,683</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, 2025**

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, 2025.

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, 2025, 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.

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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

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

4. Financial Statement Amounts

a. Cash, 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.

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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, 2023. 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. Differences between expected or actual experience will be amortized over the weighted average remaining service life of all participants and are recorded as a component of pension expense beginning with the period in which they are incurred.

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

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

l. Net Position

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

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

m. Deferred Outflows/Inflows of Resources

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

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

n. Net Position of Flow Assumption

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

o. Comparative Data

Comparative total data for the current year to the budget 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.

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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 SouthState 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 \$67,556,460.

As of September 30, 2025, the carrying amount of the District's cash deposits was \$65,831,023 and the respective bank balances totaled \$61,626,162. The Districts cash on hand totaled \$2,500 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 Texas; 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.

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

The District's deposit and investment balances as of September 30, 2025 were as follows:

Investments	Carrying Value	WAM (days)	Credit Risk
Deposits (including petty cash \$	63,244,184	0.44	Fully collateralized
Government Pools:			
TexSTAR	50,003,103	49	AAAm
LOGIC	34,782,100	54	AAAm
Texpool	1,200,277	44	AAAm
TexPool Prime	485,559	51	AAAm
Certificates of Deposit	2,589,539	5.2	FDIC Insured
Total Portfolio	<u>\$ 152,304,762</u>		

Portfolio WAM (days) 29.20

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 vender 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	\$ 13,551,538
Capital Project, required by bond covenants	44,002,312
Escrowed Funds	792,680
Repair & Replacement accounts, required by bond covenants	60,462
Customer Deposits	5,255,712
Total Restricted Cash and Investments	<u>\$ 63,662,704</u>

d. Interest Rate Risk & Credit Risk

In compliance with the District's Investment Policy, as of September 30, 2025, 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, 2025, 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, 2025, 59% of the District's holdings are in the following: LOGIC (23%), TexSTAR (33%), 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, 2025, 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 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:	2025
Fees & Services - Mustang	\$ 12,803,874
Allowance for uncollectible	(395,305)
Net Receivables	<u>\$ 12,408,569</u>

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

E. CAPITAL ASSETS

Capital asset activity for the period ended September 30, 2025 is as follows:

	Beginning Balances	Transfer	Additions	Retirements	Ending Balances
Business-type Activities					
Capital assets, not being depreciated					
Land	\$ 2,873,275	\$ -	\$ -	\$ -	\$ 2,873,275
Construction in Progress	22,660,103	-	35,367,980	(7,521,518)	50,506,565
Total capital assets, not being depreciated	25,533,378	-	35,367,980	(7,521,518)	53,379,840
Capital assets, being depreciated					
Water Distribution System	356,457,332	-	65,658,342	-	422,115,674
Buildings and Improvements	25,315,805	-	68,112	-	25,383,917
Furniture and Equipment	1,616,181	(121,040)	7,759	-	1,502,900
Master Studies	137,977	-	-	-	137,977
Equipment	5,081,854	98,132	1,512,443	-	6,692,429
Vehicles	4,932,654	(188,297)	2,440,942	-	7,185,299
Intangible Assets	65,436,514	-	-	-	65,436,514
Total assets being depreciated	458,978,317	(211,205)	69,687,598	-	528,454,710
Less accumulated depreciation for:					
Water Distribution System	(77,995,241)	-	(16,679,811)	-	(94,675,052)
Buildings and Improvements	(2,342,457)	-	(1,044,193)	-	(3,386,650)
Furniture and Equipment	(630,196)	22,191	(206,233)	-	(814,238)
Master Studies	(135,838)	-	(2,139)	-	(137,977)
Equipment	(2,051,097)	717	(1,080,816)	-	(3,131,196)
Vehicles	(2,736,200)	188,297	(1,050,443)	-	(3,598,346)
Intangible Assets	(22,504,650)	-	(3,322,657)	-	(25,827,307)
Total accumulated depreciation	(108,395,679)	211,205	(23,386,292)	-	(131,570,766)
Total capital assets, being depreciated, net	350,582,638	-	46,301,306	-	396,883,944
Business-type activities capital assets, net	\$376,116,016	\$ -	\$81,669,286	\$ (7,521,518)	\$450,263,784

F. AMORTIZATION OF INTANGIBLE ASSETS

Organizational costs and present service capacity costs, including the accumulated amortization, are shown below.

Amortization is on a straight-line basis over 30 years for organizational costs and present service capacity.

	Beginning Balance	Total Prior Years Amortization	Current Year Current Year Additions	Current Year Amortization Expense	Ending Balance
Organizational Costs	\$ 129,316	\$ 4,659	\$ -	\$ (4,659)	\$ 129,316
Present Service Capacity	65,307,198	(22,509,310)	-	(3,317,997)	39,479,891
	\$ 65,436,514	\$(22,504,651)	\$ -	\$(3,322,656)	\$ 39,609,207

G. LONG-TERM DEBT OBLIGATIONS

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2025 is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Business-type Activities					
Bonds payable:					
Revenue bonds	\$ 93,239,048	\$ -	\$ (2,917,100)	\$ 90,321,948	\$ 3,082,333
Plus deferred amounts:					
Bond premium	1,558,965	-	(56,433)	1,502,532	-
Total bonds payable	94,798,013	-	(2,973,533)	91,824,480	3,082,333
Notes payable	6,990,490	-	(460,463)	6,530,027	918,217
Compensated absences	201,067	341,814	(309,861)	233,020	163,114
Business-type activity Long-term liabilities	\$101,989,570	\$ 341,814	\$(3,743,857)	\$ 98,587,527	\$ 4,163,664

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Bonds payable:

Revenue Bonds	Interest Rate Payable	Amounts			Amounts		Due Within One Year
		Original Issue	Outstanding September 30, 2024	Issued/ Assumed	Retired	Outstanding September 30, 2025	
Series 2014	3% to 6%	1,505,000	1,130,000	-	(60,000)	1,070,000	65,000
Series 2016	2.875%	2,442,000	2,154,000	-	(39,000)	2,115,000	40,000
Series 2016A	2.750%	11,700,000	8,880,448	-	(212,000)	8,668,448	218,000
Series 2017	3.00%	4,055,000	1,380,000	-	(365,000)	1,015,000	385,000
Series 2017B	.18% to 2.37%	3,555,000	2,860,000	-	(100,000)	2,760,000	100,000
Series 2018A	4% to 5%	16,265,000	13,845,000	-	(480,000)	13,365,000	505,000
Series 2018B	5.22%	1,000,000	960,000	-	(10,000)	950,000	10,000
Series 2020	2.00%	31,135,000	28,570,000	-	(1,245,000)	27,325,000	1,280,000
Series 2023	3.2% to 4.375%	27,900,000	27,900,000	-	-	27,900,000	-
Series 2012	1.47%	1,435,000	340,000	-	(165,000)	175,000	175,000
Series 2010-Gunter	.075% to 2.480%	424,600	148,200	-	(23,700)	124,500	24,300
Series 2010-Marilee	.075% to 2.480%	849,200	296,400	-	(47,400)	249,000	48,600
Series 2018-Gunter	.160% to 2.07%	2,300,000	1,670,000	-	(105,000)	1,565,000	110,000
Series 2018A-Gunte	.089% to 2.610%	3,415,000	3,105,000	-	(65,000)	3,040,000	65,000
Subtotal		107,980,800	93,239,048	-	(2,917,100)	90,321,948	3,025,900
Add deferred amounts:							
Bond Premium/Discount		1,797,403	1,558,965	-	(56,433)	1,502,532	56,433
Total bonds payable		\$109,778,203	\$94,798,013	\$-	\$(2,973,533)	\$91,824,480	\$3,082,333

