

**COUNTY LINE SPECIAL UTILITY DISTRICT**

**FINANCIAL STATEMENTS AND AUDITOR'S REPORT**

December 31, 2014

*WITH SUPPLEMENTARY INFORMATION*

Stephen W Cook



CERTIFIED PUBLIC ACCOUNTANT, PLLC

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# ANNUAL FILING AFFIDAVIT

STATE OF TEXAS }  
COUNTY OF HAYS }

I, Christopher Betz, of the County Line Special Utility District hereby swear, or affirm, that the District above has reviewed and approved at the meeting of the District's Board of Directors on the \_\_\_ day of \_\_\_\_\_, 2015 its annual audit report for the fiscal period ended December 31, 2014 and the copies of the annual audit report have been filed in the District's office, located at 131 South Camino Real, Umland, Texas 78640.

This affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of the Texas Water Code Section 49.194.

Date: \_\_\_\_\_, 2015 By: \_\_\_\_\_

Sworn to and subscribed to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_

My commission expires on: \_\_\_\_\_  
Notary Public in the State of Texas

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# **MANAGEMENT'S DISCUSSION & ANALYSIS**

# COUNTY LINE SPECIAL UTILITY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2014

### Using this Annual Report

Within this section of the County Line Special Utility District (the District) annual financial report, the District's management provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended December 31, 2014. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. This analysis should be read in conjunction with the basic financial statements that follow this section.

### OVERVIEW OF THE DISTRICT

County Line Special Utility District (the District) was created pursuant to the provision of Texas Water Code, Chapters 49 and 65 and Texas Administrative Code 293.11 and 293.12 to purchase, own, hold, lease and otherwise acquire sources of water supply; to build, operate and maintain facilities for the transportation of water; and to sell water and wastewater services to towns, cities, and other political subdivisions of this state, to private business entities and to individuals.

In order to provide the system's customers with a recognized political subdivision that would have the power needed to obtain alternative and more favorable method of financing for future improvements, County Line Water Supply Company became a Special Utility District. County Line Special Utility District was created on June 1, 2010, for financial reporting purposes.

### Financial Highlights

- Total assets increased \$839,615 to \$12,222,270.
- Total liabilities decreased \$227,674 to \$5,422,865.
- Total net assets increased \$1,067,289 to \$6,799,405.
- Total operating revenues increased \$392,265.
- Total operating expenses increased \$231,519.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) The Statement of Net Assets which include all of the District's assets and liabilities, and provides information about the nature and amounts of investment in resources and obligations to creditors; (2) The Statement of Revenues, Expenditures and Changes in Net Assets show the business-type activities of the district and provides information regarding income and expense ( both operating and non-operating) that affect the net assets; and (3) The Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the period using the direct method of reporting cash flows from operating, investing, and capital financing activities.

### Enterprise Funds

Enterprise funds (Proprietary fund) are used to report the same functions present as business-type activities. County Line SUD operates as an enterprise fund.

### Notes to the Financial Statements

Integral to the financial statements are the Notes to the Financial Statements. These notes provide additional information that is essential to a full understanding of the financial data provided in the basic

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2014

statements.

The District has prepared notes sufficient to provide the readers of these financial statements a clearer picture of the District's financial position and insight into the results of its operations. These notes comply with the standardized reporting requirements for districts by TCEQ and are in conformity with GAAP.

**Statement of Net Assets**

The statement of net assets for a district is similar to the balance sheet presented as a basic financial statement for private-sector companies. The statements of net assets include all of the district's assets and liabilities. A major function of the statement of net assets is to measure the ability of a District to meet its current and long-term obligations. The biggest difference between the statement of net assets and the private-sector balance sheet is in the reporting of the difference between total assets and total liabilities. In the balance sheet of a private-sector business, the difference between the total assets and total liabilities is a measure of the value of the business that the owners would realize if they sell their share of the business.

Instead of measuring the "owners' equity," state and local governments report the net value of "net assets" in these major categories:

- Restricted
- Temporarily Restricted
- Unrestricted
- Invested in Capital Assets, Net of Related Debt

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this section also presents certain required supplemental information by TCEQ in the Texas Supplemental Schedule section which may be beneficial to the reader.

**FINANCIAL ANALYSIS**

The following condensed Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets show a two year operating comparison of the District.

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2014

**Statement of Net Assets**

	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 4,584,488	\$ 3,720,425
Capital assets	<u>7,637,782</u>	<u>7,662,230</u>
<b>Total assets</b>	<b><u>12,222,270</u></b>	<b><u>11,382,655</u></b>
Current liabilities	1,157,546	1,092,955
Non-current liabilities outstanding	<u>4,265,319</u>	<u>4,557,584</u>
<b>Total liabilities</b>	<b><u>5,422,865</u></b>	<b><u>5,650,539</u></b>
Investment in capital asset, net	3,372,463	3,134,743
Temporarily Restricted	0	0
Unrestricted	<u>3,426,942</u>	<u>2,597,373</u>
<b>Total Net Assets</b>	<b><u>6,799,405</u></b>	<b><u>5,732,116</u></b>
Total Liabilities and Net Assets	<u>\$ 12,222,270</u>	<u>\$ 11,382,655</u>

Changes in the District's net assets can be determined by reviewing the following condensed Statement of Revenue, Expenses, and Net Assets for the two years ended December 31, 2014 and 2013.

**Statement of Revenues, Expenses and Changes in Net Assets**

	<u>2014</u>	<u>2013</u>
Revenues:		
Operating revenue	\$ 2,692,417	\$ 2,301,739
Non-operating revenue	<u>23,182</u>	<u>21,595</u>
<b>Total revenues</b>	<b><u>2,715,599</u></b>	<b><u>2,323,334</u></b>
Expenses:		
Operations	1,662,442	1,454,594
Administrative	<u>140,713</u>	<u>117,042</u>
<b>Total expenses</b>	<b><u>1,803,155</u></b>	<b><u>1,571,636</u></b>
Increase (Decrease) in Net Assets	912,444	751,698
Total Net Assets - Beginning of Year	5,732,116	4,980,418
Adjustments	<u>154,845</u>	<u>0</u>
<b>Total Net Assets - End of Year</b>	<b><u>\$ 6,799,405</u></b>	<b><u>\$ 5,732,116</u></b>

Revenues by source in fiscal year 2014 consisted of 64% of water revenues, 30% of new account fees.