Bonded debt service requirements are as follows:

Year Ended September 30	Principal	Interest	Total Requirements
2026	3,082,333	2,955,225	\$ 6,037,558
2027	3,287,133	2,854,037	6,141,170
2028	3,406,933	2,740,913	6,147,846
2029	3,501,733	2,634,568	6,136,301
2030	3,602,533	2,525,154	6,127,687
2031 to 2035	18,268,165	10,915,957	29,184,122
2036 to 2040	20,757,165	7,889,593	28,646,758
2041 to 2045	15,417,165	4,892,629	20,309,794
2046 to 2050	13,736,165	2,509,760	16,245,925
2051 to 2055	6,600,155	514,662	7,114,817
2056 to 2058	165,000	17,748	182,748
Totals	\$ 91,824,480	\$ 40,450,246	\$ 132,274,726

A brief discussion of each bond issuance is as follows:

\$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, 2025**

\$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.

\$27,900,000 Series 2023 Revenue Bonds issued to (i) finance properties, facilities, plants, implements, equipment, interest in land needed for the water infrastructure serving new subdivisions and (ii) fund the 2023 Reserve Fund. In addition, proceeds of the Bonds will be use to pay certain other costs issuance of the Bonds.

\$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.

\$424,600 Series 2010 Revenue Bonds issued by the City of Gunter, Texas to obtain water storage rights. This debt obligation was assumed by Mustang Special Utility District during the 2023 fiscal year as part of a City of Gunter, Texas utility consolidation with Mustang Special Utility District. The portion assumed by the City of Gunter, Texas represents 2% of the total \$21,230,000 debt obligation shared by various municipalities.

\$849,200 Series 2010 Revenue Bonds issued by Marilee Special Utility District to obtain water storage rights. 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. The portion assumed by Marilee Special Utility District represents 4% of the total \$21,230,000 debt obligation shared by various municipalities

\$2,300,000 Series 2018 Contract Revenue Bonds issued by the City of Gunter, Texas. The debt obligation was assumed in fiscal year Mustang Special Utility District as part of the City of Gunter, Texas utility consolidation with Mustang Special Utility District. The balance fiscal year 2023 was \$1,818,750.

\$3,415,000 Series 2018A Contract Revenue Bonds issued by the City of Gunter, Texas. The debt obligation was assumed in fiscal year Mustang Special Utility District as part of the City of Gunter, Texas utility consolidation with Mustang Special Utility District. The balance fiscal year 2023 was \$3,195,833.

Notes Payable

Note Payable	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30, 2024	Issued/ Refunded	Retired	Amounts Outstanding September 30, 2025	Due Within One Year
UTRW District	6.00%	\$ 2,202,850	\$ 496,145	\$ -	\$ (100,635)	\$ 395,510	\$ 395,510
Little Elm	0.00%	1,000,000	100,000	-	(100,000)	-	-
City of Aubrey, Texa	8.44%	2,794,820	2,455,574	-	(71,259)	2,384,315	175,568
Savannah	0.00%	1,755,677	702,271	-	(175,569)	526,702	76,306
City of Gunter, Texa:	0.00%	3,250,000	3,236,500	-	(13,000)	3,223,500	270,833
TOTAL		\$ 11,003,347	\$ 6,990,490	\$ -	\$ (460,463)	\$ 6,530,027	\$ 918,217

Note payable debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2026	918,217	201,483	1,119,700
2027	529,634	194,525	724,159
2028	535,943	187,435	723,378
2029	367,302	179,810	547,112
2030	375,491	171,591	547,082
2031 to 2035	2,531,244	709,130	3,240,374
2036 to 2040	974,056	377,687	1,351,743
2041 to 2045	298,140	72,541	370,681
Totals	\$ 6,530,027	\$ 2,094,202	\$ 8,624,229

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

A brief discussion of each note issuance is as follows:

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.

In Fiscal Year 2023, the District purchased from the City of Gunter, Texas the City's water supply, treatment, and distribution purchase, a note was issued by Mustang Special Utility District for \$3,250,000. The note mature in fiscal year 2035.

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, 2025, the District's related obligation totaled \$9,523,100.

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 an 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, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Current Active Members	129
Current Inactive employees	107
Current Retirees and Beneficiaries	1
Total	<u><u>237</u></u>

The District's net pension liability ("NPL") was measured as of December 31, 2024, and the total pension liability ("TPL") used to calculate the NPL was determined by an actuarial valuation as of that date.

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Actuarial assumptions:

The TPL in the December 31, 2024 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%

The payroll growth assumption is for the aggregate covered payroll of an employer.

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 2025 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	13.00%	5.35%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	25.00%	8.15%
Global Equities	MSCI World (net) Index	4.00%	5.15%
International Equities - Developed	MSCI World Ex USA (net) Index	6.00%	4.75%
International Equities - Emerging	MSCI Emerging Markets (net) Index	0.00%	4.75%
Investment Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.55%
Strategic Credit	FTSE High-Yield Cash-Play Index	9.00%	3.70%
Direct Lending	S&P/LSTA Leveraged Loan TR USD Index	16.00%	6.85%
Distressed Debt	Cambridge Associates Distressed Securities Ind	4.00%	6.80%
REIT Equities	67% FTSE NAREIT All Equity REIT's + 33% S&I Global REIT (net) Index	2.00%	3.95%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	4.95%
Commodities	Bloomberg Commodities Index	2.00%	1.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	5.75%
Hedge Funds	HFR, Inc. Fund of Funds Composite Index	6.00%	3.60%
Cash Equivalents	90-Day U.S. Treasury	2.00%	1.10%

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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, 2023	\$ 5,098,821	\$ 5,541,656	\$ (442,835)
Changes for the year:			
Service cost	933,470		933,470
Interest on total pension liability	451,762		451,762
Effect on plan changes	-		-
Effect of economic/demographic gains or losses	(93,330)		(93,330)
Effect of assumptions changes or inputs	-		-
Refund of contributions	(175,055)	(175,055)	-
Benefit payments	(4,327)	(4,327)	-
Administrative expenses	-	(3,925)	3,925
Member contributions	-	582,425	(582,425)
Net investment income	-	586,654	(586,654)
Employer contributions	-	624,859	(624,859)
Other	-	58,215	(58,215)
Balances as of December 31, 2024	\$ 6,211,341	\$ 7,210,502	\$ (999,161)

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:

	Current		
	1% Decrease 6.60%	Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	\$ 7,461,699	\$ 6,211,341	\$ 5,228,056
Fiduciary net position	7,210,502	7,210,502	7,210,502
Net pension liability / (asset)	\$ 251,197	\$ (999,161)	\$ (1,982,446)

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

Pension expense / (income)	January 1, 2024 to December 31, 2024
Service Cost	\$ 933,470
Interest on total pension liability	451,762
Effect on plan changes	-
Administrative expenses	3,925
Member contributions	(582,425)
Expected investment return net of investment expenses	(461,536)
Recognition of deferred inflows/outflows or resources	
Recognition of economic/demographic gains or losses	23,059
Recognition of assumption changes or inputs	28,346
Recognition of investment gains or losses	(21,341)
Other	(58,215)
Pension expense / (income)	\$ 317,045

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

As of December 31, 2024, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 124,958	\$ 267,806
Changes of assumptions	-	84,557
Net difference between projected and actual earnings	19,648	-
Contributions made subsequent to measurement date	N/A	507,791

Deferred outflows of resources of \$507,791 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:		
	2025	\$ 30,450
	2026	164,388
	2027	34,663
	2028	(21,744)
	2029	-
**	Thereafter	-
	Total	207,757

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

J. HEALTH CARE COVERAGE

During the year ended September 30, 2025, the employees of the District were covered by a health insurance plan. The District contributed an average of \$1,682 for health and \$33 for dental per month per employee for the year ended September 30, 2025. 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 20, 2026.