**Capital Assets and Debt**

At December 31, 2014, the District had \$7,637,782 in total capital assets. Additional information on the District's capital assets can be found in Note 5. At the same time the District had outstanding debt of \$4,265,319. Of this amount, \$213,351 is considered to be current. Additional information on the District's outstanding debt may be found in Note 6.

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2014

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

There are currently no known or anticipated economic factors affecting next year's budget. No significant changes to the District's budget for 2015 are anticipated.

**CONTACTING THE DISTRICT'S MANAGEMENT**

This report is designed to provide our customers and creditors with a general overview of the district's finances and to show the district's accountability for the funds it receives. Questions and requests may be made by contacting the District's office at 131 So. Camino Real, Umland, Texas, 78640. (512-398-4748)



# Stephen W Cook



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## **Independent Auditor's Report**

Board of Directors  
County Line Special Utility District  
Uhland, Texas

I have audited the accompanying financial statements of the governmental activities and the business-type activities of the County Line Special Utility District (District) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the business-type activities of the County Line Special Utility District as of December 31, 2014, 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.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 7 and on pages 28 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 standard 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 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.

*Stephen W Cook, CPA*

Stephen W. Cook, CPA  
February 23, 2015

# **BASIC FINANCIAL STATEMENTS**

**COUNTY LINE SPECIAL UTILITY DISTRICT**

## STATEMENT OF NET ASSETS

December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 695,124	\$ 558,640
Investments	3,143,260	2,389,012
Water fees receivable (net)	189,607	179,679
Due from developers	540,907	538,900
Inventory	15,590	16,700
Prepaid assets	0	37,494
Total Current Assets	<u>4,584,488</u>	<u>3,720,425</u>
Capital Assets		
Land and easements	101,660	101,660
Water rights	1,874,390	1,874,390
SUD Conversion & legal fees (net of amortization)	132,459	136,388
Building, Plant and Equipment (net of depreciation)	<u>5,529,273</u>	<u>5,549,792</u>
Total Capital Assets	<u>7,637,782</u>	<u>7,662,230</u>
Total Assets	<u>\$ 12,222,270</u>	<u>\$ 11,382,655</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accrued benefits	\$ 0	\$ 10,494
Deferred revenues	561,569	538,900
Accrued interest payable	0	30,655
Customer deposits payable	382,486	317,200
Current portion of long-term debt	<u>213,351</u>	<u>195,706</u>
Total Current Liabilities	1,157,546	1,092,955
Notes payable, net of current portion	<u>4,265,319</u>	<u>4,557,584</u>
Total Liabilities	5,422,865	5,650,539
Net Assets		
Invested in Capital Assets, Net of Related Debt	3,372,463	3,134,743
Unrestricted	<u>3,426,942</u>	<u>2,597,373</u>
Total Net Assets	<u>6,799,405</u>	<u>5,732,116</u>
Total Liabilities and Net Assets	<u>\$ 12,222,270</u>	<u>\$ 11,382,655</u>

See Accompanying Notes to the Financial Statements and the Auditor's Report

**COUNTY LINE SPECIAL UTILITY DISTRICT**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND**

For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating Revenue	\$ 2,692,417	\$ 2,301,739
Operating Expenses	<u>1,662,442</u>	<u>1,454,594</u>
Net Operating Revenues (Expenses)	1,029,975	847,145
Nonoperating Revenues (Expenses)		
Interest income	5,356	3,607
Other income	17,826	17,988
Administrative expenses	<u>(140,713)</u>	<u>(117,042)</u>
Total Nonoperating Revenue (Expenses)	<u>(117,531)</u>	<u>(95,447)</u>
Change in Net Assets	912,444	751,698
Net Assets - Beginning	5,732,116	4,980,418
Reclasses (See Note 7)	<u>154,845</u>	<u>0</u>
Net Assets - Ending	<u>\$ 6,799,405</u>	<u>\$ 5,732,116</u>

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments received from customers	\$ 2,725,527	\$ 2,295,521
Payments to suppliers of goods and services	(1,675,734)	(1,349,495)
Payments of salaries	<u>200,360</u>	<u>184,018</u>
<b>Net cash provided by operating activities</b>	<u>1,250,153</u>	<u>1,130,044</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED</b>		
Principal payments on bonds and notes	(292,265)	(195,706)
Reclassification from prior periods	<u>154,844</u>	<u>0</u>
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(137,421)</u>	<u>(195,706)</u>
<b>CASH FLOWS FORM INVESTING ACTIVITY</b>		
Additions to property and equipment	<u>(222,000)</u>	<u>0</u>
<b>Net cash provided (used) by investing activities</b>	<u>(222,000)</u>	<u>0</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	890,732	934,339
Cash and equivalents - beginning of year	<u>2,947,652</u>	<u>2,013,313</u>
<b>Cash and equivalents - end of year</b>	<u><u>\$ 3,838,384</u></u>	<u><u>\$ 2,947,652</u></u>
<b>NET CASH PROVIDED BY OPERTING ACTIVITIES</b>		
<b>Change in net assets</b>	\$ 912,444	\$ 751,698
Depreciation and amortization	246,449	243,969
(Increase) decrease in accounts receivable	(9,928)	(14,436)
(Increase) decrease in inventory	1,110	2,960
(Increase) decrease in developer receivables	(2,007)	10,950
(Increase) decrease in other current assets	37,494	1,637
Increase (decrease) in accrued bond interest	(30,655)	3,908
Increase (decrease) in accounts payable and accrued liabilities	12,315	92,724
Increase (decrease) in customer deposits	65,286	24,909
Increase (decrease) in current portion debt	<u>17,645</u>	<u>11,725</u>
<b>Net cash provided (used) by operating activities</b>	<u><u>\$ 1,250,153</u></u>	<u><u>\$ 1,130,044</u></u>

See Accompanying Notes to the Financial Statements and the Auditor's Report

**NOTES TO THE FINANCIAL STATEMENTS**

# COUNTY LINE SPECIAL UTILITY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

### **NOTE 1 –REPORTING ENTITY**

County Line Special Utility District (the District) was created pursuant to the provision of Texas Water Code, Chapters 49 and 65 and Texas Administrative Code 293.11 and 293.12 to purchase, own, hold, lease and otherwise acquire sources of water supply; to build, operate and maintain facilities for the transportation of water; and to sell water and wastewater services to towns, cities, and other political subdivisions of this state, to private business entities and to individuals. County Line Water Supply Company was dissolved and all assets and liabilities and equity of that organization were transferred to the newly created County Line Special Utility District. This transfer took place on June 1, 2010, for financial reporting purposes.