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, 2025 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.

**MUSTANG SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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, 2025. Commitments for these projects in progress are composed of the following:

	Total Contracts	Remaining Commitment
Cottonwood Well 1	\$ 3,523,590	\$ 937,929
Cottonwood Well 2	3,267,590	2,550,145
Cottonwood 1.5MG EST & Site Improvements	11,468,660	8,092,906
Cottonwood WRF Ph. 1	16,186,234	14,075,029
Gunter Branch Well Completion and Site Imp	2,798,084	270,999
Houlihan Pump Station Upgrade	2,069,916	1,439,954
Temple Dane Well	2,957,780	583,127
Temple Dane Pump Station Upgrade	7,027,850	4,190,541
Silverado 750 GST	1,895,212	1,564,638
Gunter Branch Well, 1.5MG EST	5,434,000	1,546,895
Stanley Creek Onsite LS-MSUD Share	3,645,672	3,205,997
Total	<u>\$ 60,274,588</u>	<u>\$ 38,458,160</u>

O. RELATED PARTY TRANSACTIONS

The District has not identified any material related party transactions occurring during the fiscal year ending September 30, 2025.

P. SUBSEQUENT EVENTS

The District has evaluated all events or transactions that occurred after September 30, 2025 up through February 20, 2026, 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, 2025**

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

	12/31/2024	12/31/2023	12/31/2022	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	\$ 933,470	\$ 652,628	\$ 408,602	\$ 420,182	\$ 328,663	\$ 238,564	\$ 194,855	\$ 172,832	\$ 109,691	\$ 89,543	\$ 57,029
Interest on total pension liability	451,762	355,478	268,515	239,046	189,179	145,596	125,240	101,221	70,554	55,071	34,762
Effect of plan changes											
Effect of assumption changes or inputs	-	-	-	687	225,113	-	(66,179)	560	-	8,170	-
Effect of economic/demographic (gains) or losses	(93,330)	131,659	298,032	(210,095)	24,959	86,644		51,600	60,456	(6,215)	124,732
Benefit payments/refunds of contributions	(179,382)	(128,962)	(22,812)	(77,188)	(23,051)	(22,625)	(69,093)	(35,001)	(9,835)	(3,570)	(14,462)
Net change in total pension liability	1,112,520	1,010,803	952,337	372,632	744,863	448,179	184,823	291,212	311,343	154,567	236,803
Total pension liability, beginning	5,098,821	4,088,018	3,135,681	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	\$ 6,211,341	\$ 5,098,821	\$ 4,088,018	\$ 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	\$ 624,859	\$ 447,384	\$ 403,976	\$ 237,797	\$ 172,005	\$ 151,810	\$ 119,795	\$ 309,253	\$ 75,194	\$ 43,002	\$ 79,412
Member contributions	582,425	439,844	313,507	246,605	188,425	162,991	125,346	104,651	60,252	53,088	44,875
Investment income net of investment expenses	586,654	476,764	(279,433)	639,654	220,987	258,105	(24,447)	137,118	53,108	(11,040)	32,743
Benefit payments/refunds of contributions	(178,980)	(128,962)	(22,812)	(77,187)	(23,051)	(22,625)	(69,093)	(35,001)	(9,835)	(3,570)	(14,462)
Administrative expenses	(4,326)	(2,894)	(2,502)	(2,032)	(1,975)	(1,625)	(1,264)	(943)	(577)	(487)	(432)
Other	58,214	39,674	100,943	12,279	10,195	10,300	5,387	5,069	10,402	(58)	(31)
Net change in fiduciary net position	1,668,846	1,271,810	513,679	1,057,116	566,586	558,956	155,724	520,147	188,544	80,935	142,105
Fiduciary net position, beginning	5,541,656	4,269,846	3,756,167	2,699,051	2,132,465	1,573,509	1,417,785	897,638	709,094	628,159	486,054
Fiduciary net position, ending	\$ 7,210,502	\$ 5,541,656	\$ 4,269,846	\$ 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)	\$ (999,161)	\$ (442,835)	\$ (181,828)	\$ (620,486)	\$ 63,998	\$ (114,279)	\$ (3,502)	\$ (32,601)	\$ 196,334	\$ 73,535	\$ (97)
Fiduciary net position as a % of total pension liability	116.09%	108.69%	104.45%	119.79%	97.68%	105.66%	100.22%	102.35%	82.05%	90.60%	100.02%
Pensionable covered payroll	\$ 8,320,352	\$ 6,283,489	\$ 4,478,668	\$ 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	-12.01%	-7.05%	-4.06%	-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.

**MUSTANG SPECIAL UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

SCHEDULE OF EMPLOYER CONTRIBUTIONS (1)

Fiscal	Actuarially	Actual Employer	Contribution	Pensionable	Actual Contribution as a % of
Year Ending	Determined	Contribution	Deficiency	Covered Payroll	Covered Payroll
September 30,	Contribution	Contribution	(Excess)	Covered Payroll	Covered Payroll
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%
2023	438,317	438,317	-	5,772,841	7.6%
2024	577,532	577,532	-	7,791,291	7.4%
2025	693,743	693,743	-	9,319,604	7.4%

(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 (Level percentage of pay)
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	0.00 years (based on contribution rate calculated in 12/31/2024 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.

2022: New investment return and inflation 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.

2022: No changes in plan provisions were reflected in the Schedule.

2023: No changes in plan provisions were reflected in the Schedule.

2024: 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, 2025**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for Sales and Services:				
Water/wastewater sales	\$ 62,087,800	\$ 62,087,800	\$ 60,005,785	\$ (2,082,015)
Customer charges/fees	33,651,800	33,651,800	38,756,880	5,105,080
Operating contracts	3,021,735	3,021,735	3,266,221	244,486
Other revenues	7,219,761	7,219,761	7,485,052	265,291
Total operating revenues	105,981,096	105,981,096	109,513,938	3,532,842
OPERATING EXPENSES				
Operation and Maintenance:				
Personnel costs and benefits	17,202,035	17,202,035	13,995,749	3,206,286
Water / Wastewater systems	32,444,495	32,444,495	29,110,151	3,334,344
Other operating costs	12,439,526	12,439,526	6,472,285	5,967,241
Professional and legal fees	2,108,814	2,108,814	1,963,174	145,640
Insurance	371,035	371,035	462,050	(91,015)
Depreciation and amortization	-	-	23,386,291	(23,386,291)
Total operating expenses	64,565,905	64,565,905	75,389,700	(10,823,795)
Operating income (loss)	41,415,191	41,415,191	34,124,238	(7,290,953)
NON-OPERATING REVENUES (EXPENSES):				
Investment income	4,590,400	4,590,400	4,778,099	187,699
Gain (loss) on sale of assets	-	-	75,111	75,111
Interest expense	(3,119,750)	(3,119,750)	(3,292,194)	(172,444)
Total non-operating revenues (expenses)	1,470,650	1,470,650	1,598,267	127,617
Net income (loss) before contributions	42,885,841	42,885,841	35,722,505	(7,163,336)
CAPITAL CONTRIBUTIONS				
Developer contributions	-	-	57,436,655	57,436,655
Total capital contributions	-	-	57,436,655	57,436,655
Change in net position	42,885,841	42,885,841	93,159,160	50,273,319
Net position - beginning of year	417,706,314	417,706,314	417,706,310	
Net position - end of year	\$ 460,592,155	\$ 460,592,155	\$ 510,865,470	

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

STATISTICAL SECTION
(UNAUDITED)

STATISTICAL SECTION (UNAUDITED)

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

<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 Comprehensive Annual Financial Reports for the relevant year.

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

Table 1

	FISCAL YEAR			
	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	2023
Business-type activities:				
Net investment in capital assets	\$ 132,044,721	\$ 127,287,468	\$ 168,951,363	\$ 251,113,941
Restricted	4,933,480	29,522,282	28,785,440	13,891,041
Unrestricted	27,614,021	59,524,425	76,145,585	63,574,283
Total business-type activities net position	<u>\$ 164,592,222</u>	<u>\$ 216,334,175</u>	<u>\$ 273,882,388</u>	<u>\$ 328,579,265</u>

	FISCAL YEAR	
	2024	2025
Business-type activities:		
Net investment in capital assets	\$ 316,455,356	\$ 395,911,589
Restricted	17,212,210	15,403,841
Unrestricted	84,038,743	99,550,040
Total business-type activities net position	<u>\$ 417,706,309</u>	<u>\$ 510,865,470</u>

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

Table 2

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
OPERATING REVENUES										
Charges for sales and services:										
Water/Wastewater Sales	\$ 6,438,808	\$ 7,522,097	\$ 10,608,709	\$ 12,952,158	\$ 17,145,129	\$ 24,057,470	\$ 36,265,691	\$ 43,759,211	\$ 52,200,139	\$ 60,005,785
Customer Charges/Fees	3,955,411	3,528,666	9,221,988	11,857,954	17,457,720	26,315,808	21,050,261	22,919,534	32,093,015	38,756,880
Operating Contracts	1,535,456	2,166,540	2,409,426	3,776,050	4,526,072	2,090,383	231,490	2,475,632	2,474,294	3,266,221
Miscellaneous	16,606	63,383	51,623	101,911	217,761	272,130	292,633	1,330,529	776,967	7,485,052
Total Operating Revenues	11,946,281	13,280,686	22,291,746	28,688,073	39,346,682	52,735,791	57,840,075	70,484,906	87,544,415	109,513,938
OPERATING EXPENSES										
Personnel Costs and Benefits	1,355,214	1,614,456	2,128,832	2,539,914	3,765,423	4,639,357	5,833,605	8,037,434	11,788,296	13,995,749
Water/Wastewater Systems	4,064,515	4,845,654	6,029,757	8,200,434	10,465,651	14,491,449	17,747,669	21,449,669	26,169,545	29,110,151
Other Operating Costs	440,374	495,296	598,139	788,426	1,006,909	1,043,979	2,178,812	3,123,287	5,688,029	6,472,285
Professional and Legal Fees	431,786	447,757	421,043	316,648	406,740	369,021	1,173,851	700,365	1,319,474	1,963,174
Insurance	363,093	368,134	547,740	557,370	81,090	110,853	186,316	200,512	306,080	462,050
Depreciation & Amortization	3,595,922	3,067,136	4,050,728	4,745,043	9,100,388	11,132,163	13,598,899	15,881,687	19,321,417	23,386,291
Total Operating Expenses	10,250,904	10,838,433	13,776,239	17,147,835	24,826,201	31,786,822	40,719,152	49,392,954	64,592,841	75,389,700
Operating Income (Loss)	1,695,377	2,442,253	8,515,507	11,540,238	14,520,481	20,948,969	17,120,923	21,091,952	22,951,574	34,124,238
NON-OPERATING REVENUES (EXPENSES):										
Investment Income	59,298	118,408	215,852	613,637	449,771	230,752	540,671	3,080,203	4,856,241	4,778,099
Donation of federal surplus	-	-	-	-	-	319,443	226,595	46,645	-	37,251
Sale of Fixed Assets	425,618	94,558	(1,028,940)	-	-	56,151	33,175	-	785,309	75,111
Interest Expense	(556,143)	(765,969)	(140,257)	(1,575,482)	(1,645,283)	(1,997,304)	(2,166,682)	(2,211,389)	(2,983,345)	(3,292,194)
Bond Issuance Costs	-	-	-	(189,827)	-	(192,858)	-	-	(189,084)	-
Transfer to CCN	1,668,838	375,000	-	-	-	-	-	-	18,000,000	-
Total Non-Operating Revenues (Expenses)	1,597,611	(178,003)	(953,345)	(1,151,672)	(1,195,512)	(1,583,816)	(1,366,241)	915,459	20,469,121	1,598,267
Change in Net Position Before Capital Contributions	3,292,988	2,264,250	7,562,162	10,388,566	13,324,969	19,365,153	15,754,682	22,007,412	43,420,695	35,722,505
CAPITAL CONTRIBUTIONS										
Developer Contributions	7,813,577	7,488,680	19,914,422	49,469,515	14,894,495	32,376,800	22,895,346	32,689,465	45,706,350	57,436,655
Consolidation Contribution	-	-	-	-	-	-	18,898,191	-	-	-
Total Capital Contributions	7,813,577	7,488,680	19,914,422	49,469,515	14,894,495	32,376,800	41,793,537	32,689,465	45,706,350	57,436,655
Change in Net Position	11,106,565	9,752,930	27,476,584	59,858,081	28,219,464	51,741,953	57,548,213	54,696,877	89,127,045	93,159,160
Net position - Beginning of year	27,831,398	38,937,963	48,690,893	76,167,477	136,025,558	164,592,222	216,334,175	273,882,388	328,579,265	417,706,310
Prior Period Adjustments	-	-	-	-	347,200	-	-	-	-	-
Net Position - Adjusted Beginning of year	27,831,398	38,937,963	48,690,893	76,167,477	136,372,758	164,592,222	216,334,175	273,882,388	328,579,265	417,706,310
Net Position - End of year	\$ 38,937,963	\$ 48,690,893	\$ 76,167,477	\$ 136,025,558	\$ 164,592,222	\$ 216,334,175	\$ 273,882,388	\$ 328,579,265	\$ 417,706,310	\$ 510,865,470

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

Table 3

Fiscal Year Ended Sept. 30	Water	Wastewater	Other*	Total
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	24,101,650	12,164,041	21,574,384	57,840,075
2023	28,566,982	15,192,229	26,725,695	70,484,906
2024	33,538,223	18,661,916	35,344,276	87,544,415
2025	37,881,353	22,124,432	49,508,153	109,513,938