The Board of Directors (Board), a seven member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to providing water services within the jurisdiction of the County Line Special Utility District. Members of the Board are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters.

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units in conjunction with the "Water District's Financial Management Guide" published by the Texas Commission on Environmental Quality (TCEQ). The accounting and reporting policies conform to those principles prescribed by the Governmental Accounting Standards Board (GASB) and those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*.

#### **A. Proprietary Funds**

Proprietary funds are those funds used to account for the District's ongoing organization and activities which are similar to those found in the business sector and are referred to as business type activities. The measurement focus is upon capital maintenance and upon determination of net position and changes in net position.

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 the proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges for services. Operating expenses for the enterprise fund include costs of sales, administrative expenses, and depreciation of capital assets. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. Additionally, the District would first use restricted, then committed, then assigned, and lastly unassigned amounts of unrestricted fund balances when expenditures are made.



## COUNTY LINE SPECIAL UTILITY DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

#### **B. Budgetary Information**

The District follows the procedures outlined below in establishing budgetary data reflected in the financial statements:

- Prior to the beginning of the fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- Prior to the start of the fiscal year, the budget is legally enacted through passage of an ordinance by the District.

#### **C. Operating and Non-operating Revenue and Expense Policy**

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operating activities. As business-type activities, the District's operating revenues are defined as the result of exchange transactions with those who purchase, use or directly benefit from the services provided by the District. Non-operating items include activities that have the characteristic on non-exchange transactions such as grants and contributions and other items that are defined as non-operating by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds Governmental Entities that Use Proprietary Fund Accounting*, and GASB 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. Transactions for which cash flows are reported as capital and related financing activities, non-capital financing activities, or investing activities are reported as non-operating revenues or non-operating expense utilizing the direct method.

#### **D. Cash and Temporary Investments (Cash Equivalents)**

The District's cash and temporary investments consist of cash on hand, amounts in demand deposits, and money market funds. The District classifies certificates of deposit with maturities greater than three months as investments.

#### **E. Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gain are recognized.

#### **F. Receivables and Payables**

All receivables and payables are reported at their gross value. The District uses the direct write-off method to account for bad debt associated with receivables. Payables are reported in the period the liability is incurred. The District believes that sufficient detail of receivable and payable balances are provided and therefore, provides no additional disclosure.

#### **G. Inventory and Prepaid Items**

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory. Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items.

# COUNTY LINE SPECIAL UTILITY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

### **H. Due From Developers/Deferred Revenues**

The District has adopted a policy regarding the development of currently unimproved lots by developers. The developer purchases the District's service at the prevailing rate at the date of the agreement. The developer then pays the District approximately one-half of the total fee at the time of contract execution. These revenues are prepaid in nature because no service has been rendered, and are, therefore, categorized as deferred revenues. These revenues are recognized into income as each lot is placed in service. The unpaid balance of the contract amount, at the time of the execution of the developer contract, is recognized as a receivable under the caption of "Due from developers".

### **I. Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Improvements which add substantial life are capitalized and are depreciated over their remaining useful lives using the straight-line method as follows:

	<b>Est. Depreciable Life (Yrs.)</b>
Distribution System	40-50
Van Trailer and Improvements	10-50
Machinery and Equipment	5-30
Fencing	20
Building	20
Furniture and Fixtures	3-10
Communication Equipment	10
Other depreciable assets	5-8

### **J. Amortization of SUD Conversion**

The District's membership voted in 2010 and approved the conversion from its then current status to a Special Utility District under Chapter 65 of the Texas Water Code. Section 65.014 permits a Special Utility District to file a resolution with the Commission requesting that a district be created. The application was completed and SUD conversion was achieved in June of 2010.

Accounting principles generally accepted in the United States of America require that the District capitalize the costs associated with these assets and amortize those costs over the life of the asset or loan, and not less than 60 months, respectively, rather than expensing the entire amount in the year acquired. The expense associated with this amortization appears in the basic financial statements as "Amortization."

# COUNTY LINE SPECIAL UTILITY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

### **K. Employee Benefits**

County Line Special Utility District provides vacation and sick leave for all qualifying employees. Employees are allowed to accumulate vacation leave, and it is payable if the employee terminates. Sick leave may also be accumulated; however, it is not payable upon termination. The Vacation and sick accrual schedules are as follows:

	<b>Year of Service</b>	<b>Annual Accrual</b>	<b>Carry Over Amount</b>
<b>Vacation</b>	1-3 Years	40 Hours	None
	4-10 Years	80 Hours	None
	Over 10 Years	120 Hours	None
<b>Sick</b>	All	48 Hours	160 Hours

### **L. Long-Term Obligations**

The District reports long-term debt as liabilities in the statement of net assets. Capitalized leases are deferred and amortized over the life of the lease based on the imputed interest rate and term of the leases.

### **M. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **N. Date of Management's Review**

Subsequent events were evaluated through February 23, 2014, which is the revised report date. There were no significant subsequent events.

### **O. Related Party Transactions**

The District policy regarding related party transactions requires all activities between the District and either Board members, staff or relatives to be disclosed and approved by the Board.

## **NOTE 3 – CASH, TEMPORARY INVESTMENTS and INVESTMENTS**

### **Cash Deposits**

The District's cash deposits at December 31, 2014 were entirely covered by the FDIC insurance or by pledged collateral held by the District's agent bank.

### **Investments**

The District is required by Government Code Chapter 2256, *The Public Funds Investment Act* (the "Act") to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) bid solicitation preferences for certificates of deposit and, (9) stated compliance with this Investment Policy.

This Act requires an annual audit of investment practices. Audit procedures in this area conducted as part of the audit of the basic financial statements disclosed that in the areas of investment practices,

**COUNTY LINE SPECIAL UTILITY DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

management reports, and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the district were in accordance with local policies.

The Act determines which investments are acceptable for the District. These may include, with certain restrictions; (1) obligations of the U.S. Treasury, certain U.S. agencies, the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) fully collateralized repurchase agreements with certain criteria, (6) bankers acceptances, (7) mutual funds, (8) investment pools, and (9) guaranteed investment contracts. The District policy authorizes all the State allowable investments. If additional types of securities are approved for investment by public funds by state statute, the District will have to amend its policy before the new investment types can be considered for investment by the District.

The District’s board believes that the District has complied in all material respects with the requirements of the Act and the District’s investment policies.

The District’s cash, temporary investments and investments are as follows:

<u>Institution</u>	<u>Type</u>	<u>Rate</u>	<u>Amounts</u>	<u>Interest Earned</u>	<u>Diversification Percentage</u>
<b>Cash and temporary investments:</b>					
First Lockhart National Bank	Ck	0.10%	\$ 695,124	\$ 430	18.11%
<b>Investments:</b>					
Ozona	CD	0.35%	102,145	356	2.66%
Ozona	CD	0.55%	101,772	368	2.65%
First Lockhart National Bank	CD	0.60%	102,371	309	2.67%
Logic Investments		0.01%	2,836,972	2,144	73.91%
			<u>3,143,260</u>	<u>3,177</u>	<u>81.89%</u>
			<u>\$ 3,838,384</u>	<u>\$ 3,607</u>	<u>100.00%</u>

Analysis of Specific Deposit and Investment Risks

GASB Statement 40 requires a determination as to whether the district was exposed to the following specific investment risks at year end and, if so, the reporting of certain related disclosures.

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year-end the District did not have any significant credit risk

*Custodial Credit Risk*

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralize with securities held by the pledging financial institution’s trust department or agent. At year-end the District had no exposure to custodial credit risk.

## COUNTY LINE SPECIAL UTILITY DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

#### *Concentration of Credit Risk*

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District's exposure to concentration of credit risk is shown in the table below as a percentage of each investment type. The District adopted Investment Policy establishes diversification as a major objective of the investment program and sets diversification limits for all authorized investment types which are monitored on at least a monthly basis. The diversification of the portfolio at year end is shown in the table above.

#### *Interest Rate Risk*

This is the risk that changes in interest rates will adversely affect the fair value of an investment. In order to limit interest and market rate risk from changes in interest rates, the District's adopted Investment Policy sets a maximum stated maturity limit of two years

#### *Foreign Currency Risk*

This is the risk that exchange rates will adversely affect the fair value of an investment. At year-end, the District had no exposure to foreign currency risks.

#### *Investment Accounting Policy*

The District's general policy is to report money market investments and short-term participating interest earning investment using at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "non-participating" means that the investment's value does not vary with market interest rate changes. Non-negotiable certificates of deposits are examples of non-participating interest-earning investment contracts.

#### *Public Funds Investment Pools*

Public funds investment pools in Texas (Pools) are established under the authority of the Inter-local Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds investment Act (Act), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower the AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) ,maintain the fair value of its underlying investment portfolio within one half of one percent of the value of its share.

The district's investment in Pools are reported at an amount determined by the fair value per share of the Pool's underlying portfolio, unless the Pool is 2a7-like Pool, in which case they are reported at share value. A 2a7-like Pool is one which is not registered with Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

#### **NOTE 4 – CAPITAL, RESTRICTED and TEMPORARILY RESTRICTED ASSETS**

As of December 31, 2014, the District held no restricted assets. With the conversion to a special utility district, restricted memberships became deposits and are recorded as a liability. The District also had unrestricted assets in the amount of \$3,426,942.

**COUNTY LINE SPECIAL UTILITY DISTRICT****NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2014

**NOTE 5 – RECEIVABLES**

Accounts receivable from members represent unpaid water usage. At December 31, 2014 the amount was \$189,607.

**Summary of Water Receivables and Usage**

Balance at 12/31/2013	Water Billing in 2014	Payments received in 2014	Balance at 12/31/2014
\$179,679	\$1,726,155	\$1,716,227	\$189,607

Water pumped	235,659,000	Gallons
Water sold	216,893,200	Gallons
Number of meters at year end	2574	

**NOTE 6 – CAPITAL ASSETS**

A summary of changes in capital assets for the year ended December 31, 2014, follows:

	<b>Balance 12-31-2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12-31-2014</b>
Capital assets not being depreciated				
Land and easements	\$ 101,660	\$	\$	\$ 101,660
Water rights	1,874,390			1,874,390
Total assets not being depreciated	<u>1,976,050</u>			<u>1,976,050</u>
Capital assets being depreciated/amortized				
SUD conversion & Legal Fees	157,181			157,181
System and equipment	4,674,965	221,999		4,896,964
Water plants	3,528,681			3,528,681
Building and improvements	117,174			117,174
Vehicles	57,520			57,520
Total capital assets being depreciated/amortized	<u>8,535,521</u>	<u>221,999</u>		<u>8,757,520</u>
Less accumulated depreciation/amortization	<u>2,849,341</u>	<u>246,447</u>		<u>3,095,788</u>
Total assets being depreciated/amortized, net	<u>5,686,180</u>	<u>468,446</u>		<u>5,661,732</u>
Total capital assets	<u>\$ 7,662,230</u>	<u>\$ 468,446</u>	<u>\$</u>	<u>\$ 7,637,782</u>

Depreciation and amortization expense for the year was \$246,447. Of this amount, \$238,806 was allocated to operating expenses and \$3,711 was allocated to administrative expenses. Amortization expense for the year was \$3,930.

**COUNTY LINE SPECIAL UTILITY DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2014

**NOTE 7 – LONG-TERM DEBT**

The District issued long-term debt instruments in order to acquire and/or construct major capital facilities for the water system. During the year ended December 31, 2014, the following changes occurred in long-term liabilities:

USDA Case #50-005-0742235829, loan number 91-01 dated May 30, 2002, original loan \$1,241,000, interest rate 5.0% per year with monthly payments of \$6,044.00, including interest, final payment due March 9, 2041.