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

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

Table 4

<u>Fiscal Year</u>	<u>Water Rate/ Thousand Gallons</u>	<u>Wastewater Monthly Revenue/Customer</u>
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
2023	3.75	59.87
2024	3.95	62.86
2025	4.15	62.86

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	2025			2016		
	Water Revenue Received	Rank	Percentage of Total Water Revenue	Water Revenue Received	Rank	Percentage of Total Water Revenue
Centennial Luxe	\$ 314,694	1	0.83%			
Villages 3Eighty	252,712	2	0.67%			
Mansions at Oak Point	246,611	3	0.65%			
Park 3Eighty	239,789	4	0.63%			
Spiritas Ranch HOA	239,676	5	0.63%			
The Landing At Little Elm	232,587	6	0.61%			
Prose Magnolia	181,159	7	0.48%			
Savannah HOA	120,833	8	0.32%			
Take 5 Car Wash	120,662	9	0.32%			
Denton ISD	114,229	10	0.30%			
Midway Water				57,851	1	1.35%
Holt Texas, LTD				46,408	2	1.08%
Walmart				46,221	3	1.08%
Crossroads Crossing				42,689	4	1.00%
Denton ISD (Middle School)				23,383	5	0.55%
Dennis Prince				18,215	6	0.42%
North Texas Bells, LLC				18,043	7	0.42%
Charlie Musgrave				15,718	8	0.37%
LDS Church				14,020	9	0.33%
Roger Daly				12,998	10	0.30%
Total attributable to ten largest payers:	<u>\$ 2,062,952</u>		<u>5.45%</u>	<u>\$ 295,546</u>		<u>6.90%</u>
Total Water Revenue	<u>\$ 37,881,353</u>		<u>100.00%</u>	<u>\$ 4,286,264</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	Notes Payable	Total Indebtedness	Total Customers	Debt Per Customer
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
2023	69,789,846	7,577,097	77,366,943	31,118	2,486
2024	94,798,013	6,990,490	101,788,503	34,667	2,936
2025	91,824,480	6,530,027	98,354,507	37,498	2,623

Source: Mustang Special Utility District

**MUSTANG SPECIAL UTILITY DISTRICT
REVENUE BOND COVERAGE
CURRENT AND 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
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
2023	74,611,754	33,511,267	41,100,488	4,787,156	8.59
2024	93,185,965	45,271,424	47,914,541	6,008,174	7.97
2025	114,404,399	52,003,409	62,400,990	6,037,558	10.34

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

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

(3) Includes principal and interest of revenue bonds

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

Table 8

<u>Fiscal Year</u>	<u>Water</u>	<u>Wastewater</u>
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	21,133
2023	31,118	24,075
2024	34,667	27,385
2025	37,498	29,204

Source: Mustang Special Utility District

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

Table 9

Fiscal Year	Estimated Population Denton County	Personal Income Denton County (in Thousands)	Per Capita Income Denton County	Median Age Denton County	Unemployment Rate Denton County
2016	784,840	40,287,407	51,332	36.7	3.7%
2017	814,560	42,301,777	51,932	34.5	3.1%
2018	836,210	44,416,866	53,117	not available	3.1%
2019	859,064	46,637,709	54,289	35.8	2.8%
2020	915,673	48,969,595	53,479	not available	6.6%
2021	933,220	51,418,075	55,097	36.0	3.9%
2022	976,720	64,759,448	66,303	36.8	2.9%
2023	1,010,705	72,721,863	50,470	29.9	4.1%
2024	1,037,646	78,331,983	52,909	36.5	3.7%
2025	not available	not available	not available	not available	not available

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	Engineering	Treatment Plants	Total
2016	10	14	2	0	0	26
2017	12	15	3	0	0	30
2018	13	13	4	0	1	31
2019	17	19	5	0	1	42
2020	17	21	6	0	1	45
2021	25	25	8	0	2	60
2022	29	36	10	0	4	79
2023	45	45	12	0	6	108
2024	54	49	14	12	9	138
2025	52	57	16	16	8	149

Source: Mustang Special Utility District

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

Table 11

Function	FISCAL YEAR				
	2016	2017	2018	2019	2020
Water/Wastewater					
Land	\$ 486,546	\$ 1,488,076	\$ 1,488,076	\$ 1,488,076	\$ 1,488,076
Construction in Progress	-	-	-	11,111,958	3,049,561
Water / Wastewater Systems	27,660,913	40,520,301	59,469,395	99,451,467	122,628,120
Buildings and Structures	915,359	904,138	862,634	3,029,638	3,378,157
Vehicles & Equipment	913,233	916,176	786,680	755,792	1,177,682
Intangible Assets		15,480,246	22,209,412	35,689,513	33,531,794
Total Water/Wastewater	29,976,051	59,308,937	84,816,197	151,526,444	165,253,390

Function	FISCAL YEAR				
	2021	2022	2023	2024	2025
Water/Wastewater					
Land	\$ 1,488,076	\$ 2,843,275	\$ 2,843,275	\$ 2,873,275	\$ 2,873,275
Construction in Progress	8,941,868	22,465,574	36,523,030	22,660,103	50,506,565
Water / Wastewater Systems	145,611,835	172,188,104	217,954,516	278,462,091	327,440,620
Buildings and Structures	3,223,112	3,023,649	6,648,335	22,973,348	21,997,267
Vehicles & Equipment	1,685,195	2,252,644	3,948,861	6,215,335	7,836,850
Intangible Assets	52,027,044	49,632,039	46,282,335	42,931,864	39,609,207
Total Water/Wastewater	212,977,130	252,405,286	314,200,352	376,116,016	450,263,784

Notes: Balances presented are net of accumulated depreciation.



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

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- TSI-1 Services and Rates
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- TSI-8 Board Members, Key Personnel, and Consultants

**Mustang Special Utility District
TSI-1. Services and Rates
Fiscal Year Ending September 30, 2025**

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	\$ 32.22	\$ -	N	\$ 3.15	0 - 3,000
				\$ 4.42	3,001 - 9,000
				\$ 5.51	9,001 - 15,000
				\$ 6.71	15,001 - 23,000
				\$ 10.27	23,001 - 31,000
				\$ 13.09	31,001 - 40,000
			\$ 18.33	40,001 - unlimited	
Wastewater	\$ 59.18	\$ -	Y		0 - 8,000
	\$ 66.00	\$ -	Y		8,001 to unlimited

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$73.70 Wastewater \$66.00

Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	0	0	x 1.0	0
<= 3/4"	37051	36620	x 1.0	36620
1"	390	386	x 2.5	965
1 1/2"	98	98	x 5.0	490
2"	250	250	x 8.0	2000
3"	147	147	x 15.0	2205
4"	30	30	x 25.0	750
6"	16	16	x 50.0	800
8"	8	8	x 80.0	640
Water Total	37990	37555		44470
Wastewater	30435	30053	x 1.0	30053

3. Total Water Consumption during the Fiscal Year

Gallons pumped into system: 4,573,319,429
Gallons billed to customers: 4,031,209,659
Water Accountability Ratio: 88.15%

4. The District does not levy Standby Fees.

5. Location of District.

County(ies) in which District is located: Denton, Collin, Grayson

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, Gunter, Van Alstyne

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, Gunter, Van Alstyne

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, 2025**

Personnel Expenditures (including benefits)*	<u>13,995,749</u>
Professional Fees:	
Auditing	25,000
Legal	<u>118,584</u>
Engineering	<u>1,181,470</u>
Financial Advisor/Other Advisor	<u>638,120</u>
Purchased Services for Resale:	
Bulk Water and Wastewater Service Purchases	<u>17,428,670</u>
Contracted Services:	
Bookkeeping	-
General Manager	-
Appraisal District	-
Tax Collector	-
Other Contracted Services	-
Utilities	<u>1,952,618</u>
Repairs and Maintenance	<u>3,618,987</u>
Administrative Expenditures:	
Directors Fees	-
Office Supplies	<u>248,710</u>
Insurance	<u>462,050</u>
Other Administrative Expenditures	<u>2,120,926</u>
Capital Outlay:	
Capitalized Assets	105,055,579
Expenditures not Capitalized	<u>-</u>
Tap Connection Expenditures	<u>4,960,739</u>
Solid Waste Disposal	<u>700,515</u>
Fire Fighting	<u>-</u>
Parks and Recreation	<u>-</u>
Other Expenditures	<u>4,551,271</u>
Total Expenditures	<u><u>157,058,988</u></u>

* Number of persons employed by the District:
 Full Time 149
 Part Time -

**Mustang Special Utility District
 TSI-3. Temporary Investments
 Fiscal Year Ending September 30, 2025**

Investments	Carrying Value	WAM (days)	Credit Risk
Deposits (including petty cash)	63,244,184	0.44	Fully collate
Government Pools:			
TexSTAR	50,003,103	49	AAAm
LOGIC	34,782,100	54	AAAm
Texpool	1,200,277	44	AAAm
Texpool Prime	485,559	51	AAAm
Certificates of Deposit	2,589,539	5.20	FDIC insurec
Total Portfolio	152,304,762		
 Portfolio WAM (days)		 29.20	

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, 2025

Due During Fiscal Years Ending	Principal Due 09/01	Interest Due 03/01, 09/01	Total
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>\$ 1,070,000</u>	<u>\$ 323,206</u>	<u>\$ 1,393,206</u>

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2016 - by Years
Fiscal Year Ending September 30, 2025

Due During Fiscal Years Ending	Principal Due 09/01	Interest Due 03/01, 09/01	Total
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>\$2,115,000</u>	<u>\$1,102,718</u>	<u>\$3,217,718</u>
	<u>\$2,115,000</u>	<u>\$1,102,718</u>	<u>\$3,217,718</u>

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2016A - by Years
Fiscal Year Ending September 30, 2025

Due During Fiscal Years Ending	Principal Due 09/01	Interest Due 03/01, 09/01	Total
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	-	-	-
	<u>\$8,668,448</u>	<u>\$3,731,831</u>	<u>\$12,400,279</u>

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2017 - by Years
Fiscal Year Ending September 30, 2025

Due During Fiscal Years Ending	Principal Due 09/01	Interest Due 03/01, 09/01	Total
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>\$1,015,000</u>	<u>\$82,300</u>	<u>\$1,097,300</u>

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2017B - by Years
Fiscal Year Ending September 30, 2025

Due During Fiscal Years Ending	Principal Due 09/01	Interest Due 03/01, 09/01	Total
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>\$2,760,000</u>	<u>\$758,940</u>	<u>\$3,518,940</u>

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2018A - by Years
Fiscal Year Ending September 30, 2025

Due During Fiscal Years Ending	Principal Due 09/01	Interest Due 03/01, 09/01	Total
2026	505,000	585,113	1,090,113
2027	530,000	559,863	1,089,863
2028	555,000	533,363	1,088,363
2029	580,000	505,613	1,085,613
2030	610,000	476,613	1,086,613
2031	640,000	446,113	1,086,113
2032	675,000	414,113	1,089,113
2033	710,000	380,363	1,090,363
2034	745,000	344,863	1,089,863
2035	775,000	315,063	1,090,063
2036	765,000	284,063	1,049,063
2037	795,000	253,463	1,048,463
2038	825,000	221,663	1,046,663
2039	860,000	188,663	1,048,663
2040	895,000	154,263	1,049,263
2041	930,000	118,463	1,048,463
2042	965,000	81,263	1,046,263
2043	1,005,000	41,456	1,046,456
	<u>\$13,365,000</u>	<u>\$5,904,377</u>	<u>\$19,269,377</u>
	<u>\$13,365,000</u>	<u>\$5,904,377</u>	<u>\$19,269,377</u>

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2018B - by Years
Fiscal Year Ending September 30, 2025

Due During Fiscal Years Ending	Principal Due 09/01	Interest Due 03/01, 09/01	Total
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>\$950,000</u>	<u>\$1,061,487</u>	<u>\$2,011,487</u>

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2020 - by Years
Fiscal Year Ending September 30, 2025

Due During Fiscal Years Ending	Principal Due 09/01	Interest Due 03/01, 09/01	Total
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
	\$27,325,000	\$6,022,019	\$33,347,019

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2012 - by Years
Fiscal Year Ending September 30, 2025

Due During Fiscal Years Ending	Principal Due 09/01	Interest Due 03/01, 09/01	Total
2026	175,000	6,380	181,380
	<u>\$175,000</u>	<u>\$6,380</u>	<u>\$181,380</u>

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2010 Marilee - by Years
Fiscal Year Ending September 30, 2025

Due During Fiscal Years Ending	Principal Due 09/01	Interest Due 03/01, 09/01	Total
2026	48,600	6,002	54,602
2027	49,800	4,893	54,693
2028	51,000	3,717	54,717
2029	52,200	2,474	54,674
2030	47,400	1,176	48,576
	<hr/>	<hr/>	<hr/>
	<u>\$249,000</u>	<u>\$18,262</u>	<u>\$267,262</u>

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2010 Gunter - by Years
Fiscal Year Ending September 30, 2025

Due During Fiscal Years Ending	Principal Due 09/01	Interest Due 03/01, 09/01	Total
2026	24,300	3,001	27,301
2027	24,900	2,447	27,347
2028	25,500	1,858	27,358
2029	26,100	1,237	27,337
2030	23,700	588	24,288
	<u>\$124,500</u>	<u>\$9,131</u>	<u>\$133,631</u>

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2018 - by Years
Fiscal Year Ending September 30, 2025

Due During Fiscal Years Ending	Principal Due 09/01	Interest Due 03/01, 09/01	Total
2026	110,000	28,993	138,993
2027	110,000	27,387	137,387
2028	110,000	25,682	135,682
2029	115,000	23,878	138,878
2030	115,000	21,900	136,900
2031	120,000	19,853	139,853
2032	120,000	17,657	137,657
2033	120,000	15,389	135,389
2034	125,000	13,061	138,061
2035	125,000	10,586	135,586
2036	130,000	8,086	138,086
2037	130,000	5,460	135,460
2038	135,000	2,795	137,795
	<u>\$ 1,565,000</u>	<u>\$ 220,721</u>	<u>\$ 1,785,721</u>

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2018A - by Years
Fiscal Year Ending September 30, 2025