	\$ 1,066,891
Less: current principal	<u>19,629</u>
Long-term debt	<u>\$ 1,047,262</u>

Future scheduled maturities of long-term debt are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years ending December 31:			
2015	19,629	52,899	72,528
2016	20,633	51,895	72,528
2017	21,689	50,839	72,528
2018	22,798	49,730	72,528
2019	23,965	48,563	72,528
Remainder	<u>958,177</u>	<u>583,043</u>	<u>1,541,220</u>
	<u>\$ 1,066,891</u>	<u>\$ 836,969</u>	<u>\$ 1,903,860</u>

**COUNTY LINE SPECIAL UTILITY DISTRICT****NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2014

Hays Caldwell WTP Series 2003 Bonds, dated May 2003, original loan \$899,600, variable interest rate, final payment due August 1, 2028

	\$ 643,589
Less: current principal	<u>32,423</u>
Long-term debt	<u><u>\$ 611,166</u></u>

Future scheduled maturities of long-term debt are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years ending December 31:			
2015	32,423	37,088	69,511
2016	34,672	35,349	70,021
2017	36,921	33,455	70,376
2018	39,170	31,401	70,571
2019	41,419	29,188	70,607
Remainder	<u>458,984</u>	<u>137,825</u>	<u>596,809</u>
	<u><u>\$ 643,589</u></u>	<u><u>\$ 304,306</u></u>	<u><u>\$ 947,895</u></u>

Hays Caldwell WTP Series 2005 Bonds, dated October 2005, original loan \$2,629,081, 6.44% interest rate, final payment due August 1, 2024

	\$ 1,781,208
Less: current principal	<u>138,688</u>
Long-term debt	<u><u>\$ 1,642,520</u></u>

Future scheduled maturities of long-term debt are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years ending December 31:			
2015	138,688	114,710	253,398
2016	148,622	105,779	254,401
2017	158,929	96,207	255,136
2018	168,863	85,972	254,835
2019	180,107	75,097	255,204
Remainder	<u>985,999</u>	<u>185,522</u>	<u>1,171,521</u>
	<u><u>\$ 1,781,208</u></u>	<u><u>\$ 663,287</u></u>	<u><u>\$ 2,444,495</u></u>



**COUNTY LINE SPECIAL UTILITY DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2014

San Marcos RTP Series 2008 Bonds, dated February 2008, original loan \$1,165,440, 5.14045% interest rate, final payment due August 1, 2038

	\$	986,982
Less: current principal		<u>22,611</u>
Long-term debt	\$	<u><u>964,371</u></u>

Future scheduled maturities of long-term debt are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years ending December 31:			
2015	22,611	50,736	73,347
2016	23,673	49,573	73,246
2017	24,432	48,357	72,789
2018	26,253	47,100	73,353
2019	28,074	45,751	73,825
Remainder	<u>861,939</u>	<u>496,867</u>	<u>1,358,806</u>
	<u>\$ 986,982</u>	<u>\$ 738,384</u>	<u>\$ 1,725,366</u>

The total amount of interest expense paid and accrued during the year was \$267,179.

**NOTE 8 – PRIOR PERIOD ADJUSTMENT**

An adjustment of \$154,844 was made to unrestricted net assets. The District changed the date of principal and interest expense recognition of the CRWA bond participation. The District now recognizes the bond principal and interest payment when they are made to CRWA rather than the bond payment date.

**NOTE 9 – RISK MANAGEMENT**

**A. General Liability**

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; personal injuries; and natural disasters. The District's risk management program encompasses various means of protecting the District against loss by obtaining property, casualty, and liability coverage through commercial insurance carriers and from participation in a risk pool.

The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage. District management is not aware of any pending or alleged claims for which expected liability would exceed the policy limits of present insurance coverage. The following table shows the District's coverage:

**COUNTY LINE SPECIAL UTILITY DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2014

<u>Type of Policy</u>	<u>Coverage Period</u>		<u>Coverage Amount</u>
	<u>Beginning</u>	<u>Ending</u>	
Workers' compensation	01-2014	12-2014	STATUTORY
Vehicle	01-2014	12-2014	\$1,000,000
Umbrella	01-2014	12-2014	\$4,300,000
Directors	01-2014	12-2014	\$4,000,000
Employee	01-2014	12-2014	\$100,000
General liability	01-2014	12-2014	\$2,000,000

**B. Workers' Compensation**

The District purchases workers' compensation insurance annually on the open market. Premiums are based on the estimated District payroll by risk factor and rates. The premiums are adjusted by the District's experience modifier. All loss contingencies, including claims incurred but not reported, if any, are recorded and accounted for in the financial statements.

**NOTE 10 – HCPUA CONTRACT**

In 2008, the Canyon Regional Water Authority (CRWA) purchased a 30.89% interest in a contract with the Hays Caldwell Public Utility Agency (HCPUA) for future water.

The future water comes from leases obtained by HCPUA for the Carrizo-Wilcox groundwater on a long-term basis. The cost of the project included the acquisition of raw water, purification of that water, and transportation of the water to the designated owners. The cost of the project as of January, 2014, was \$3,056,000 for the water acquisition. Purification and transportation charges have not been determined. The County Line Special Utility purchased 10% of CRWA's 30.89% interest in these waters. The purchase price, to date, for the 10% interest was \$305,600 at January, 2014. The terms of repayment have not been agreed upon as of the report date therefore the liability has not been included in the financial statements.

**COUNTY LINE SPECIAL UTILITY DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2014

**NOTE 11 – OFFICERS, DIRECTORS AND KEY PERSONNEL**

<u>Name</u>		<u>Position</u>	<u>Term Expires, May</u>
<b>Board of Directors:</b>			
Chris Betz	Elected	President	2018
John Anderson	Elected	V-President	2016
Annie Hatala	Elected	Sec/Trea	2018
William Ilse	Elected	Director	2017
Curtis Wells	Elected	Director	2016
Unfilled	Elected	Director	2017
Unfilled	Elected	Director	2017

**Key Personnel:**

Daniel Heideman	Manager
Doug Schnautz	Asst. Manager
James Woods	Operator
Susan Browning	Office Mgr.

## **SUPPLEMENTARY INFORMATION**

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**SUPPLEMENTARY INFORMATION - SCHEDULE ONE**  
**SCHEDULE OF EXPENSES - ACTUAL vs BUDGET**  
For the Year Ended December 31, 2014

	Operating		Administrative		Totals	
	Actual	Budget	Actual	Budget	Actual	Budget
Salaries	\$ 159,188	\$ 147,480	\$ 41,172	\$ 42,000	\$ 200,360	\$ 189,480
Payroll taxes	13,772	12,898	3,490	3,638	17,262	16,536
Benefits	33,054	0	8,264	8,000	41,318	8,000
CRWA expenses	626,629	581,637	0	0	626,629	581,637
Dues and fees	0	0	6,801	5,500	6,801	5,500
EAA water rights	20,079	24,480	0	0	20,079	24,480
Engineering expenses	0	6,000	0	0	0	6,000
Election	0	0	0	1,500	0	1,500
Insurance	18,315	38,454	0	0	18,315	38,454
Interest expense	267,449	413,262	0	0	267,449	413,262
Professional fees	0	0	43,767	7,950	43,767	7,950
Meeting expenses	0	0	816	600	816	600
Office supplies	0	0	5,775	18,000	5,775	18,000
Postage and freight	0	0	7,605	6,600	7,605	6,600
RM-distribution system-materials	124,508	84,000	0	0	124,508	84,000
RM-distribution system-labor	6,272	4,200	0	0	6,272	4,200
RM-plant-materials	1,863	1,800	0	0	1,863	1,800
RM-plant-labor	52,987	13,200	0	0	52,987	13,200
RM-plant-other	19,810	7,800	3,427	2,400	23,237	10,200
Stipend	0	0	8,806	10,000	8,806	10,000
TCEQ	13,271	12,684	0	0	13,271	12,684
Training and development	925	1,542	0	0	925	1,542
Telephone and communication	3,494	0	2,418	5,220	5,912	5,220
Utilities	38,946	34,800	731	1,637	39,677	36,437
Vehicle	12,685	12,750	0	0	12,685	12,750
Uniforms	2,377	1,920	0	0	2,377	1,920
Other expenses	8,010	7,800	0	0	8,010	7,800
Amortization	0	0	3,930	0	3,930	0
Depreciation	238,808	0	3,711	0	242,519	0
	<u>\$ 1,662,442</u>	<u>\$ 1,406,707</u>	<u>\$ 140,713</u>	<u>\$ 113,045</u>	<u>\$ 1,803,155</u>	<u>\$ 1,519,752</u>

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**SUPPLEMENTARY INFORMATION - SCHEDULE TWO**  
**COMPARATIVE STATEMENT OF EXPENSES**  
For the Years Ended December 31, 2014 and 2013

	2014			2013		
	Operations	Administrative	Total	Operations	Administrative	Total
Salaries	\$ 159,188	\$ 41,172	\$ 200,360	\$ 143,405	\$ 40,613	\$ 184,018
Payroll taxes	13,772	3,490	17,262	11,398	3,158	14,556
Benefits	33,054	8,264	41,318	10,010	16,647	26,657
CRWA expenses	626,629	0	626,629	563,438	0	563,438
Dues and fees	0	6,801	6,801	0	5,269	5,269
EAA water rights	20,079	0	20,079	17,827	0	17,827
Engineering expenses	0	0	0	(6,825)	0	(6,825)
Insurance	18,315	0	18,315	19,058	0	19,058
Interest expense	267,449		267,449	280,095	0	280,095
Professional fees	0	43,767	43,767	0	6,944	6,944
Meeting expenses	0	816	816	0	1,480	1,480
Office supplies	0	5,775	5,775	0	14,010	14,010
Postage and freight	0	7,605	7,605	0	6,644	6,644
RM-distribution system-materials	124,508	0	124,508	82,166	0	82,166
RM-distribution system-labor	6,272	0	6,272	3,455	0	3,455
RM-plant-materials	1,863	0	1,863	741	0	741
RM-plant-labor	52,987	0	52,987	13,017	0	13,017
RM-plant-other	19,810	3,427	23,237	7,345	2,949	10,294
Stipend	0	8,806	8,806	0	9,700	9,700
TCEQ	13,271	0	13,271	12,104	0	12,104
Training and development	925	0	925	1,542	0	1,542
Telephone and communication	3,494	2,418	5,912	2,518	2,400	4,918
Utilities	38,946	731	39,677	33,852	1,637	35,489
Vehicle	12,685	0	12,685	11,958	0	11,958
Uniforms	2,377	0	2,377	1,919	0	1,919
Other expenses	8,010	0	8,010	7,260	(67)	7,193
Amortization	0	3,930	3,930	0	3,930	3,930
Depreciation	238,808	3,711	242,519	238,311	1,728	240,039
	<u>\$ 1,662,442</u>	<u>\$ 140,713</u>	<u>\$ 1,803,155</u>	<u>\$ 1,454,594</u>	<u>\$ 117,042</u>	<u>\$ 1,571,636</u>

# **TEXAS SUPPLEMENTARY INFORMATION**

**COUNTY LINE SPECIAL UTILITY DISTRICT**

**TSI 1: SERVICES AND RATES**

For the Year Ended December 31, 2014

- 1. The District provides services for retail water.
- 2. Retail Service Providers
  - a. Retail Rates for a 5/8" meter (or equivalent)

	Minimum	Minimum	Flate Rate	Rate Per	Usage Levels
Water	\$35.00			\$3.00	0-10,000
				\$3.25	10,0001-15,000
				\$3.50	15,001-20,000
				\$3.75	20,001 +

District employs winter averaging for wastewater usage? No

Total charges per 10,000 gallons usage: \$65.00

- b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections
Unmetered	0	0
5/8"	2675	2559
3/4"		
1.0"	8	8
1.5"	1	1
2.0"	3	3
3.0"	0	0
4.0"	3	3
6.0"		
8.0"		
10.0"		
Total Water	<u>2690</u>	<u>2574</u>
Total Wastewater	<u>0</u>	<u>0</u>



**COUNTY LINE SPECIAL UTILITY DISTRICT**

**TSI 1: SERVICES AND RATES**

For the Year Ended December 31, 2014

3. Total Water Consumption during the twelve months of FY 2014

Gallons pumped into system	235,579,000
Less:	
Water losses	(16,885,800)
Internal uses	<u>(1,800,000)</u>
	<u>216,893,200</u>
Gallons billed to customers	<u><u>216,893,000</u></u>
 Water Accountability Ratio:	 92.068%

4. Standby Fees: N/A

5. Location of District:

County in which the District is located:	Hays, Caldwell
Cities in which the District is located:	Uhland, Kyle
What are the District's ETJ:	Uhland, Kyle, San Marcos
Are Board members appointed by an office outside the District:	No