Due During Fiscal Years Ending	Principal Due 09/01	Interest Due 03/01, 09/01	Total
2026	65,000	73,692	138,692
2027	65,000	72,600	137,600
2028	70,000	71,449	141,449
2029	65,000	70,147	135,147
2030	70,000	68,880	138,880
2031	70,000	67,466	137,466
2032	70,000	66,017	136,017
2033	75,000	64,540	139,540
2034	75,000	62,897	137,897
2035	80,000	61,210	141,210
2036	80,000	56,370	136,370
2037	80,000	57,490	137,490
2038	80,000	55,570	135,570
2039	190,000	53,610	243,610
2040	190,000	48,917	238,917
2041	195,000	44,167	239,167
2042	200,000	39,233	239,233
2043	205,000	34,133	239,133
2044	210,000	28,885	238,885
2045	215,000	23,488	238,488
2046	225,000	17,941	242,941
2047	230,000	12,114	242,114
2048	235,000	6,134	241,134
	<u>\$ 3,040,000</u>	<u>\$ 1,156,943</u>	<u>\$ 4,196,943</u>

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2023 - by Years
Fiscal Year Ending September 30, 2025

Due During Fiscal Years Ending	Principal Due 09/01	Interest Due 03/01, 09/01	Total
2026	-	1,249,063	1,249,063
2027	535,000	1,249,063	1,784,063
2028	565,000	1,222,313	1,787,313
2029	590,000	1,194,063	1,784,063
2030	620,000	1,164,563	1,784,563
2031	650,000	1,133,563	1,783,563
2032	685,000	1,101,063	1,786,063
2033	720,000	1,066,813	1,786,813
2034	755,000	1,030,813	1,785,813
2035	795,000	993,063	1,788,063
2036	830,000	953,313	1,783,313
2037	875,000	911,813	1,786,813
2038	920,000	868,063	1,788,063
2039	955,000	831,263	1,786,263
2040	990,000	793,063	1,783,063
2041	1,030,000	753,463	1,783,463
2042	1,075,000	710,975	1,785,975
2043	1,120,000	666,631	1,786,631
2044	1,165,000	620,431	1,785,431
2045	1,215,000	570,919	1,785,919
2046	1,265,000	519,281	1,784,281
2047	1,320,000	465,519	1,785,519
2048	1,380,000	407,769	1,787,769
2049	1,440,000	347,394	1,787,394
2050	1,500,000	284,394	1,784,394
2051	1,565,000	218,769	1,783,769
2052	1,635,000	150,300	1,785,300
2053	1,705,000	76,725	1,781,725
	<u>\$ 27,900,000</u>	<u>\$ 21,554,465</u>	<u>\$ 49,454,465</u>

Mustang Special Utility District
TSI-5. Long-Term Debt Service Requirements
All Series - by Years
Fiscal Year Ending September 30, 2025

Due During Fiscal Years Ending	Principal Due 09/01	Interest Due 03/01, 09/01	Total
2026	3,025,900	3,011,658	6,037,558
2027	3,230,700	2,910,470	6,141,170
2028	3,350,500	2,797,346	6,147,846
2029	3,445,300	2,691,001	6,136,301
2030	3,546,100	2,581,587	6,127,687
2031	3,414,000	2,468,006	5,882,006
2032	3,463,000	2,357,620	5,820,620
2033	3,582,000	2,242,524	5,824,524
2034	3,701,000	2,123,278	5,824,278
2035	3,826,000	2,006,694	5,832,694
2036	3,896,000	1,883,026	5,779,026
2037	4,022,000	1,761,627	5,783,627
2038	4,158,000	1,633,044	5,791,044
2039	4,139,000	1,508,701	5,647,701
2040	4,260,000	1,385,361	5,645,361
2041	3,222,000	1,256,875	4,478,875
2042	3,334,000	1,146,631	4,480,631
2043	3,447,000	1,031,081	4,478,081
2044	2,524,000	911,650	3,435,650
2045	2,608,000	828,554	3,436,554
2046	2,696,000	742,821	3,438,821
2047	2,790,000	653,296	3,443,296
2048	2,725,000	558,869	3,283,869
2049	2,579,000	464,265	3,043,265
2050	2,664,000	372,682	3,036,682
2051	2,146,000	277,692	2,423,692
2052	2,190,448	192,199	2,382,647
2053	1,855,000	102,047	1,957,047
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
	\$90,321,948	\$41,952,778	\$132,274,726

Mustang Special Utility District
TSI-6. Change in Long-Term Bonded Debt
Fiscal Year Ending September 30, 2025

	Series 2014	Series 2016	Series 2016A	Series 2017	Series 2017B	Series 2018A	Series 2018B	Series 2020	Series 2023	Series 2012
Interest Rate	3.0% - 6.0%	2.88%	2.75%	3.00%	.18% - 2.37%	4.0% - 5.0%	5.22%	2% - 2.125%	3.2% to 4.375%	1.47%
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	2053	2026
Beginning Bonds Outstanding	1,130,000	2,154,000	8,880,448	1,380,000	2,860,000	13,845,000	960,000	28,570,000	27,900,000	340,000
Bonds Sold During the Fiscal Year	-	-	-	-	-	-	-	-	-	-
Bonds Retired During the Fiscal Year	60,000	39,000	212,000	365,000	100,000	480,000	10,000	1,245,000	-	165,000
Ending Bonds Outstanding	1,070,000	2,115,000	8,668,448	1,015,000	2,760,000	13,365,000	950,000	27,325,000	27,900,000	175,000

Interest Paid During the Fiscal Year \$3,292,194

Paying Agents Name and City		Series 2010	Series 2010	Series 2018	Series 2018A	Total
Series 2009	Bank of Texas NA, Dallas, TX					
Series 2014	Bank of Texas NA, Dallas, TX	Interest Rate	.075% to 2.480%	.075% to 2.480%	.160% to 2.07%	.089% to 2.610%
Series 2016	United States Department of Agriculture	Dates Interest Payable	Monthly	Monthly	Monthly	Monthly
Series 2016A	United States Department of Agriculture	Maturity Dates	2030	2030	2038	2048
Series 2017	Bank of Texas NA, Dallas, TX					
Series 2017B	Bank of Texas NA, Dallas, TX	Beginning Bonds Outstanding	148,200	296,400	1,670,000	3,105,000
Series 2018A	UMB Bank, Dallas, TX	Bonds Sold During the Fiscal Year	-	-	-	-
Series 2018B	UMB Bank, Dallas, TX	Bonds Retired During the Fiscal Year	23,700	47,400	105,000	65,000
Series 2023	UMB Bank, Dallas, TX	Ending Bonds Outstanding	124,500	249,000	1,565,000	3,040,000
Series 2020	UMB Bank, Dallas, TX					
Series 2012	Truist Government Finance					
Series 2010	Greater Texoma Utility Authority					
Series 2018	Greater Texoma Utility Authority					
Series 2018A	Greater Texoma Utility Authority					

Bond Authority:	Refunding Bonds	Revenue Bonds
Amount Authorized	\$0	\$107,931,600
Amount Issued	\$0	\$107,931,600
Remaining to be Issued	\$0	\$0

Debt Service Fund cash and temporary investments balances as of September 30, 2025: \$13,551,538
Average Annual Debt Service Payment (Principal and Interest) for remaining term of all debt: \$4,008,325

Mustang Special Utility District
TSI-7. Comparative Schedule of Revenues and Expenses - Enterprise Fund - Five Years Ended
Fiscal Year Ending September 30, 2025

	Amounts						Percent of Fund Total Revenue					
	2025	2024	2023	2022	2021	2020	2025	2024	2023	2022	2021	2020
Operating Revenues												
Water/wastewater sales	60,005,785	52,200,139	43,759,211	36,265,691	24,057,470	17,145,129	54.79%	59.63%	62.08%	62.70%	45.62%	43.57%
Customer charges/fees	38,756,880	32,093,015	22,919,534	21,050,261	26,315,808	17,457,720	35.39%	36.66%	32.52%	36.39%	49.90%	44.37%
Operating contracts	3,266,221	2,474,294	2,475,632	231,490	2,090,383	4,526,072	2.98%	2.83%	3.51%	0.40%	3.96%	11.50%
Miscellaneous revenue	7,485,052	776,967	1,330,529	292,633	272,130	217,761	6.83%	0.89%	1.89%	0.51%	0.52%	0.55%
Total operating Revenues	109,513,938	87,544,415	70,484,906	57,840,075	52,735,791	39,346,682	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Operating Expenses												
Personnel costs and benefits	13,995,749	11,788,296	8,037,434	5,833,605	4,639,357	3,765,423	12.78%	13.47%	11.40%	10.09%	8.80%	9.57%
Water/wastewater systems	29,110,151	26,169,545	21,449,669	17,747,669	14,491,449	10,465,651	26.58%	29.89%	30.43%	30.68%	27.48%	26.60%
Other operating costs	6,472,285	5,688,029	3,123,287	2,178,812	1,043,979	1,006,909	5.91%	6.50%	4.43%	3.77%	1.98%	2.56%
Professional and legal fees	1,963,174	1,319,474	700,365	1,173,851	369,021	406,740	1.79%	1.51%	0.99%	2.03%	0.70%	1.03%
Insurance	462,050	306,080	200,512	186,316	110,853	81,090	0.42%	0.35%	0.28%	0.32%	0.21%	0.21%
Amortization	3,322,656	3,348,232	3,322,656	3,299,067	2,597,143	2,157,720	3.03%	3.82%	4.71%	5.70%	4.92%	5.48%
Depreciation	20,063,635	15,973,185	12,559,031	10,299,832	8,535,020	6,942,668	18.32%	18.25%	17.82%	17.81%	16.18%	17.64%
Total operating expenses	75,389,700	64,592,841	49,392,954	40,719,152	31,786,822	24,826,201	68.84%	73.78%	70.08%	70.40%	60.28%	63.10%
Operating Income(Loss)	34,124,238	22,951,574	21,091,952	17,120,923	20,948,969	14,520,481	31.16%	26.22%	29.92%	29.60%	39.72%	36.90%
Non-Operating Revenues (Expenses)												
Investment income	4,778,099	4,856,241	3,080,204	540,671	230,752	449,771	4.36%	5.55%	4.37%	0.93%	0.44%	1.14%
Donation of federal surplus	37,251	-	46,645	226,595	319,443	-						
Gain (loss) on sale of assets	75,111	785,309	-	33,175	56,151	-	0.07%	0.90%	0.00%	0.06%	0.11%	0.00%
Interest expense	(3,292,194)	(2,983,345)	(2,211,389)	(2,166,682)	(1,997,304)	(1,645,283)	-3.01%	-3.41%	-3.14%	-3.75%	-3.79%	-4.18%
Bond issuance costs	-	(189,085)	-	-	(192,858)	-	0.00%	-0.22%	0.00%	0.00%	-0.37%	0.00%
Transfer of CCN	-	18,000,000	-	-	-	-	0.00%	20.56%	0.00%		0.00%	0.00%
Total non-operating revenue (expense)	1,598,267	20,469,120	915,460	(1,366,241)	(1,583,816)	(1,195,512)	1.43%	23.38%	1.23%	-2.75%	-3.61%	-3.04%
Net income (loss) before contributions	35,722,505	43,420,694	22,007,412	15,754,682	19,365,153	13,324,969	32.59%	49.60%	31.16%	26.85%	36.12%	33.87%
Capital Contributions												
Developer contributions	57,436,655	45,706,350	32,689,465	41,793,537	32,376,800	14,894,495	52.45%	52.21%	46.38%	72.26%	61.39%	37.85%
Total capital contributions	57,436,655	45,706,350	32,689,465	41,793,537	32,376,800	14,894,495	52.45%	52.21%	46.38%	72.26%	61.39%	37.85%
Change in net position	93,159,160	89,127,044	54,696,877	57,548,219	51,741,953	28,219,464	85.03%	101.81%	77.53%	99.10%	97.51%	71.72%

Mustang Special Utility District
TSI-8. Board Members, Key Personnel, and Consultants
Fiscal Year Ending September 30, 2025

Complete District Mailing Address: 7985 FM 2931, Aubrey, TX 76227
District Business Telephone Number 940-440-9561
Submission date of the most recent District Registration Form May 2017
(TWC Sections 36.054 and 49.054):
Limit on Fees of Office that a Director may receive during a fiscal year: zero
(Set by Board Resolution - TWC Section 49.060)

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

Michael Walker	Elected	2025-2028	-	-	President
Matt Gauntt	Elected	2025-2028	-	-	Vice-President
Kim Lehere	Elected	2023-2026	-	-	Secretary/Treasurer
Michael Skelton	Elected	2025-2028	-	-	Director
Ken Mitchell	Elected	2023-2026	-	-	Director
Angela Zarallo	Elected	2024-2027	-	-	Director
Jeff Stafford	Elected	2024-2027	-	-	Director, Investment Officer
Michael Bolton	Elected	2024-2027	-	-	Director
Mark Millar	Elected	2023-2026	-	-	Director

Key Administrative Personnel:

Chris Boyd	2/21/2007	-	1,421	General Manager
Heather Mize	3/20/2025	-	-	Director of Workforce Ops & Risk Mgmt
Corey Fischer	8/28/2025	-	-	Director of Finance
Joshua Young	8/28/2025	-	-	Director of Customer Support
Michael Kivlan	2/20/2025	-	-	Director of Operations
Helena Henretty	9/12/2016	-	-	Director of Regulatory Compliance
Mitchell Haug	3/6/2025	-	179	Director of Engineering and Development

Consultants:

Baker Moran Doggett Ma & Dobbs	2021	25,960	-	Attorney
Robert Harris	2014	50,213	-	Attorney
Gray Reed & McGraw	2022	34,347	-	Attorney
Kristen S Fancher	2024	28,810	-	Attorney
Mike Ward Accounting	2018	25,000	-	Auditor
Steger Bizzell	2009	4,648,557	-	Engineer
Dunaway Associates, LLC	2021	17,984	-	Engineer
Garver LLC	2024	43,340	-	Consulting
Link Safety LLC	2023	68,770	-	Safety Consulting
Elevare Strategies, LLC	2025	50,625	-	Consulting
Specialized Public Finance, Inc	2008	1,000	-	Financial Advisor
Valley View Consulting, LLC	2025	10,000	-	Consulting
Seismic Exchange, INC.	2025	20,797	-	Consulting
Hilltop Securities Asset Management, LLC	2025	1,200	-	Consulting
Provenance Engineering LLC	2025	38,000	-	Engineer

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, 2025, 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 20, 2026.

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,

Mike Ward Accounting & Financial Consulting, PLLC

Mike Ward Accounting & Financial Consulting, PLLC

Point, Texas

February 20, 2026