**COUNTY LINE SPECIAL UTILITY DISTRICT****TSI 2: ENTERPRISE FUND EXPENSES**

For the Year Ended December 31, 2014

	<u>Operations</u>	<u>Administrative</u>	<u>Total</u>
Salaries	\$ 159,188	\$ 41,172	\$ 200,360
Payroll taxes	13,772	3,490	17,262
Benefits	33,054	8,264	41,318
CRWA expenses	626,629	0	626,629
Dues and fees	0	6,801	6,801
EAA water rights	20,079	0	20,079
Insurance	18,315	0	18,315
Interest expense	267,449	0	267,449
Professional fees	0	43,767	43,767
Meeting expenses	0	816	816
Office supplies	0	5,775	5,775
Postage and freight	0	7,605	7,605
RM-distribution system-materials	124,508	0	124,508
RM-distribution system-labor	6,272	0	6,272
RM-plant-materials	1,863	0	1,863
RM-plant-labor	52,987	0	52,987
RM-plant-other	19,810	3,427	23,237
Stipend	0	8,806	8,806
TCEQ	13,271	0	13,271
Training and development	925	0	925
Telephone and communication	3,494	2,418	5,912
Utilities	38,946	731	39,677
Vehicle	12,685	0	12,685
Uniforms	2,377	0	2,377
Other expenses	8,010	0	8,010
Amortization	0	3,930	3,930
Depreciation	238,808	3,711	242,519
	<u>\$ 1,662,442</u>	<u>\$ 140,713</u>	<u>\$ 1,803,155</u>

Number of employees: 4

**COUNTY LINE SPECIAL UTILITY DISTRICT**

**TSI 3: TEMPORARY INVESTMENTS**

For the Year Ended December 31, 2014

<u>Funds</u>	<u>Identification Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Inererst Receivable at End of Year</u>
Certificate of Deposit (ONB)	305317	0.35%	12/28/14	\$ 102,145	-
Certificate of Deposit (ONB)	305377	0.55%	12/29/14	101,772	-
Certificate of Deposit (LNB)	55228	0.60%	04/23/14	102,371	-
Investment Fund (Logic)	3800511001	0.01%	Open	<u>2,836,972</u>	-
				<u>\$ 3,143,260</u>	

**COUNTY LINE SPECIAL UTILITY DISTRICT**

**TSI 4: TAXES LEVIED AND RECEIVABLE**

For the Year Ended December 31, 2014

**Does Not Apply**

## COUNTY LINE SPECIAL UTILITY DISTRICT

TSI 5: CHANGES IN LONG-TERM BONDED DEBT (Page 1 of 2)

For the Year Ended December 31, 2014

### USDA

<u>Payment Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	19,629	52,899	72,528
2016	20,633	51,895	72,528
2017	21,689	50,839	72,528
2018	22,798	49,730	72,528
2019	23,965	48,563	72,528
Beyond	958,177	583,043	1,541,220
	<u>\$ 1,066,891</u>	<u>\$ 836,969</u>	<u>\$ 1,903,860</u>

USDA case 50-005-0742235829

Monthly payments = \$6,044.

Interest rate: 5.00%

Final payment: 03/09/41

### HAYS-CALDWELL WTP, SERIES 2003

<u>Payment Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	32,423	37,088	69,511
2016	34,672	35,349	70,021
2017	36,921	33,455	70,376
2018	39,170	31,401	70,571
2019	41,419	29,188	70,607
Beyond	458,984	137,825	596,809
	<u>\$ 643,589</u>	<u>\$ 304,306</u>	<u>\$ 947,895</u>

HAYS CALDWELL WTP, SERIES 2003 - \$899,600

Semi Annual Payments

Interest rate: variable

Final payment: 08/01/28

## COUNTY LINE SPECIAL UTILITY DISTRICT

TSI 5: CHANGES IN LONG-TERM BONDED DEBT (Page 2 of 2)

For the Year Ended December 31, 2013

### HAYS-CALDWELL WTP, SERIES 2005

<u>Payment Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	138,688	114,710	253,398
2016	148,622	105,779	254,401
2017	158,929	96,207	255,136
2018	168,863	85,972	254,835
2019	180,107	75,097	255,204
Beyond	985,999	185,522	1,171,521
	<u>\$ 1,781,208</u>	<u>\$ 663,287</u>	<u>\$ 2,444,495</u>

HAYS CALDWELL WTP, SERIES 2005 - \$2,629,081

Semi Annual Payments

Interest rate: 6.44%

Final payment: 08/01/24

### SAN MARCOS RTP, SERIES 2008

<u>Payment Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	22,611	50,736	73,347
2016	23,673	49,573	73,246
2017	24,432	48,357	72,789
2018	26,253	47,100	73,353
2019	28,074	45,751	73,825
Beyond	861,939	496,867	1,358,806
	<u>\$ 986,982</u>	<u>\$ 738,384</u>	<u>\$ 1,725,366</u>

SAN MARCOS WTP, SERIES 2008

Semi Annual Payments

Interest rate: 5.14%

Final payment: 08/01/38

**COUNTY LINE SPECIAL UTILITY DISTRICT**

**TSI 6: CHANGE IN LONG-TERM DEBT**

For the Year Ended December 31, 2013

	<u>USDA</u>	<u>HAYS CALDWELL WTP, Series 2003</u>	<u>HAYS CALDWELL WTP, Series 2005</u>	<u>SAN MARCOS RTP, series 2008</u>
Interest Rate	5.00%	4.89%	6.44%	5.15%
Days Interest Payable	0	0	0	0
Most Current Maturity Dates	3/9/2041	8/1/2028	8/1/2024	8/1/1938
Beginning Debt Outstanding	1,085,567	673,763	1,910,900	1,008,834
Bond Debt Retired	18,676	30,174	129,692	21,852
Ending Debt Outstanding	1,066,891	643,589	1,781,208	986,982
Interest Paid During the Fiscal Year	53,852	38,677	123,062	51,859
Paying Agent:				
USDA	X			
Canyon Regional Water Authority		X	X	X

Average annual debt service = \$462,293.

**COUNTY LINE SPECIAL UTILITY DISTRICT**

**TSI 7: COMPARATIVE SCHEDULE OF REVENUE AND EXPENDITURES**

**ENTERPRISE FUND - FIVE YEARS**

For the Years Ended December 31,

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Operating Revenue</b>					
Water sales (net of refunds)	\$ 1,721,056	\$ 1,673,786	\$ 1,579,426	\$ 1,623,910	\$ N/A
New account fees	815,686	439,448	273,571	211,705	
Installment fees	155,675	116,405	74,128	48,514	
Other incomes	<u>0</u>	<u>72,100</u>			
Total Operating Revenues	2,692,417	2,301,739	1,927,125	1,884,129	
<b>Operating Expenses</b>					
Salaries	159,188	143,405	147,290	107,078	
Payroll taxes	13,772	11,398	12,176	8,592	
Benefits	33,054	10,010	15,288	1,535	
CRWA expenses	626,629	563,438	533,517	591,327	
Dues and fees	0	0	5,007	3,627	
EAA water rights	20,079	17,827	21,305	11,365	
Engineering expenses	0	(6,825)	1,255	16,999	
Insurance	18,315	19,058	(180)	23,858	
RM-distribution system-materials	124,508	82,166	51,148	58,774	
RM-distribution system-labor	6,272	3,455	27,458	11,039	
RM-plant-materials	1,863	741	4,420	1,886	
RM-plant-labor	52,987	13,017	20,355	5,702	
RM-plant-other	19,810	7,345	14,373	8,999	
TCEQ	13,271	12,104	0	0	
Telephone	3,494	2,518	0	0	
Training and development	925	1,542	903	2,240	
Utilities	38,946	33,852	30,922	39,379	
Vehicle	12,685	11,958	13,049	12,853	
Uniforms	2,377	1,919	2,895	3,167	
Other expenses	8,010	7,260	11,131	244,718	
Depreciation/amortization	<u>238,808</u>	<u>238,311</u>	<u>234,290</u>	<u>8,383</u>	
Total Operating Expenses	1,394,993	1,174,499	1,146,602	1,161,521	
Net Operating Revenues (Expenses)	1,297,424	1,127,240	780,523	722,608	
<b>Nonoperating Revenues (Expenses)</b>					
Interest income	5,356	3,607	5,226	4,601	
Other income	17,826	17,988	21,645	22,018	
Administrative	(140,713)	(117,042)	(103,383)	(133,886)	
Interest expense	<u>(267,449)</u>	<u>(280,095)</u>	<u>(290,452)</u>	<u>(302,715)</u>	
Total Nonoperating Revenue (Expenses)	(384,980)	(375,542)	(366,964)	(409,982)	
<b>Change in Net Assets</b>	<u>\$ 912,444</u>	<u>\$ 751,698</u>	<u>\$ 413,559</u>	<u>\$ 312,626</u>	<u>\$ N/A</u>



**COUNTY LINE SPECIAL UTILITY DISTRICT**

**TSI 8: BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**

December 31, 2014

Complete District Mailing Address: 131 South Camino Real, Umland, Texas 778640

District Business Telephone Number: 512-398-4748

Submission Date of the most recent District Registration Form (TWC Section 36.054 abd 49.054: \_\_\_\_\_

Limit on Fees and Office that a Director may receive during the fiscal year: \$1,725

<u>Name</u>	<u>Position</u>	<u>Term Expires, May</u>	<u>Office Paid 2014</u>	<u>Expense Reimbursements 2014</u>
<b>Board of Directors:</b>				
Chris Betz	Elected President	2018	1725	0
John Anderson	Elected V-President	2016	981	0
Annie Hatala	Elected Sec/Trea	2018	1075	0
William Ilse	Elected Director	2017	1125	0
Curtis Wells	Elected Director	2016	1500	0
Unfilled	Elected Director	2017	0	0
Unfilled	Elected Director	2017	0	0

**Key Personnel:**

Daniel Heideman	Manager	57,962
Doug Schnautz	Asst. Manager	47,059
James Woods	Operator	44,521
Susan Browning	Office Mgr.	41,172

# **COMPLIANCE SECTION**



## **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  
County Line Special Utility District  
Uhland, Texas

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 County Line Special Utility District (District) which comprise the balance sheet as of December 31, 2014, fund balance, and cash flows for the year then ended and the related notes to the financial statements, and have issued my report thereon dated February 23, 2015.

### **Internal Control over Financial Reporting**

In planning and performing our 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 County Line Special Utility District's internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 the Report**

The purpose of this report is solely to describe the scope of my testing on 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 internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Stephen W Cook, CPA*

Stephen W. Cook, CPA  
February 23, 2015

# Stephen W Cook



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## **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

### **(Unqualified Opinion on Compliance; No Material Weaknesses or Significant Deficiencies in Internal Control over Compliance Identified)**

To the Board of Directors  
County Line Special Utility District  
Uhland, Texas

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

I have audited County Line Special Utility District (District) compliance requirement described in the U.S. Office of Management and Budget (OMB), Circular A-133, *Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended December 31, 2014. The District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and question costs.

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

The District's management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

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

My responsibility is to express an opinion on compliance for each of the District's major federal programs based on my audit of the applicable compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require me to plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe my audit provides a reasonable basis for my compliance opinion on the District's major programs. However, my audit does not provide a legal determination of the District's compliance.

#### **Opinion on the Major Federal Program**

In my opinion, the District complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended December 31, 2014.

#### **Report in Internal control Over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing my compliance audit, I considered the District's internal control over compliance with the types

requirements that could directly and materially effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB-Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Stephen W Cook, CPA*

Stephen W Cook, CPA, PLLC  
February 23, 2015

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended December 31, 2014

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditure</u>
U.S. Department of Agriculture	10.76	50-005-5829	\$ 72,528

**NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal loan activity of the County Line Special Utility District and is presented on the accrual basis of accounting. The information in this schedule is present in accordance with the requirements of OMB A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amount presented in this schedule may differ from amount presented in or used in the preparation of the basic financial statements.

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended December 31, 2014

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

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be material weakness?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be material weakness?	No
Type of Auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with A-133?	No

**Section II - Financial Statement Findings**

NONE

**Section III - Federal Award Findings and Questioned Costs**

NONE



**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-PRIOR YEAR**  
For the Year Ended December 31, 2014

**Section II - Financial Statement Findings**

NONE

**Section III - Federal Award Findings and Questioned Costs**

NONE

# Stephen W Cook



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## MANAGEMENT LETTER

To the Board of Directors  
County Line Special Utility District  
Uhland, Texas

In planning and performing my audit of the financial statements of the County Line Special Utility District for the year ended December 31, 2014, I considered the District's internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

During my audit, I did not become aware of any opportunities for strengthening internal controls and operating efficiency. This letter does not affect my report dated February 23, 2015, on the financial statements of County Line Special Utility District.

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

*Stephen W Cook, CPA*

Stephen W Cook, CPA, PLLC  
February 23, 2015